

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

AMENDMENT NO. 2 TO FORM S-1  
REGISTRATION STATEMENT  
Under THE SECURITIES ACT OF 1933

Exelixis, Inc.  
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	8731 (Primary Standard Industrial Classification Code Number)	04-3257395 (I.R.S. Employer Identification No.)
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260 Littlefield Avenue  
South San Francisco, CA 94080  
(650) 825-2200  
(Address, including zip code, and telephone number, including area code, of  
registrant's principal executive offices)

GEORGE A. SCANGOS  
President and Chief Executive Officer  
260 Littlefield Avenue  
South San Francisco, CA 94080  
(650) 825-2200  
(Name, address, including zip code, and telephone number, including area code,  
of agent for service)

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Approximate date of proposed sale to the public: As soon as practicable  
after the effective date of this registration statement as the underwriters  
shall determine.

If any of the securities being registered on this Form are to be offered on  
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of  
1933, as amended (the "Securities Act"), check the following box.

If this Form is filed to register additional securities for an offering  
pursuant to Rule 462(b) under the Securities Act, check the following box and  
list the Securities Act registration statement number of the earlier effective  
registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c)  
under the Securities Act, check the following box and list the Securities Act  
registration statement number of the earlier effective registration statement  
number for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d)

under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. [ ]

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CALCULATION OF REGISTRATION FEE  
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Title of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
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Common Stock, \$.001 par value.....	\$110,000,000	\$29,040
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- (1) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457 under the Securities Act of 1933.
- (2) \$26,400 of this filing fee previously paid with the initial filing on February 7, 2000.

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The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.  
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+++++  
+The information in this prospectus is not complete and may be changed. These +  
+securities may not be sold until the registration statement filed with the +  
+Securities and Exchange Commission is effective. This prospectus is not an +  
+offer to sell nor does it seek an offer to buy these securities in any +  
+jurisdiction where the offer or sale is not permitted. +  
+++++

Subject to Completion. Dated March 17, 2000.

9,100,000 Shares

[LOGO OF EXELIXIS]

Common Stock  
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This is an initial public offering of shares of common stock of Exelixis, Inc. All of the shares of common stock are being sold by Exelixis.

Prior to this offering, there has been no public market for our common stock. We have filed an application to qualify our common stock for quotation on the Nasdaq National Market under the symbol "EXEL." We expect the initial public offering price to be between \$10.00 and \$12.00 per share.

See "Risk Factors" beginning on page 6 to read about factors you should consider before buying shares of our common stock.

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Neither the Securities and Exchange Commission nor any other regulatory body

has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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	Per Share	Total
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Initial public offering price.....	\$	\$
Underwriting discount.....	\$	\$
Proceeds, before expenses, to Exelixis.....	\$	\$

To the extent that the underwriters sell more than 9,100,000 shares of common stock, the underwriters have the option to purchase up to an additional 1,365,000 shares from Exelixis at the initial public offering price less the underwriting discount.

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The underwriters expect to deliver the shares against payment in New York, New York on April , 2000.

Goldman, Sachs & Co.

Credit Suisse First Boston

SG Cowen

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Prospectus dated , 2000.

[Description of inside front cover graphics:  
 Pictures of Model Systems  
 and  
 an example of tumor  
 cell target identification]

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PROSPECTUS SUMMARY

You should read the following summary together with the more detailed information regarding us, the sale of our common stock in this offering, our financial statements and notes to those financial statements that appear elsewhere in this prospectus.

Our Business

Overview

We believe that we are the leader in the fields of model system genetics and comparative genomics. These fields involve the systematic study of simple organisms, such as fruit flies, nematodes, mice, zebrafish and simple plants, to rapidly and efficiently determine gene function and establish its commercial utility in humans and other commercially important biological systems. Recent advances in the genomics field have resulted in significant opportunities to develop novel products for the life sciences industries, which include companies in the pharmaceutical, agrochemical, agricultural, consumer products and healthcare businesses. Now that the sequencing of the human genome and the genomes of many other species is substantially complete, the challenge facing these industries is no longer the identification of genes, but understanding their function and determining the consequences of regulating or modulating those genes.

Our proprietary technologies provide a rapid, efficient and cost-effective way to move beyond DNA sequence data to understand the function of genes and the proteins that they encode. These technologies take advantage of the conservation of genes and gene function among diverse species. We exploit this conservation to perform genetic analyses quickly and systematically in a variety of simple model organisms. Through these analyses, we can characterize genes and related proteins whose modulation will lead to a desired outcome. We then utilize our expertise in comparative genomics to identify the corresponding genes in the commercially relevant organism, for example humans or plants. Our proprietary technologies consist of our expertise in genetics, genomics, bioinformatics, biology, assay development and chemistry as well as tools, reagents, databases, software and libraries of model organisms we have developed, such as a comprehensive library of fruit flies in which each fly has been bred to identify whether a particular gene in that organism is affected when another gene is manipulated or mated into that fly. We believe that our proprietary technologies will be commercially relevant to all industries whose products can be enhanced by an understanding of DNA or proteins, including the pharmaceutical, agrochemical, agricultural, diagnostic and biotechnology industries. We are conducting research in more than 12 different programs for these industries.

We have established collaborations with Bayer, Pharmacia & Upjohn and Bristol-Myers Squibb, as well as with U.S. government agencies and academic centers worldwide. Committed funding from our commercial collaborations totals over \$180 million. We intend to continue to establish strategic collaborations with leading companies in the life sciences industries. In addition, we invest our own funds in our own programs, and we have retained significant rights to the results of our research and to future applications of our technologies.

Our Technologies

We conduct our work primarily utilizing model system genetics, and we interpret and apply the data through our expertise in comparative genomics.

Model system genetics is a process that takes advantage of the short life cycle times, well-characterized biology, and ease of genetic manipulation in species like the fruit fly, *D. melanogaster*, and nematode worm, *C. elegans*. These attributes make it possible to scan the entire genome of these organisms for genes capable of leading to a desired outcome. For example,

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we can identify each gene in the model system that is capable of blocking the unregulated cell growth characteristic of cancer cells when targeted by a pharmaceutical, or each gene that will lead to the death of insect pests when targeted by an agrochemical. Comparative genomics involves the use of functional information from one biological system, such as a fruit fly or worm, across other biological systems, such as humans. We are a pioneer in the use of comparative genomics and use this approach to move from the genes of interest in our model systems directly to genes performing the same role or function in species for which products are to be developed, such as humans, plant pests, or plants. Together these technologies allow us to rapidly identify high quality product targets for our collaborative partners and for our internal programs focusing on areas such as cancer and animal health.

We believe that we have assembled an outstanding team of leading researchers in the fields of comparative genomics and model system genetics. The application of our technology infrastructure and expertise has resulted in a substantial increase in the speed, quality and scope of our analyses. Experiments that take a year or more to complete in complex systems can be carried out in one to two weeks in our simple model systems. Due to the scalability of our processes, we can produce superior results in a cost-effective manner because we do not have to repeat many or all of the original experiments. We have developed multiple fungal, nematode, insect, plant and vertebrate genetic systems. In addition, we have established technologies for the development of our own compounds by acquiring the assets of MetaXen, LLC, a privately-held biotechnology company that focused on molecular genetics, by licensing unique combinatorial chemistry technology from Bristol-Myers Squibb and by expanding our biological expertise internally.

To establish and protect our technologies as well as the output of our research programs, we rely on a combination of patents, copyrights and trade secrets. We have two issued U.S. patents relating to our model genetic systems and comparative genomics technologies and have submitted 49 U.S. and foreign patent applications. We have developed proprietary technologies for use in characterizing a network of pathways within a cell, and for identifying the optimal points in the network for therapeutic intervention. We have also identified many proprietary product targets.

#### Our Commercial Collaborations

We have established collaborations with Bayer, Pharmacia & Upjohn and Bristol-Myers Squibb. Our relationship with Bayer is focused on the discovery and development of novel insecticides and nematocides for crop protection. The initial collaboration was signed in May 1998. In January 2000, this relationship was substantially expanded and the term was extended for eight additional years.

Our five-year collaboration with Pharmacia & Upjohn was signed in February 1999. We are working exclusively with Pharmacia & Upjohn in the fields of Alzheimer's disease, Type II diabetes and associated complications of diabetes, obesity and other metabolism disorders. In October 1999, this collaboration was expanded to include mechanism of action, or physiological activity, research designed to identify the previously unidentified molecular targets of biologically-active compounds provided by Pharmacia & Upjohn.

In September 1999, we entered into a three-year collaboration with Bristol-Myers Squibb to identify the mechanism of action of compounds delivered to us by Bristol-Myers Squibb. We also entered into a non-exclusive cross-license of research technology.

We have received performance-based milestone payments from both our Bayer and Pharmacia & Upjohn collaborations, and we anticipate that we will receive substantial additional milestone

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payments in the future. We will receive royalty income from all of our collaborations should our research lead to marketed products.

#### Our Strategy

Our strategy has four major components:

- . We will continue to develop our technology platform to enhance our leadership in comparative genomics and model system genetics by investing significantly in research and development programs, entering into partnerships and acquiring new technology.
- . We will maximize our product opportunities by applying technologies we have developed for one market to address several multi-billion dollar markets within the life sciences industries, comprised of companies within the pharmaceutical, agrochemical, agricultural, diagnostics and biotechnology industries. We will continue to establish collaborations with leading companies in each of these industries.
- . We have retained and plan to continue to retain significant rights to develop our own products and use targets, assays and other technologies developed in each of our collaborations in our own proprietary programs.
- . We will continue to invest our funds in discovering and developing our own proprietary products. These potential products will be available for licensing to our collaborative partners or retained by us for further development and commercialization.

#### Company Information

Exelixis was incorporated in Delaware in 1994 as Exelixis Pharmaceuticals, Inc., and we changed our name to Exelixis, Inc. in February 2000. Our executive offices and laboratories are located at 260 Littlefield Avenue, South San Francisco, California 94080. Our telephone number is (650) 825-2200 and our internet address is [www.exelixis.com](http://www.exelixis.com).

Exelixis and the Exelixis logo are two of our trademarks and service marks. Other trademarks, trade names and service marks referred to in this prospectus are the property of their respective owners.

#### The Offering

Shares offered by Exelixis in this offering.....	9,100,000 shares
Shares outstanding after the offering.....	40,345,808 shares
Nasdaq National Market symbol.....	EXEL
Use of proceeds.....	For research and development activities, capital expenditures, financing possible acquisitions and investments in technology, working capital and other general corporate purposes. See "Use of Proceeds."

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The above information is based on the number of shares outstanding as of January 31, 2000 and excludes:

- . 3,469,711 shares of common stock issuable upon the exercise of outstanding options at a weighted average exercise price of \$0.50 per share;
- . 638,837 shares of common stock issuable upon exercise of outstanding warrants at a weighted average exercise price of \$1.73 per share;
- . 568,181 of common stock issuable upon conversion of an outstanding

promissory note (assuming an initial offering price of \$11.00);

- . 4,688,886 shares of common stock available for issuance or future grant under our stock option plans; and
- . 300,000 shares of common stock available for issuance under our employee stock purchase plan.

Except as otherwise noted, we have presented the information in this prospectus based on the following assumptions:

- . the underwriters do not exercise their over-allotment option;
- . the outstanding shares of preferred stock convert into 22,877,656 post-split shares of common stock upon the closing of this offering;
- . the filing of our amended and restated certificate of incorporation immediately following the closing of this offering;
- . the closing of an aggregate \$5 million equity investment by Dow Agrosiences LLC in a private placement of common stock made at a 25% premium to the initial public offering price concurrent with this offering in connection with a strategic collaboration; and
- . a 4-for-3 reverse common stock split to be completed prior to the closing of this offering.

#### Summary Financial Data

The following tables summarize our financial data. The pro forma as adjusted column of the balance sheet data reflects the conversion of our preferred stock into common stock, the sale of 363,636 shares of our common stock to Dow Agrosiences in the private placement and the sale of 9,100,000 shares of our common stock in this offering at an assumed initial public offering price of \$11.00 per share, after deducting the estimated underwriting discounts and offering expenses payable by us.

	Year Ended December 31,				
	1995	1996	1997	1998	1999
	(in thousands, except per share data)				
Statement of Operations Data:					
License revenues.....	\$ --	\$ --	\$ --	\$ 139	\$ 1,046
Contract revenues.....	--	--	--	2,133	9,464
Total revenues.....	--	--	--	2,272	10,510
Operating expenses:					
Research and development.....	1,890	4,120	8,223	12,096	21,653
General and administrative....	1,096	1,475	3,743	5,472	7,624
Total operating expenses.....	2,986	5,595	11,966	17,568	29,277
Loss from operations.....	(2,986)	(5,595)	(11,966)	(15,296)	(18,767)
Interest income (expense), net.	33	284	470	(50)	46
Loss before equity in net loss of affiliated company.....	(2,953)	(5,311)	(11,496)	(15,346)	(18,721)
Equity in net loss of affiliated company.....	--	--	--	(320)	--
Net loss.....	\$(2,953)	\$(5,311)	\$(11,496)	\$(15,666)	\$(18,721)
Basic and diluted net loss per share.....	\$ (2.60)	\$ (4.50)	\$ (8.76)	\$ (3.83)	\$ (3.47)
Shares used in computing basic					

and diluted net loss per share.....	1,137	1,180	1,312	4,088	5,389
Pro forma basic and diluted net loss per share.....					\$ (0.67)
Shares used in computing pro forma basic and diluted net loss per share.....					27,996

December 31, 1999	
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Actual	Pro Forma As Adjusted
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(in thousands)	

Balance Sheet Data:

Cash, cash equivalents and short-term investments.....	\$ 6,904	\$102,697
Working capital.....	(672)	95,121
Total assets.....	18,901	114,694
Long-term obligations, less current portion.....	11,132	11,132
Mandatorily redeemable convertible preferred stock.....	46,780	--
Deferred stock compensation.....	(14,167)	(14,167)
Accumulated deficit.....	(54,727)	(54,727)
Total stockholders' (deficit) equity.....	(49,605)	92,968

RISK FACTORS

An investment in our common stock is risky. You should carefully consider the risks described below, together with all of the other information included in this prospectus, before deciding whether to invest in our common stock. The occurrence of any of the following risks could harm our business, financial condition or results of operations. In such case, the trading price of our common stock could decline, and you may lose all or part of your investment. The risks and uncertainties described below are not exhaustive. Additional risks and uncertainties not presently known to us, or that we currently consider immaterial, may also harm our business.

We have a history of net losses. We expect to continue to incur net losses, and we may not achieve or maintain profitability.

We have incurred net losses each year since our inception, including a net loss of approximately \$18.7 million for the year ended December 31, 1999. As of that date, we had an accumulated deficit of approximately \$54.7 million. We expect these losses to continue and anticipate negative cash flow for the foreseeable future. The size of these net losses will depend, in part, on the rate of growth, if any, in our license and contract revenues and on the level of our expenses. Our research and development expenditures and general and administrative costs have exceeded our revenues to date, and we expect to spend significant additional amounts to fund research and development in order to enhance our core technologies and undertake product development. As a result, we expect that our operating expenses will increase significantly in the near term and, consequently, we will need to generate significant additional revenues to achieve profitability. Even if we do increase our revenues and achieve profitability, we may not be able to sustain or increase profitability.

We are dependent on our collaborations with major companies. If we are unable to achieve milestones or develop products or are unable to renew or enter into new collaborations, our revenues may decrease and our activities may fail to lead to commercialized products.

Substantially all of our revenues to date have been derived from collaborative research and development agreements. Revenues from research and development collaborations depend upon continuation of the collaborations, the achievement of milestones and royalties derived from future products developed from our research. If we are unable to successfully achieve milestones or our



collaborators fail to develop successful products, we will not earn the revenues contemplated under such collaborative agreements. In addition, some of our collaborations are exclusive and preclude us from entering into additional collaborative arrangements with other parties in the area or field of exclusivity.

We currently have collaborative research agreements with Bayer, Pharmacia & Upjohn and Bristol-Myers Squibb. Our current collaborative agreement with Bayer is scheduled to expire in 2008, after which it will automatically be extended for one-year terms unless terminated by either party upon 12-month written notice. Our agreement permits Bayer to terminate our collaborative activities prior to 2008 upon the occurrence of specified conditions, such as the failure to agree on key strategic issues after a period of years or the acquisition of Exelixis by certain specified third parties. Similarly, our collaborative agreement with Pharmacia & Upjohn allows either party to terminate our research collaboration at the conclusion of its third year in 2002, at the conclusion of its fifth year in 2004, or any subsequent year. The Pharmacia & Upjohn agreement may also be terminated in the event of a conflict over material third-party intellectual property rights. Our collaborative agreement with Bristol-Myers Squibb expires in September 2002, unless terminated earlier by Bristol-Myers Squibb in the event that we fail to deliver specified gene targets prior to the first anniversary of our agreement. In addition, both our agreements with Bayer and Pharmacia & Upjohn are subject to termination at an earlier date if certain specified individuals are no longer employed by us

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and we are unable to find replacements acceptable to Bayer or Pharmacia & Upjohn, as the case may be. In the case of Pharmacia & Upjohn, the right is triggered if either of two specified individuals directly involved in the research program cease to be employed by us. In the case of Bayer, the right is triggered if two of four specified individuals, including members of our senior management and individuals directly involved in the research program, are terminated by us within six months of each other.

If these existing agreements are not renewed or if we are unable to enter into new collaborative agreements on commercially acceptable terms, our revenues and product development efforts may be adversely affected.

Conflicts with our collaborators could jeopardize the outcome of our collaborative agreements and our ability to commercialize products.

We intend to conduct proprietary research programs in specific disease and agricultural product areas that are not covered by our collaborative agreements. Our pursuit of opportunities in agricultural and pharmaceutical markets could, however, result in conflicts with our collaborators in the event that any of our collaborators takes the position that our internal activities overlap with those areas that are exclusive to our collaborative agreements, and we should be precluded from such internal activities. Moreover, disagreements with our collaborators could develop over rights to our intellectual property. In addition, our collaborative agreements may have provisions that give rise to disputes regarding the rights and obligations of the parties. Any conflict with our collaborators could lead to the termination of our collaborative agreements, delay collaborative activities, reduce our ability to renew agreements or obtain future collaboration agreements or result in litigation or arbitration and would negatively impact our relationship with existing collaborators.

We have limited or no control over the resources that our collaborators may choose to devote to our joint efforts. Our collaborators may breach or terminate their agreements with us or fail to perform their obligations thereunder. Further, our collaborators may elect not to develop products arising out of our collaborative arrangements or may fail to devote sufficient resources to the development, manufacture, market or sale of such products. Certain of our collaborators could also become our competitors in the future. If our collaborators develop competing products, preclude us from entering into collaborations with their competitors, fail to obtain necessary regulatory approvals, terminate their agreements with us prematurely or fail to devote sufficient resources to the development and commercialization of our products, our product development efforts could be delayed and may fail to lead to commercialized products.

We are deploying unproven technologies, and we may not be able to develop

commercially successful products.

You must evaluate us in light of the uncertainties and complexities affecting a biotechnology company. Our technologies are still in the early stages of development. Our research and operations thus far have allowed us to identify a number of product targets for use by our collaborators and our own internal development programs. We are not certain, however, of the commercial value of any of our current or future targets, and we may not be successful in expanding the scope of our research into new fields of pharmaceutical or pesticide research, or other agricultural applications such as trait enhancement. Significant research and development, financial resources and personnel will be required to capitalize on our technology, develop commercially viable products and obtain regulatory approval for such products.

We have no experience in developing, manufacturing and marketing products and may be unable to commercialize proprietary products.

Initially, we will rely on our collaborators to develop and commercialize products based on our research and development efforts. We have no experience in using the targets that we identify to develop our own proprietary products. In order for us to commercialize products, we would need to significantly enhance our capabilities with respect to product development, and establish

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manufacturing and marketing capabilities, either directly or through outsourcing or licensing arrangements. We may not be able to enter into such outsourcing or licensing agreements on commercially reasonable terms, or at all.

Since our technologies have many potential applications and we have limited resources, our focus on a particular area may result in our failure to capitalize on more profitable areas.

We have limited financial and managerial resources. This requires us to focus on product candidates in specific industries and forego opportunities with regard to other products and industries. For example, depending on our ability to allocate resources, a decision to concentrate on a particular agricultural program may mean that we will not have resources available to apply the same technology to a pharmaceutical project. While our technologies may permit us to work in both areas, resource commitments may require trade-offs resulting in delays in the development of certain programs or research areas, which may place us at a competitive disadvantage. Our decisions impacting resource allocation may not lead to the development of viable commercial products and may divert resources from more profitable market opportunities.

Our competitors may develop products and technologies that make ours obsolete.

The biotechnology industry is highly fragmented and is characterized by rapid technological change. In particular, the area of gene research is a rapidly evolving field. We face, and will continue to face, intense competition from large biotechnology and pharmaceutical companies, as well as academic research institutions, clinical reference laboratories and government agencies that are pursuing research activities similar to ours. Some of our competitors have entered into collaborations with leading companies within our target markets, including some of our existing collaborators. Our future success will depend on our ability to maintain a competitive position with respect to technological advances.

Any products that are developed through our technologies will compete in highly competitive markets. Further, our competitors may be more effective at using their technologies to develop commercial products. Many of the organizations competing with us have greater capital resources, larger research and development staffs and facilities, more experience in obtaining regulatory approvals, and more extensive product manufacturing and marketing capabilities. As a result, our competitors may be able to more easily develop technologies and products that would render our technologies and products, and those of our collaborators, obsolete and noncompetitive.

If we are unable to adequately protect our intellectual property, third parties may be able to use our technology, which could adversely affect our ability to compete in the market.

Our success will depend in part on our ability to obtain patents and maintain adequate protection of the intellectual property related to our technologies and products. The patent positions of biotechnology companies, including our patent position, are generally uncertain and involve complex legal and factual questions. We will be able to protect our intellectual property rights from unauthorized use by third parties only to the extent that our technologies are covered by valid and enforceable patents or are effectively maintained as trade secrets. The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the U.S., and many companies have encountered significant problems in protecting and defending such rights in foreign jurisdictions. We will apply for patents covering our technologies and products as and when we deem appropriate. However, these applications may be challenged or may fail to result in issued patents. Our existing patents and any future patents we obtain may not be sufficiently broad to prevent others from practicing our technologies or from developing competing products. Furthermore, others may independently develop similar or alternative technologies or design around our patents. In

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addition, our patents may be challenged, invalidated or fail to provide us with any competitive advantages.

We rely on trade secret protection for our confidential and proprietary information. We have taken security measures to protect our proprietary information and trade secrets, but these measures may not provide adequate protection. While we seek to protect our proprietary information by entering into confidentiality agreements with employees, collaborators and consultants, we cannot assure you that our proprietary information will not be disclosed, or that we can meaningfully protect our trade secrets. In addition, our competitors may independently develop substantially equivalent proprietary information or may otherwise gain access to our trade secrets.

Litigation or third party claims of intellectual property infringement could require us to spend substantial time and money and adversely affect our ability to develop and commercialize products.

Our commercial success depends in part on our ability to avoid infringing patents and proprietary rights of third parties, and not breaching any licenses that we have entered into with regard to our technologies. Other parties have filed, and in the future are likely to file, patent applications covering genes and gene fragments, techniques and methodologies relating to model systems, and products and technologies that we have developed or intend to develop. If patents covering technologies required by our operations are issued to others, we may have to rely on licenses from third parties, which may not be available on commercially reasonable terms, or at all.

Third parties may accuse us of employing their proprietary technology without authorization. In addition, third parties may obtain patents that relate to our technologies and claim that use of such technologies infringes these patents. Regardless of their merit, such claims could require us to incur substantial costs, including the diversion of management and technical personnel, in defending ourselves against any such claims or enforcing our patents. In the event that a successful claim of infringement is brought against us, we may be required to pay damages and obtain one or more licenses from third parties. We may not be able to obtain these licenses at a reasonable cost, or at all. Defense of any lawsuit or failure to obtain any of these licenses could adversely affect our ability to develop and commercialize products.

The loss of key personnel or the inability to attract and retain additional personnel could impair our ability to expand our operations.

We are highly dependent on the principal members of our management and scientific staff, the loss of whose services might adversely impact the achievement of our objectives and the continuation of existing collaborations. In addition, recruiting and retaining qualified scientific personnel to perform future research and development work will be critical to our success. We do not currently have sufficient executive management and technical personnel to fully execute our business plan. There is currently a shortage of skilled executives and employees with technical expertise, and this shortage is likely to continue. As a result, competition for skilled personnel is intense and turnover rates are high. Although we believe we will be successful in

attracting and retaining qualified personnel, competition for experienced scientists from numerous companies, academic and other research institutions may limit our ability to do so.

Our business operations will require additional expertise in specific industries and areas applicable to products identified and developed through our technologies. These activities will require the addition of new personnel, including management and technical personnel and the development of additional expertise by existing employees. The inability to attract such personnel or to develop this expertise could prevent us from expanding our operations in a timely manner or at all.

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Our collaborations with outside scientists may be subject to restriction and change.

We work with scientific advisors and collaborators at academic and other institutions who assist us in our research and development efforts. These scientists are not our employees and may have other commitments that would limit their availability to us. Although our scientific advisors and collaborators generally agree not to do competing work, if a conflict of interest between their work for us and their work for another entity arises, we may lose their services. In addition, although our scientific advisors and collaborators sign agreements not to disclose our confidential information, it is possible that valuable proprietary knowledge may become publicly known through them.

Our potential therapeutic products are subject to a lengthy and uncertain regulatory process that may not result in the necessary regulatory approvals, which could adversely affect our ability to commercialize products.

The Food and Drug Administration, or FDA, must approve any drug or biologic product before it can be marketed in the U.S. Any products resulting from our research and development efforts must also be approved by the regulatory agencies of foreign governments before the product can be sold outside the U.S. Before a new drug application or biologics license application can be filed with the FDA, the product candidate must undergo extensive clinical trials, which can take many years and may require substantial expenditures. The regulatory process also requires preclinical testing. Data obtained from preclinical and clinical activities are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. In addition, delays or rejections may be encountered based upon changes in regulatory policy for product approval during the period of product development and regulatory agency review. The clinical development and regulatory approval process is expensive and time consuming. Any failure to obtain regulatory approval could delay or prevent us from commercializing products.

Our efforts to date have been primarily limited to identifying targets. Significant research and development efforts will be necessary before any products resulting from such targets can be commercialized. If regulatory approval is granted to any of our products, this approval may impose limitations on the uses for which a product may be marketed. Further, once regulatory approval is obtained, a marketed product and its manufacturer are subject to continual review, and discovery of previously unknown problems with a product or manufacturer may result in restrictions and sanctions with respect to the product, manufacturer and relevant manufacturing facility, including withdrawal of the product from the market.

Social issues may limit the public acceptance of genetically engineered products, which could reduce demand for our products.

Although our technology is not dependent on genetic engineering, genetic engineering plays a prominent role in our approach to product development. For example, research efforts focusing on plant traits may involve either selective breeding or modification of existing genes in the plant under study. Public attitudes may be influenced by claims that genetically engineered products are unsafe for consumption or pose a danger to the environment. Such claims may prevent our genetically engineered products from gaining public acceptance. The commercial success of our future products will depend, in part, on public acceptance of the use of genetically engineered products including drugs and plant and animal products.

The subject of genetically modified organisms has received negative

publicity, which has aroused public debate. For example, certain countries in Europe are considering regulations that may ban products or require express labeling of products that contain genetic modifications or are "genetically modified." Adverse publicity has resulted in greater regulation internationally and trade restrictions on imports of genetically altered products. If similar action is taken in the U.S., genetic

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research and genetically engineered products could be subject to greater domestic regulation, including stricter labeling requirements. To date, our business has not been hampered by these activities. However, such publicity in the future may prevent any products resulting from our research from gaining market acceptance and reduce demand for our products.

Laws and regulations may reduce our ability to sell genetically engineered products that we or our collaborators develop in the future.

We or our collaborators may develop genetically engineered agricultural and animal products. The field testing, production and marketing of genetically engineered products are subject to regulation by federal, state, local and foreign governments. Regulatory agencies administering existing or future regulations or legislation may prevent us from producing and marketing genetically engineered products in a timely manner or under technically or commercially feasible conditions. In addition, regulatory action or private litigation could result in expenses, delays or other impediments to our product development programs and the commercialization of products.

The FDA has released a policy statement stating that it will apply the same regulatory standards to foods developed through genetic engineering as it applies to foods developed through traditional plant breeding. Genetically engineered food products will be subject to premarket review, however, if these products raise safety questions or are deemed to be food additives. Our products may be subject to lengthy FDA reviews and unfavorable FDA determinations if they raise questions regarding safety or our products are deemed to be food additives.

The FDA has also announced that it will not require genetically engineered agricultural products to be labeled as such, provided that these products are as safe and have the same nutritional characteristics as conventionally developed products. The FDA may reconsider or change its policies, and local or state authorities may enact labeling requirements, either of which could have a material adverse effect on our ability or the ability of our collaborators to develop and market products resulting from our efforts.

Difficulties we may encounter managing our growth may divert resources and limit our ability to successfully expand our operations.

We have experienced a period of rapid and substantial growth that has placed, and our anticipated growth in the future will continue to place, a strain on our administrative and operational infrastructure. The number of our employees increased from 102 at December 31, 1998 to 168 at December 31, 1999. Our revenues increased from \$2.3 million in 1998 to \$10.5 million in 1999. As our operations expand, we expect that we will need to manage additional relationships with various collaborative partners, suppliers and other third parties. Our ability to manage our operations and growth effectively requires us to continue to improve our operational, financial and management controls, reporting systems and procedures. We may not be able to successfully implement improvements to our management information and control systems in an efficient or timely manner and may discover deficiencies in existing systems and controls.

We will need additional capital in the future, which may not be available to us.

Our future capital requirements will be substantial, and will depend on many factors including:

- . payments received under collaborative agreements;
- . the progress and scope of our collaborative and independent research and development projects;

- . our need to develop manufacturing and marketing capabilities to commercialize products; and
- . the filing, prosecution and enforcement of patent claims.

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We anticipate that the net proceeds of this offering and interest earned thereon will enable us to maintain our currently planned operations for at least the next two years. Changes to our current operating plan may require us to consume available capital resources significantly sooner than we expect. We may be unable to raise sufficient additional capital when we need it, on favorable terms, or at all. If our capital resources are insufficient to meet future capital requirements, we will have to raise additional funds. The sale of equity or convertible debt securities in the future may be dilutive to our stockholders, and debt financing arrangements may require us to pledge certain assets and enter into covenants that would restrict our ability to incur further indebtedness. If we are unable to obtain adequate funds on reasonable terms, we may be required to curtail operations significantly or to obtain funds by entering into financing, supply or collaboration agreements on unattractive terms.

We use hazardous chemicals and radioactive and biological materials in our business. Any claims relating to improper handling, storage or disposal of these materials could be time consuming and costly.

Our research and development processes involve the controlled use of hazardous materials, including chemicals, radioactive and biological materials. Our operations produce hazardous waste products. We cannot eliminate the risk of accidental contamination or discharge and any resultant injury from these materials. Federal, state and local laws and regulations govern the use, manufacture, storage, handling and disposal of hazardous materials. We may be sued for any injury or contamination that results from our use or the use by third parties of these materials, and our liability may exceed our insurance coverage and our total assets. Compliance with environmental laws and regulations may be expensive, and current or future environmental regulations may impair our research, development and production efforts.

In addition, our collaborators may use hazardous materials in connection with our collaborative efforts. To our knowledge, their work is performed in accordance with applicable biosafety regulations. In the event of a lawsuit or investigation, however, we could be held responsible for any injury caused to persons or property by exposure to, or release of, these hazardous materials use by these parties. Further, we may be required to indemnify our collaborators against all damages and other liabilities arising out of our development activities or products produced in connection with these collaborations.

If product liability lawsuits are successfully brought against us, we could face substantial liabilities that exceed our resources.

We may be held liable if any product we or our collaborators develop causes injury or is found otherwise unsuitable during product testing, manufacturing, marketing or sale. Although we intend to obtain general liability and product liability insurance, this insurance may be prohibitively expensive, or may not fully cover our potential liabilities. Inability to obtain sufficient insurance coverage at an acceptable cost or to otherwise protect ourselves against potential product liability claims could prevent or inhibit the commercialization of products developed by us or our collaborators.

Healthcare reform and restrictions on reimbursements may limit our returns on pharmaceutical products that we or our collaborators may develop.

If we are successful in validating targets, products that we or our collaborators develop based on those targets will include pharmaceutical products. Our ability and that of our collaborators to commercialize such pharmaceutical products may depend, in part, on the extent to which reimbursement for the cost of these products will be available from government health administration authorities, private health insurers and other organizations. In the U.S., third-party payors are increasingly challenging the price of medical products and services. The trend towards managed health care in the U.S., legislative healthcare reforms and the growth of organizations such as health

maintenance organizations that may control or significantly influence the purchase of healthcare products and services, may result in lower prices for any products we or our collaborators may develop. Significant uncertainty exists as to the reimbursement status of newly approved health care products, and adequate third-party coverage may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in research and product development.

Our facilities are located near known earthquake fault zones, and the occurrence of an earthquake or other catastrophic disaster could cause damage to our facilities and equipment, which could require us to cease or curtail operation.

Given our location, our facilities are vulnerable to damage from earthquakes. We are also vulnerable to damage from other types of disasters, including fire, floods, power loss, communications failures and similar events. If any disaster were to occur, our ability to operate our business at our facilities would be seriously, or potentially completely, impaired. In addition, the unique nature of our research activities could cause significant delays in our programs and make it difficult for us to recover from a disaster. The insurance we maintain may not be adequate to cover our losses resulting from disasters or other business interruptions. Accordingly, an earthquake or other disaster could materially and adversely harm our ability to conduct business.

We expect that our quarterly results of operations will fluctuate, and this fluctuation could cause our stock price to decline, causing investor losses.

Our quarterly operating results have fluctuated in the past and are likely to fluctuate in the future. A number of factors, many of which we cannot control, could subject our operating results and stock price to volatility, including:

- . recognition of upfront licensing or other fees;
- . payments of non-refundable upfront or licensing fees to third parties;
- . acceptance of our technologies and platforms;
- . the success rate of our discovery efforts leading to milestones and royalties;
- . the introduction of new technologies or products by our competitors;
- . the timing and willingness of collaborators to commercialize our products;
- . our ability to enter into new collaborative relationships;
- . the termination or non-renewal of existing collaborations; and
- . general and industry-specific economic conditions that may affect our collaborators' research and development expenditures.

A large portion of our expenses, including expenses for facilities, equipment and personnel, are relatively fixed in the short term. In addition, we expect operating expenses to increase significantly during 2000. Accordingly, if our revenues decline or do not grow as anticipated due to the expiration of existing contracts, our failure to obtain new contracts, our inability to meet milestones or other factors, we may not be able to correspondingly reduce our operating expenses. Failure to achieve anticipated levels of revenues could therefore significantly harm our operating results for a particular fiscal period.

Due to the possibility of fluctuations in our revenues and expenses, we believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance. As a result, in some future quarters, our operating results may not meet the expectations of stock market analysts and investors, which could result in a decline in the price of our stock.

Our stock price may be extremely volatile, and you may not be able to resell your shares at or above the initial offering price.

Prior to this offering, there has been no public market for shares of our common stock. An active trading market may not develop or be sustained following completion of this offering. The initial public offering price for the shares will be determined by negotiations between us and representatives of the underwriters. This price may bear no relationship to the price at which our common stock will trade upon completion of this offering. The stock market has experienced significant price and volume fluctuations, and the market prices of technology companies, particularly biotechnology and genomics companies, have been highly volatile.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs and divert management's attention and resources, which could have a material and adverse effect on our business.

Future sales of our common stock may depress our stock price.

The market price of our common stock could decline as a result of sales of substantial amounts of our common stock in the public market after the closing of this offering, or even the perception that such sales could occur. There will be 38,600,097 shares of common stock outstanding immediately after this offering and the private placement to Dow Agrosiences, or 39,965,097 shares if the representatives of the underwriters exercise their over-allotment option in full. Of these shares, the following will be available for sale in the public market as follows:

- . 633,384 shares will be eligible for sale upon completion of this offering;
- . 4,856 shares will be eligible for sale 90 days from the completion of this offering;
- . 28,498,221 shares will be eligible for sale upon the expiration of lock-up agreements, beginning 180 days after the date of this prospectus;
- . 363,636 shares will be eligible for sale by Dow Agrosiences upon the expiration of a lock-up agreement in April 2002; and
- . 1,594,481 shares will be eligible for sale upon the exercise of vested options 180 days after the date of this prospectus.

Some of our existing stockholders can exert control over us, and may not make decisions that are in the best interests of all stockholders.

After this offering, our officers, directors and principal stockholders (stockholders holding more than 5% of our common stock) will together control approximately 38% of our outstanding common stock. As a result, these stockholders, acting together, would be able to exert significant influence over all matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. In addition, this concentration of ownership may delay or prevent a change in control of our company, even when a change may be in the best interests of our stockholders. In addition, the interests of these stockholders may not always coincide with our interests as a company or the interests of other stockholders. Accordingly, these stockholders could cause us to enter into transactions or agreements that you would not approve.

As a new investor, you will experience immediate and substantial dilution.

Investors purchasing shares of our common stock in this offering will pay more for their shares than the amount paid by existing stockholders who acquired shares prior to this offering. Accordingly, if you purchase common stock in this offering, you will incur immediate dilution in pro forma net tangible book value of approximately \$8.59 per share. If the holders of outstanding options or warrants exercise those options or warrants, you will incur further dilution. See "Dilution."



## USE OF PROCEEDS

We will receive net proceeds from the sale of the 9,100,000 shares of common stock in the public offering of approximately \$91,793,000 (\$105,756,950 if the underwriters' over-allotment option is exercised in full), assuming an initial public offering price of \$11.00 per share and after deducting the estimated underwriting discounts and our estimated offering expenses. In addition, we will receive \$5 million of additional proceeds if the private placement to Dow Agrosciences is consummated.

We intend to use the net proceeds of this offering for research and development activities, working capital and other general corporate purposes and capital expenditures. The amounts and timing of our actual expenditures will depend upon numerous factors, including the status of our product development and commercialization efforts, the amount of proceeds actually raised in this offering, the amount of cash generated by our operations, competition, and sales and marketing activities. We may also use a portion of the proceeds for the acquisition of, or investment in, companies, technologies or assets that complement our business. However, we have no present understandings, commitments or agreements to enter into any potential acquisitions or investments. The balance of the proceeds, as well as existing cash, will be used for general corporate purposes. Until the funds are used as described above, we intend to invest the net proceeds of this offering in short-term, interest-bearing securities.

The principal purposes of this offering are to increase our capitalization and financial flexibility, to provide a public market for our common stock and to facilitate access to public equity markets. As of the date of this prospectus, we cannot specify with certainty all of the particular uses for the net proceeds we will have upon completion of this offering. Accordingly, our management will have broad discretion to allocate the net proceeds from this offering.

## DIVIDEND POLICY

We have never declared or paid cash dividends on our capital stock. We currently intend to retain earnings, if any, to support the development of our business and do not anticipate paying cash dividends for the foreseeable future.

## CAPITALIZATION

The following table sets forth our capitalization as of December 31, 1999:

- . on an actual basis;
- . on a pro forma basis to reflect the automatic conversion of all of our preferred stock into an aggregate of 22,877,656 shares of common stock, which will occur upon the closing of this offering; and
- . on a pro forma as adjusted basis to reflect our receipt of the net proceeds from the sale of 9,100,000 shares of common stock in this offering, at an assumed initial public offering price of \$11.00 per share, after deducting the estimated underwriting discounts and offering expenses payable by us in this offering and assuming no exercise of the underwriters' over-allotment option, and the sale of 363,636 shares of common stock to Dow Agrosciences in the private placement.

December 31, 1999

Actual	Pro Forma As Adjusted
(in thousands, except share and per share amounts)	

Long-term obligations, less current portion.....	\$ 11,132	\$11,132	\$ 11,132
	-----	-----	-----
Mandatorily redeemable convertible preferred stock, \$0.001 par value; 35,000,000 shares authorized; 30,503,571 shares issued and outstanding, actual; none issued pro forma and pro forma as adjusted.....	46,780	--	--
	-----	-----	-----
Stockholders' (deficit) equity:			
Common stock, \$0.001 par value; 50,000,000 shares authorized, 6,258,805 shares issued and outstanding, actual; 50,000,000 shares authorized, 29,136,461 shares issued and outstanding, pro forma; and 100,000,000 shares authorized, 38,600,097 shares issued and outstanding pro forma as adjusted.....	6	29	39
Additional paid-in capital.....	19,523	66,280	162,063
Notes receivable from stockholders.....	(240)	(240)	(240)
Deferred stock compensation.....	(14,167)	(14,167)	(14,167)
Accumulated deficit.....	(54,727)	(54,727)	(54,727)
	-----	-----	-----
Total stockholders' (deficit) equity.....	(49,605)	(2,825)	92,968
	-----	-----	-----
Total capitalization.....	\$ 8,307	\$ 8,307	\$104,100
	=====	=====	=====

The number of shares of common stock to be outstanding after this offering is based on the number of shares outstanding as of January 31, 2000 and excludes:

- . 3,469,711 shares of common stock underlying options outstanding at a weighted average exercise price of \$0.50 per share;
- . 638,837 shares of common stock underlying warrants outstanding at a weighted average exercise price of \$1.73 per share;
- . 568,181 shares of common stock issuable upon conversion of an outstanding promissory note (assuming an initial offering price of \$11.00);
- . 4,688,886 shares of common stock available for issuance or future grant under our stock option plans; and
- . 300,000 shares of common stock available for issuance under our employee stock purchase plan.

See "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial statements and notes thereto included in this prospectus.

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#### DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock after this offering.

Our pro forma net tangible book value (deficit) at December 31, 1999 was \$(2.8) million, or \$(0.10) per share of common stock, after giving effect to the automatic conversion of all outstanding shares of our preferred stock into an aggregate of 22,877,656 shares of common stock, which will occur upon the closing of this offering. After giving effect to the sale of the 9,100,000 shares of common stock in this offering, at an assumed initial public offering price of \$11.00 per share, assuming that the underwriters' over-allotment option is not exercised, and after deducting the estimated underwriting discounts, commissions and estimated offering expenses, and the sale of the 363,636 shares of common stock to Dow Agrosiences in the private placement, our pro forma as adjusted net tangible book value at December 31, 1999 would be \$93 million, or \$2.41 per share.

Pro forma net tangible book value per share before the offering represents total tangible assets less total liabilities, divided by the pro forma number of shares of common stock outstanding at December 31, 1999. The offering will result in an immediate increase in the pro forma as adjusted net tangible book value of \$2.51 per share to existing stockholders and an immediate dilution in pro forma as adjusted net tangible book value of \$8.59 per share to new investors, or approximately 78% of the assumed initial public offering price of \$11.00 per share. Dilution is determined by subtracting pro forma as adjusted net tangible book value per share after the offering from the assumed initial public offering price of \$11.00 per share. The following table illustrates this per share dilution:

Assumed initial public offering price per share.....	\$11.00
Pro forma net tangible book value (deficit) per share at December 31, 1999.....	\$(0.10)
Increase per share attributable to this offering.....	2.51
	-----
Pro forma as adjusted net tangible book value per share after the public offering and the private placement.....	2.41
	-----
Dilution per share to new investors.....	\$ 8.59
	=====

The following table summarizes the total consideration paid to us and the average price paid per share by existing stockholders and new investors purchasing common stock in this offering. This information is presented on a pro forma as adjusted basis at December 31, 1999, after giving effect to the sale of the 9,100,000 shares of common stock in this offering at an assumed initial public offering price of \$11.00 per share, before deducting estimated underwriting discounts, commissions and estimated offering expenses and the 363,636 shares of common stock to Dow Agrosciences in the private placement.

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
(in thousands)					
Existing stockholders.....	29,136,461	75.5%	\$ 47,440	31.3%	\$ 1.63
New investors.....	9,463,636	24.5	104,100	68.7	11.00
	-----	-----	-----	-----	-----
Total.....	38,600,097	100.0%	\$151,540	100.0%	
	=====	=====	=====	=====	=====

These tables assume no exercise of the underwriters' over-allotment option, no conversion of a convertible promissory note in favor of Pharmacia & Upjohn and no exercise of stock options and warrants outstanding at December 31, 1999. Pharmacia & Upjohn made us an interest-free loan of

\$7.5 million that is evidenced by a promissory note. This promissory note must be converted into shares of our common stock during the two-year period following this offering at a price per share equal to 120% of the initial public offering price, the time of such conversion to be determined by Pharmacia & Upjohn. At January 31, 2000, there were 3,469,711 shares of common stock issuable upon exercise of outstanding stock options at a weighted average exercise price of \$0.50 per share and 638,837 shares of common stock issuable upon exercise of outstanding warrants at a weighted average exercise price of \$1.73 per share. If any of these options or warrants are exercised, there will be further dilution to new public investors.

## SELECTED FINANCIAL DATA

This section presents our historical financial data. You should read carefully the financial statements and the notes thereto included in this prospectus and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The statement of operations data for the years ended December 31, 1997, 1998 and 1999 and the balance sheet data as of December 31, 1998 and 1999 have been derived from our audited financial statements included elsewhere in this prospectus. The statement of operations data for the years ended December 31, 1995 and 1996 and the balance sheet data as of December 31, 1995, 1996 and 1997 have been derived from our audited financial statements that are not included in this prospectus. Historical results are not necessarily indicative of future results. See the Notes to Financial Statements for an explanation of the method used to determine the number of shares used in computing basic and diluted and pro forma basic and diluted net loss per share.

	Year Ended December 31,				
	1995	1996	1997	1998	1999
	(in thousands, except per share data)				
Statement of Operations Data:					
License revenues.....	\$ --	\$ --	\$ --	\$ 139	\$ 1,046
Contract revenues.....	--	--	--	2,133	9,464
Total revenues.....	--	--	--	2,272	10,510
Operating expenses:					
Research and development.....	1,890	4,120	8,223	12,096	21,653
General and administrative...	1,096	1,475	3,743	5,472	7,624
Total operating expenses.....	2,986	5,595	11,966	17,568	29,277
Loss from operations.....	(2,986)	(5,595)	(11,966)	(15,296)	(18,767)
Interest income (expense), net.....	33	284	470	(50)	46
Loss before equity in net loss of affiliated company.....	(2,953)	(5,311)	(11,496)	(15,346)	(18,721)
Equity in net loss of affiliated company.....	--	--	--	(320)	--
Net loss.....	\$ (2,953)	\$ (5,311)	\$ (11,496)	\$ (15,666)	\$ (18,721)
Basic and diluted net loss per share.....	\$ (2.60)	\$ (4.50)	\$ (8.76)	\$ (3.83)	\$ (3.47)
Shares used in computing basic and diluted net loss per share.....	1,137	1,180	1,312	4,088	5,389
Pro forma basic and diluted net loss per share.....					\$ (0.67)
Shares used in computing pro forma basic and diluted net loss per share.....					27,996

	December 31,				
	1995	1996	1997	1998	1999
	(in thousands)				
Balance Sheet Data:					
Cash, cash equivalents and short-term investments.....	\$ 345	\$ 8,086	\$ 9,715	\$ 2,058	\$ 6,904

Working capital.....	(57)	6,686	7,619	182	(672)
Total assets.....	1,224	9,747	15,349	8,981	18,901
Long-term obligations, less					
current portion.....	592	1,104	1,759	2,556	11,132
Mandatorily redeemable					
convertible preferred stock..	3,730	16,030	31,780	38,138	46,780
Deferred stock compensation...	(47)	(59)	(102)	(1,803)	(14,167)
Accumulated deficit.....	(2,953)	(8,844)	(20,340)	(36,006)	(54,727)
Total stockholders' (deficit)					
equity.....	166	(8,853)	(20,364)	(35,065)	(49,605)

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis contains forward-looking statements that are based upon current expectations. Forward-looking statements involve risks and uncertainties. Our actual results and the timing of events could differ materially from those anticipated in our forward-looking statements as a result of many factors, including those set forth under "Risk Factors" and elsewhere in this prospectus. You should read the following discussion and analysis in conjunction with the "Selected Financial Data" and the financial statements and notes thereto included in this prospectus.

Overview

Exelixis was founded in November 1994 and began operations in January 1995. Since that time, we have made significant investments in developing our capabilities in comparative genomics and model system genetics. Our proprietary technologies provide a rapid, efficient and cost-effective way to move beyond DNA sequence data to understand the function of genes and the proteins that they encode. We believe that our technologies are commercially applicable to all industries whose products can be enhanced by an understanding of DNA or proteins. To date, we have recognized revenues from research collaborations with large pharmaceutical and agrochemical companies. Our current collaborations are with Bayer, Pharmacia & Upjohn and Bristol-Myers Squibb. These agreements provide for committed funding of over \$180 million through January 2008, of which \$7.5 million in equity, \$7.5 million in the form of a convertible promissary note and approximately \$12.6 million in revenues have been recorded as of December 31, 1999. Additional revenues from these collaborations are anticipated from the attainment of research milestones and royalties from sales of our future products.

We have invested heavily in building our two core technologies, model system genetics and comparative genomics. These core technologies have enabled us to establish collaborations that contributed to revenue growth from zero in 1997 to \$10.5 million in 1999. Our total headcount increased from 78 employees at December 31, 1997 to 168 employees at December 31, 1999, of which 77% were engaged in research and development activities.

Since inception we have funded our operations primarily through private placements of preferred stock, revenues received from collaborative arrangements, equipment lease financings and other loan facilities.

Our sources of potential revenue for the next several years are likely to include upfront license and other fees, funded research payments under existing and possible future collaborative arrangements, milestone payments and royalties from our collaborators based on revenues received from any products commercialized under those agreements.

We have incurred operating losses in each of the last three years with net losses of approximately \$11.5 million in 1997, \$15.7 million in 1998 and \$18.7 million in 1999. As of December 31, 1999, we had an accumulated deficit of approximately \$54.7 million. Our losses have resulted principally from costs associated with research and development activities, investment in core technologies and general and administrative functions. As a result of planned expenditures for future research and development activities, we expect to incur additional operating losses for the foreseeable future.

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## Artemis Pharmaceuticals

In June 1998, we purchased a minority interest in Artemis Pharmaceuticals GmbH, a genetics company located in Cologne, Germany. We also entered into certain non-exclusive license agreements providing Artemis with access to our technologies. In September 1998, we entered into a five-year cooperation agreement with Artemis under which we agreed to share technology and business opportunities as they arise. While either party may terminate this agreement at any time, we believe that it provides us a significant opportunity to access complementary genetic research. We have no financial obligation or current intention to fund Artemis. We account for our investment in Artemis under the equity method of accounting.

## MetaXen Asset Acquisition

In July 1999, we acquired substantially all the assets of MetaXen, LLC, a biotechnology company focused on molecular genetics. In addition to paying cash consideration of \$0.9 million, we assumed a note payable relating to certain acquired assets with a principal balance of \$1.1 million. We also assumed responsibility for a facility sub-lease relating to the office and laboratory space occupied by MetaXen. See Note 5 of Notes to Financial Statements.

At the time of the acquisition, MetaXen had an existing research collaboration with Eli Lilly & Company. This agreement provided for sponsored research payments to be made to MetaXen. The scope of work under the agreement was completed by us in October 1999. Accordingly, we received and recognized revenues of approximately \$0.2 million in fulfillment of that arrangement.

## Revenue Recognition

License, research commitment and other non-refundable payments received in connection with research collaboration agreements are deferred and recognized on a straight-line basis over the relevant periods specified in the agreements, generally the research term. We recognize contract research revenues as services are performed in accordance with the terms of the agreements. Any amounts received in advance of performance are recorded as deferred revenue.

## Results of Operations

### Comparison of Fiscal Years Ended December 31, 1997, 1998 and 1999

#### Total Revenues

Total revenues were \$2.3 million for the year ended December 31, 1998, compared to \$10.5 million in 1999. License and contract revenues earned in 1998 were related to our collaboration with Bayer. During 1999, revenues of \$5.6 million and \$4.3 million were earned under our collaborations with Pharmacia & Upjohn and Bayer, respectively.

#### Research and Development Expenses

Research and development expenses consist primarily of salaries and other personnel-related expenses, facility costs, supplies and depreciation of facilities and laboratory equipment. Research and development expenses were \$8.2 million for the year ended December 31, 1997, compared to \$12.1 million in 1998 and \$21.7 million in 1999. The increases were due primarily to increased staffing and other personnel-related costs, including non-cash stock compensation expense, incurred to support new collaborative arrangements and our internal self-funded research efforts, including the acquisition of MetaXen. We expect to continue to devote substantial resources to research and development, and we expect that research and development expenses will continue to increase in absolute dollar amounts in the future.

#### General and Administrative Expenses

General and administrative expenses consist primarily of personnel costs to support our activities, facility costs and professional expenses, such as legal fees. General and administrative expenses were \$3.7 million for the year ended December 31, 1997, compared to \$5.5 million in 1998 and \$7.6 million in 1999. The increase in general and administrative expenses in 1999 compared to 1998 related primarily to increased legal expenses, non-cash stock compensation

expense and rent for facilities and lease expenses for equipment. The increase in general and administrative expense in 1998 compared to 1997 related primarily to California sales tax, salaries and legal expenses. We expect that our general and administrative expenses will increase in absolute dollar amounts in the future as we expand our business development, legal and accounting staff, add infrastructure and incur additional costs related to being a public company, including directors' and officers' insurance, investor relations programs and increased professional fees.

#### Deferred Stock Compensation

Deferred stock compensation for options granted to employees is the difference between the deemed value for financial reporting purposes of our common stock on the date such options were granted and their exercise price. Deferred stock compensation for options granted to consultants has been determined in accordance with Statement of Financial Accounting Standards No. 123 as the fair value of the equity instruments issued. Deferred stock compensation for options granted to consultants is periodically remeasured as the underlying options vest in accordance with Emerging Issues Task Force No. 96-18.

In connection with the grant of stock options to employees and consultants, we recorded deferred stock compensation of approximately \$0.1 million in the year ended December 31, 1997, compared to \$2.4 million in 1998 and \$15.9 million in 1999. These amounts were recorded as a component of stockholders' (deficit) equity and are being amortized as charges to operations over the vesting periods of the options. We recorded amortization of deferred stock compensation of approximately \$25,000 for the year ended December 31, 1997, compared to \$0.7 million in 1998 and \$3.5 million in 1999. For options granted through December 31, 1999, we expect to record additional amortization expense for deferred compensation as follows: \$7.6 million in 2000, \$3.9 million in 2001, \$2.0 million in 2002 and \$0.6 million in 2003. We will also record an additional \$6.3 million of deferred stock compensation related to options for 829,311 shares of common stock granted during January 2000. See Note 9 of Notes to Financial Statements.

#### Interest Income (Expense), Net

Interest income represents income earned on our cash, cash equivalents and short-term investments. Net interest income was \$0.5 million in 1997 and \$46,000 in 1999, and consisted of amounts earned on cash, cash equivalents and short-term investments, substantially offset by interest expense incurred on notes payable and capital lease obligations. Net interest expense of \$50,000 in 1998 resulted primarily from reduced interest income incurred on investments.

#### Equity in Net Loss of Affiliated Company

During the year ended December 31, 1998, we recorded a loss of \$0.3 million representing our share of the loss recorded by Artemis using the equity method of accounting. As this loss reduced our investment in and receivables from Artemis to zero, no subsequent loss amounts have been recorded in the statements of operations.

#### Income Taxes

We have incurred net operating losses since inception and, consequently, have not recorded any federal or state income taxes.

As of December 31, 1999, we had federal net operating loss carryforwards of approximately \$33.9 million. We also had federal research and development credit carryforwards of approximately \$2.1 million. If not utilized, the net operating loss and credit carryforwards expire at various dates beginning in 2005. Under the Internal Revenue Code of 1986, as amended, and similar state provisions, certain substantial changes in our ownership could result in an annual limitation on the amount of net operating loss and credit carryforwards that can be utilized in future years to offset future taxable income. Annual limitations may result in the expiration of net operating loss and credit carryforwards before they are used. See Note 10 of Notes to Financial Statements.

#### Liquidity and Capital Resources

Since inception, we have financed our operations primarily through private placements of preferred stock totaling \$46.8 million, loans, equipment lease financings and other loan facilities of \$10.9 million and revenues from collaborators of \$12.8 million. As of December 31, 1999, we had \$6.9 million in cash, cash equivalents and short-term investments and \$0.1 million available for future borrowings under an equipment financing line of credit.

Our operating activities used cash of \$10.8 million for the year ended December 31, 1997, compared to \$12.7 million in 1998 and \$7.3 million in 1999. Cash used in operating activities related primarily to funding net operating losses, partially offset by an increase in deferred revenue from collaborators and non-cash charges related to depreciation and amortization of deferred stock compensation.

Investing activities used cash of \$6.0 million for the year ended December 31, 1997, compared to \$0.5 million in 1998 and \$6.5 million in 1999. Investing activities consist primarily of purchases of property, equipment and short-term investments. We expect to continue to make significant investments in research and development and our administrative infrastructure, including the purchase of property and equipment to support our expanding operations.

Financing activities provided cash of \$16.4 million for the year ended December 31, 1997, compared to \$7.6 million in 1998 and \$17.1 million in 1999. These amounts consist primarily of proceeds from sales of preferred stock, net of issuance costs, and amounts received under various financing arrangements.

We believe that the net proceeds from this offering and the private placement, together with our current cash and cash equivalents, short-term investments and funding to be received from collaborators will be sufficient to satisfy our anticipated cash needs for at least the next two years. However, it is possible that we will seek additional financing within this timeframe. We may raise additional funds through public or private financing, collaborative relationships or other arrangements. We cannot assure you that additional funding, if sought, will be available or, even if available, on terms favorable to us. Further, any additional equity financing may be dilutive to stockholders, and debt financing, if available, may involve restrictive covenants. Our failure to raise capital when needed may harm our business and operating results.

#### Disclosure About Market Risk

Market risk represents the risk of loss that may impact our financial position, operating results or cash flows due to changes in U.S. interest rates. This exposure is directly related to our normal operating activities. Our cash, cash equivalents and short-term investments are invested with high quality issuers and are generally of a short-term nature. Interest rates payable on our notes and lease obligations are generally fixed. As a result, we do not believe that near-term changes in interest rates will have a material effect on our future results of operations.

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#### Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Financial Instruments and for Hedging Activities," which will be effective for our 2001 fiscal year. This statement establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. The statement also requires that changes in the derivative's fair value be recognized in earnings unless specific hedge accounting criteria are met. SFAS 133 is not anticipated to have a significant impact on our operating results or financial condition when adopted, since we currently do not engage in hedging activities.

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### BUSINESS

#### Overview



We believe that we are the leader in the fields of model system genetics and comparative genomics. These fields involve the systematic study of simple organisms, such as fruit flies, nematodes, mice, zebrafish and simple plants, to rapidly and efficiently determine gene function and establish its commercial utility in humans and other commercially important biological systems. Recent advances in the genomics field have resulted in significant opportunities to develop novel products for the life sciences industries, which include companies in the pharmaceutical, agrochemical, agricultural, consumer products and healthcare businesses. Now that the sequencing of the human genome and the genomes of many other species is substantially complete, the challenge facing these industries is no longer the identification of genes, but understanding their function and determining the consequences of regulating or modulating those genes.

Our proprietary technologies take advantage of the evolutionary conservation of genes and gene function among diverse species. We believe that our proprietary technologies will be commercially relevant to all industries whose products can be enhanced by an understanding of DNA or proteins, including the pharmaceutical, agrochemical, agricultural, diagnostic and biotechnology industries. We are conducting research in more than 12 different programs for these industries.

We have established collaborations with Bayer, Pharmacia & Upjohn and Bristol-Myers Squibb, as well as with U.S. government agencies and academic centers worldwide. Committed funding from our commercial collaborations totals over \$180 million. We intend to continue to establish strategic collaborations with leading companies in the life sciences industries. In addition, we invest our own funds in our own programs, and we have retained significant rights to the results of our research and to future applications of our technologies.

## Background

### The Genetic Cascade: DNA->RNA->Protein->Signal Transduction

The physical characteristics of all living things, or organisms, are determined by genetic information inherited from the preceding generation. This genetic information resides in the deoxyribonucleic acid, or DNA, found in the cells of all organisms. DNA is composed of four different chemical subunits called nucleotide bases that are strung together in a precise sequence. Encoded within this DNA sequence are distinct sets of instructions, or genes, that collectively serve as a blueprint for the functions of an organism. The DNA in a cell is divided into several segments called chromosomes. The complete set of chromosomes of an organism contains all of its genetic information, and is commonly referred to as the "genome" of that organism. The human genome is comprised of 23 pairs of chromosomes and over three billion nucleotide bases encoding in excess of 100,000 genes. Variations in DNA sequences between individuals contribute to the observable variation in physical traits, such as height, weight and eye color, predisposition towards disease and response to therapy.

The genetic cascade is the mechanism by which instructions encoded in each gene are carried out in the cell. In this process, the genetic information encoded in the DNA is copied into an intermediate molecular form referred to as messenger ribonucleic acid or mRNA. The information in mRNA is then translated by specialized cellular machinery into a specific protein. Proteins are made of 20 different building blocks called amino acids. Individual proteins vary in composition and order of their amino acids. The number and order of these amino acids are determined by the DNA sequence of the corresponding gene. It is estimated that while there are more than 100,000 human genes, an individual cell expresses no more than 10,000 different proteins at any one time. Thus, cells may be differentiated from one another by the identity and relative abundance of proteins found within the cells.

Basic cellular function is largely mediated by the action of proteins. This process generally involves interactions between proteins as well as other molecules within a cell. This is a dynamic process that responds to changes in both the internal and external cellular environments. Proteins have various roles in the cell such as structural building blocks, enzymes that catalyze reactions or receptors that sense the environment. Subsets of approximately 50 to 100 of these proteins act as functionally interconnected networks for the transmission of signals in and between cells. This process is known as signal transduction.

Alterations in signal transduction processes underlie many human diseases. Therefore, understanding these processes and the best points for intervention is key to the development of novel therapeutics. The ability to intervene in signal transduction is also important for agricultural purposes such as the development of novel pesticides or the enhancement of desirable traits in plants or animals. The challenge facing biological researchers is to understand the role of specific genes in signal transduction processes and to identify those genes whose modulation will result in a desired outcome.

#### Genomics Phase I: Genome Sequence

Recognition of the central role of DNA in disease coupled with advances in enabling technologies gave rise to the emergence of the field of genomics, or the study of human and other genomes. This led to an international effort known as the Human Genome Project, or the HGP. The first phase of the HGP has been focused primarily on determining the complete human DNA sequence and common variations in DNA sequences among individuals. The HGP also encompasses efforts dedicated to exploring the genomes of other organisms, including a number of bacterial, yeast, invertebrate and vertebrate species. This research has generated significant amounts of data, and the first working draft of the human genome sequence is expected later this year. The importance of the HGP effort has also attracted substantial private investment in related research, with several billion dollars already having been spent on these endeavors. To date, researchers have principally used large-scale processing tools to identify the sequences of small portions of the DNA, often without knowledge of the relevance of what they have discovered. They have identified the pieces of the human genetic puzzle without understanding the interrelationships between the different pieces. The majority of the human DNA sequence is now readily available in computerized databases, and has become an important commodity of biological research.

#### Genomics Phase II: Gene Function

The vast amounts of gene sequence data now available have created a critical mismatch between data generation and knowledge generation. As a result, genomics has recently moved into a second phase in which the elucidation of function has become the primary challenge for biologists. Function means the discovery of a gene's role in a cell based upon its assignment to, or relationship with, a particular signaling network and the predicted consequence of modulating its activity. Gene function cannot be directly inferred from DNA sequence, nor can it be derived from attributes such as sequence variation, similarities to other genes of known function or expression of encoded proteins. Rather, it requires the integration of these observations with a detailed understanding of how proteins interact with each other to form signaling networks. Thus, assignment of function with respect to a disease state or condition is a complex process requiring the application of new tools that are knowledge-based rather than process-oriented.

#### Rational Selection of Molecular Targets

The life sciences industries consist of pharmaceutical, agrochemical, agricultural, diagnostic and biotechnology companies. Many of the principal products of these industries were developed without knowledge of the specific protein or network affected, while others were developed against specific

proteins whose impact on a signal transduction network was uncertain. As a result, product development in these industries is costly, time consuming and inefficient and is characterized by high failure rates. Life sciences companies have turned to genomics technologies, primarily for DNA sequence information, to help address these problems with respect to the selection of molecular targets. Despite significant investment in genomics, there has not been appreciable improvement in the efficiency in selecting molecular targets. It is now clear that the rational selection of molecular targets requires knowledge about genes and their encoded proteins as well as their interaction with other components of signal transduction networks. Since the complete human sequence as well as the sequence of other commercially important genomes will soon be widely available, the competitive advantage for life sciences companies will become the capability to rapidly and accurately translate sequence information into knowledge about function.

## The Exelixis Solution

We believe that we have developed a faster and more efficient method to understand gene function and to select superior commercial product targets for the life sciences industries. Our technologies are scalable, cost-effective and enable us to industrialize the process of determining gene function by utilizing comparative genomics and model system genetics.

**Comparative Genomics.** We are a pioneer in the use of comparative genomics, an approach that applies functional information from one biological system across all other biological systems. Comparison of genomic sequence and gene function data from a variety of organisms has affirmed the basic principles of Charles Darwin's evolutionary theory that life has emerged from a common ancestor. This common origin is reflected not only in the high degree of conservation of genes between organisms but also in the role of genes in signaling networks. In many cases, the same proteins interacting in the same manner are involved in analogous processes in different species. The use of comparative genomics is analogous to comparative linguistics, where a language such as Latin can be used as a basis for understanding any of the Romance languages. Comparative genomics enables tests to be performed quickly in organisms with simple genomes such as the fruit fly or algae to predict and guide the analysis of gene function in organisms with complex genomes such as humans and crops.

**Model System Genetics.** We are also a leading model systems genetics company. Model system genetics serves as the experimental engine for the application of comparative genomics. We conduct systematic genetic experimentation of simple and well-understood organisms, such as worms, flies, yeasts and simple plant models, to identify the relationships among genes and signaling networks. Model systems have key advantages that result in speed and efficiency due to a number of characteristics. These include short life cycles that allow experiments to be completed significantly quicker than with more complicated organisms; genomes that can be easily manipulated to develop variants that, for example, mimic biochemical processes underlying disease; well-characterized biology that allows easy detection of changes through physical traits; and low cost of maintenance.

Our systematic research capabilities allow us to rapidly define gene function and select targets for the development of new products for the life sciences industries. Our unique approach provides a shortcut to understanding complex biological signaling networks. We have developed proprietary research tools, such as libraries of modified organisms, specialized reagents, databases and software, to facilitate this research. We believe that our systematic use and application of these proprietary technologies and tools provides us with a unique ability to quickly and cost-effectively address key drug and agricultural product development questions.

### Our Comparative Genomics and Model System Genetics Technologies

We conduct our work primarily utilizing model system genetics, and we interpret and apply the data through our expertise in comparative genomics. We also have significant expertise in human

genetic analysis. Our primary model systems are the fruit fly, *D. melanogaster*, and the nematode worm, *C. elegans*. Scientists have used these organisms as discovery tools for several decades. Empirical evidence has provided us accurate benchmarks for applying biological and biochemical discoveries to more developed organisms, such as humans. We have adapted these systems from the academic community and have industrialized them by developing a suite of proprietary tools and reagents that allows us to perform systematic genetic analyses at a larger scale and substantially faster than otherwise is currently available. Among other proprietary tools, we have exclusively licensed the U.S. patent covering P-elements, which are genetic elements essential for performing modern fruit fly genetics because they allow for direct genetic manipulation. Additionally, we have adapted and developed a number of other model systems, including fungal, insect, plant and vertebrate species. Each of these model systems has unique advantages that can be applied in different ways. Our expertise allows us to leverage knowledge across species and to select the best model systems for a particular commercial application.

Our technologies enable us to quickly analyze the consequences of gene

modulation on a desired outcome. Specifically, we can generate information that results in a rational selection of targets for our life sciences company partners as well as our own proprietary programs. We believe that the rapid identification of superior targets will lead to shorter product development times and higher success rates for our partners and ourselves.

Our genetic tools include proprietary libraries of existing and engineered model organisms as well as technologies for the conditional expression, removal or addition of an existing or novel gene(s) from an organism's genome. Our complete set of genomic tools provides us with the ability to rapidly characterize the genome of a model system. We have state-of-the-art expertise in data storage management and representation capabilities for externally and internally generated genomic and genetic data and analysis. We use computer-aided approaches for analyzing DNA sequence, protein structure and function as well as building and maintaining information management systems supporting our high throughput research process.

We have developed a proprietary process to quickly determine the genes and proteins with which chemical compounds such as pharmaceuticals or agrochemicals interact to produce their effect. Understanding physiological activity, or the mechanism of action, of a compound can be of significant value to pharmaceutical and agrochemical companies for several reasons. For example, many companies have a number of compounds that have commercially useful activities, but are too complex to manufacture cost-effectively. Compounds extracted from plants or marine organisms are examples of this class of compounds. By identifying the gene or protein with which a compound interacts, compounds can be designed that have the same activity, but which overcome the manufacturing or other limitations of the original compound. In addition, companies may have compounds that have commercially useful activities, but also have undesirable side effects due to their interaction with more than one gene or protein. By understanding the genes or proteins with which a compound interacts, new compounds can be designed that have the desired activity, but do not have the undesirable side effect.

We apply our technologies to select and validate targets that we believe will lead to new pharmaceuticals and agrochemicals. We also use our technologies to identify the molecular targets of existing pharmaceutical and agrochemical compounds. These two approaches, the forward target-to-compound approach and the reverse compound-to-target approach, address major bottlenecks in the application of genomics to research and development processes.

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Our research involves a four-step process described below:

[Graphic Description: Illustration of four-step target identification process.]

#### Step I: Definition of the Desired Outcome

The first step in selecting a target is to identify the ideal properties of a product for pharmaceutical or agricultural use. For example, an ideal cancer drug would selectively kill cancer cells and spare normal cells. Most tumors arise as a consequence of one or more common acquired changes or mutations in their genomic DNA sequence. These mutations alter gene function and lead to a disruption of specific signaling networks that contribute to unregulated cell growth. An ideal therapeutic target would be one located in another part of the signaling network regulating cell growth that, when affected by a drug, would either restore normal cell function or selectively kill the cell. Similar approaches can be applied to many other major human diseases and to the development of products for agricultural use or trait development.

#### Step II: Selection of a Model System

We use our experience and expertise to select the model organism(s) most appropriate for a particular commercial application. The mechanisms for many human diseases and agricultural

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products have been characterized at least partially at the molecular level. When at least one molecular mechanism is defined and a therapeutic rationale is

established, the appropriate model system may be selected. The most important criteria for selection are the degree of genetic conservation between the targeted signal transduction network in a model system and technical considerations for studying that network. The fruit fly and nematode are ideal genetic model systems for fundamental questions of signal transduction, because the complete genomic sequences for these organisms are available, the presence or absence of a particular pathway can be easily established by use of computer-aided biology, and we can modify these organisms using an extensive array of proprietary tools. In cases where underlying mechanisms have not been established, such as physical trait enhancement in animals or plants, model systems are selected on the basis of physiological similarity and ease of technical manipulation. Understanding the evolutionary relationship between the targeted organism and the prospective model system is most important to selecting the proper model system for a particular commercial application. If an appropriate model system does not already exist, we can rapidly develop a new model system.

One of our insecticide projects provides an example of how we utilize our existing genetic systems in combination with new model systems that we develop. We have utilized fruit flies to define many of the genes that are good targets for compounds designed to kill moth and beetle agricultural pests. Most of the targets identified in fruit flies have direct counterparts in the target species and can be used directly for the development of novel pesticides. However, to develop compounds that could specifically kill moths and not other insects, we have taken advantage of the fact that while the gut of most organisms, including humans, is extremely acidic, the gut of moths is extremely basic. To specifically target the moth gut and to identify moth-specific targets, our researchers developed a moth genetic system in which we are performing genetic experiments directly in the moth. These experiments will enhance the programs carried out in fruit flies by identifying genes and proteins that are unique in the moth gut and therefore could lead to compounds that are selectively lethal for moths.

### Step III: Genetic Assays

**Target-to-Compound: Target Identification.** We develop proprietary genetic assays that measure the ability of a particular gene or protein to modulate the signal transduction network of interest, leading to the definition of the constituents of such networks as well as candidate targets. The initial step is to mimic at the molecular level a specific disease in the selected model system. This step involves modifying the DNA sequence of a gene or genes in the model system that are known to be involved in the disease. The modified DNA sequence leads to altered proteins, which in turn result in a physiological, behavioral or structural alteration in the organism that can be observed as a physical trait.

Our altered organisms are systematically mated with a comprehensive collection of organisms of the same species carrying mutations in each gene. Analysis of the offspring of these matings is used to identify the small number of genes among the many thousands in the genome whose modulation affects the targeted signaling network. These genes and their encoded proteins are potential targets. The populations of well-characterized genetically modified organisms we have produced are one of our key strategic assets and the strategy for their production is one of our core technologies. We have libraries of these organisms that have been modified in a controlled fashion, so that comprehensive pairwise breeding allows us to test the effect on the disease of increasing or decreasing the output of each gene in the model organism. The availability of this asset significantly enhances the efficiency of research directed at candidate target identification. Our ability to rapidly and selectively move from an alteration in a gene directly to the identification of targets that can reverse the effects of that alteration is an extremely powerful, rapid, direct route to new pharmaceuticals and agricultural products.

**Compound-to-Target: Mechanism of Action.** The molecular targets and mechanism of action for many promising or marketed pharmaceutical and agrochemical compounds are unknown. Determination of the target as well as the mechanism of action for such compounds provides starting points for the

development of new compounds that may retain the desired biological effect without the limitations previously identified in the original compound, such as high manufacturing costs or undesirable side effects. Alternatively, such information may provide a new commercial opportunity to develop a small

molecule directed at a validated signaling network. Application of our technology and tools not only permits us to identify key targets and functions for existing compounds provided by our partners, but also serves as the basis for us to rapidly and more effectively develop our own unique compounds.

The first step in this process requires the identification of compounds based on the availability of efficacy data and absence of information regarding the target(s) of the compound. The second step is to establish whether or not this pharmaceutical or agricultural compound induces an alteration in the appearance or observable behavior of the appropriate model organism. If such a biologically relevant effect is observed, a genetic assay designed to identify genes and encoded proteins that confer sensitivity or resistance to the applied compounds is established. This information can be readily assembled into a biochemical signaling network, establishing the mechanism of action for the compound.

#### Step IV: Target Validation and Product Development

Once the set of genes that interact with a signaling network of interest has been identified in the model system, the corresponding genes from the commercially relevant species can be identified using the tools of comparative genomics. These tools include computer-aided analysis, protein biochemistry, protein expression and gene transfer technologies, as well as the experimental and computational tools of structural biology, such as mass spectroscopy-based protein sequencing and x-ray crystallography. The result of these model genetic programs is a more focused and relevant collection of targets with a high degree of biological data supporting their function in a signal transduction network. This provides a superior basis for target selection in product development.

Our current capabilities provide a foundation for building a significant drug discovery program that will enable us to develop our own proprietary drugs and agrochemicals. Through our acquisition of the assets of MetaXen and our licensing of Bristol-Myers Squibb's chemical synthesis platform, we are now able to develop assays to identify compounds that modulate target activity, design and develop compounds that perform well under assay conditions and apply structure-based medicinal chemistry approaches toward compound optimization.

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We use our model systems to identify genes whose modulation will lead to a desired therapeutic effect. Our model organisms that carry mutations common to human tumor cells are mated with large numbers of other organisms of the same species carrying mutations in each gene in order to identify those genes which are capable of specifically killing the tumor-like cells. Drugs can then be identified that modulate the same gene or protein and therefore lead to the desired therapeutic effect.

[DIAGRAM OF IDENTIFYING GENE IN MODEL SYSTEM]

#### The Exelixis Strategy

Our goal is to leverage our position as a leader in developing and applying comparative genomics and model system genetics to discover and develop new pharmaceutical, agrochemical, agricultural, diagnostic and biotechnology products. There are four principal elements to our business strategy:

##### Enhance Our Leadership in Comparative Genomics and Model System Genetics

We will continue to develop our proprietary technologies and infrastructure in support of our existing comparative genomics and model systems genetics platform. In addition, we will develop additional model systems in order to broaden the range of pharmaceutical and agricultural product opportunities that we can address using our core capabilities. We will continue to in-license and acquire technologies that complement our core capabilities and protect our technologies with patents and trade secrets. We will continue to recruit and collaborate with leaders in the field of model system genetics.

##### Maximize Opportunities in Multiple Markets

We believe that our model system genetics capabilities will enable us to develop products that address opportunities in the pharmaceutical, agrochemical, agricultural, diagnostic and biotechnology industries. We intend to address these opportunities through the establishment of collaborations with

leading companies in their respective fields and through the development of our own proprietary products. We intend to enter into collaborations in order to fund the development of our core technologies and our own products, as well as provide us with the opportunity to receive significant future payments if our collaborators successfully market products that result from our collaborative work.

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#### Retain Significant Rights in Each Collaboration

We have retained and plan to continue to retain significant technology rights to use targets and assays and other technologies developed in each of our collaborations for use in our proprietary research programs. These rights will enable us to use the genetic information that we develop within each individual collaboration to pursue additional opportunities that are outside of the scope of that particular collaboration.

#### Establish Internal Programs to Capture Greater Value From Our Core Technologies

We have invested and plan to continue to invest our own funds in discovering and developing our own proprietary products. These potential products will be available for licensing to our collaborative partners or to be retained by us for further development and commercialization.

#### Current Status of Our Programs

Our comparative genomics and model system genetics technology platform can be applied to address opportunities in any market whose products can be enhanced by an understanding of DNA or proteins, including pharmaceutical, agrochemical, diagnostic, biotechnology, animal health, pesticides, crop improvement, livestock improvement and industrial enzymes. We have focused our initial research efforts to address attractive pharmaceutical and agrochemical markets. We will use our proprietary comparative genomics and model system genetics platform to analyze signal transduction networks to identify genes that can be used to develop treatments for a broad range of important diseases and to develop more productive crops and livestock.

We currently have active research programs in the following areas:

#### Human Pharmaceutical Research Programs

- . Alzheimer's disease. Alzheimer's disease is a progressive neurological disease that results in the loss of cognitive functions, including memory. In collaboration with Pharmacia & Upjohn, we are applying our genetics technologies to understand the causes of Alzheimer's disease and to determine how to stop or reverse the progression of the disease. As a result of genetic screens performed to date, we have identified a target that may reduce the formation of structural abnormalities that are associated with Alzheimer's disease, and we have received a milestone payment for delivering this target to Pharmacia & Upjohn. We have also identified additional targets that are currently being evaluated for commercial application. Under the terms of our agreement with Pharmacia & Upjohn, we remain free to conduct research on our own behalf or in collaboration with third parties in other areas of central nervous system and cognitive disorders, such as Parkinson's disease, depression and schizophrenia.
- . Angiogenesis and anti-angiogenesis. Angiogenesis is the formation of blood vessels. Products that promote angiogenesis could be used to treat coronary heart disease and vascular complications of diabetes. The ability to prevent the formation of new blood vessels could be used to kill cancer cells by depriving them of nutrients.
- . Cancer. Cancer is a leading cause of death in developed countries. Cancer is caused by a number of genetic defects in cells resulting in unregulated cell growth. We are applying our genetics technologies to identify targets that will enable us to selectively kill cells in a broad range of solid tumors without damaging normal cells by using the cancer's genetic defects as a means of targeting treatment. As a result of genetic screens performed to date, we have identified several targets that may be used to develop new anti-cancer pharmaceutical products that have fewer side effects than current cancer treatments.

- . Metabolic syndrome. Metabolic syndrome is a condition that underlies many human diseases, including coronary artery disease and diabetes. This condition results in the inability of individuals to maintain essential elements of blood chemistry, such as cholesterol and blood sugar, within desirable ranges. In our collaboration with Pharmacia & Upjohn, we have identified several targets that may be useful in developing products to optimize the levels of both cholesterol and fat in the bloodstream. We have also identified several targets that may be useful in developing products to control Type II diabetes. Under the terms of our agreement with Pharmacia & Upjohn, we remain free to conduct research on our own behalf or in collaboration with third parties in other areas of cardiovascular disease, including hypertension and control of heart rate, rhythm and contraction.
- . Inflammation. Our inflammation program focuses on the innate immune system. The innate immune system is involved in diseases of inflammation, such as asthma and arthritis. We are applying our technologies to identify targets that control inflammation.

#### Agricultural Research Programs

- . Animal Health. Livestock producers experience significant losses due to disease, and incur significant costs to control insects, parasites and other pests. Companion animals also represent a significant opportunity for products that control pests such as fleas, ticks and heartworms. During the course of conducting research in the area of insecticides and nematicides in our collaboration with Bayer, we have identified and will continue to identify targets that may be used to develop animal health products. Under the terms of our agreement with Bayer, we remain free to pursue animal health opportunities on our own behalf or in collaboration with third parties.
- . Fungicides. Farmers experience significant crop losses due to fungal disease, which can destroy specific parts of the plant that are necessary for normal growth. The current market for fungicides is approximately \$6 billion per year. We are developing fungal model systems, which we intend to use to identify targets that will lead to the development of new, more effective fungicides.
- . Herbicides. Farmers experience significant reductions in crop yields due to weeds, which compete with crops for nutrients. The current market for herbicides is approximately \$15 billion per year. We are developing plant model systems, which we intend to use to identify targets that will lead to the development of new, more effective herbicides.
- . Insecticides. Farmers experience significant crop losses due to damage from insects. The current market for insecticides is approximately \$9 billion per year. In collaboration with Bayer, we are applying our genetics technologies to identify targets that may be used to develop new, more effective insecticides. As a result of genetic screens performed to date, we have identified several targets that may be useful in developing new insecticides, and we have received milestone payments for delivering these targets to Bayer. We are currently developing assays that Bayer will use to develop the active component of new insecticides. Under the terms of our agreement with Bayer, we remain free to conduct research on our own behalf or in collaboration with third parties in pesticides other than insecticides or nematicides, as well as in the development of pest-resistant crops.
- . Nematicides. Farmers experience significant crop losses due to damage from nematodes, which are small worms that infest plants. Currently, there are no products that effectively and safely control nematodes. In collaboration with Bayer, we are applying our genetics technologies to identify targets that may be used to develop new, more effective nematicides. We are in the process of taking the genetic tools we have developed for *C. elegans*, and applying these tools to various nematodes.

- . Plant and Livestock Traits. Farmers and livestock producers rely on seed



companies and animal genetics companies to develop products that will enable them to produce their crops or livestock at a competitive cost. The U.S. market for planting seed is approximately \$7 billion. The market for meat and dairy products is in excess of \$235 billion per year. We are in the process of developing plant model systems, and we intend to use these model systems to identify targets that may be used to develop crops with superior yield and improved nutritional profiles. We also intend to apply our comparative genomics and mouse model systems to develop more rapidly growing livestock and cattle that produce milk with an improved nutritional profile.

The following table summarizes the current status of the research projects described above:

[DIAGRAM OF SUMMARY OF CURRENT STATUS OF RESEARCH PROJECTS]

Mechanism of Action Programs

We are performing mechanism of action studies for Bayer, Pharmacia & Upjohn and Bristol-Myers Squibb. Each of our partners has provided us a number of compounds that have interesting biological activity but whose molecular target is unknown. We utilize our model systems to identify the targets for the compounds and provide those targets to our partners. The first step in this process is referred to as a "feasibility study." We use such studies to establish whether or not our model systems can be used to determine the mechanism of action for a particular compound. Our experience to date indicates that more than 50% of compounds selected by our partners and provided to us in a blinded fashion are suitable for further study. Once feasibility has been established, we work towards the identification of the target for the compound as well as other components of its associated signaling pathway. The targets are identified through the analysis of organisms that are either resistant or hypersensitive to the compound. Following identification, the targets are confirmed using biochemical assays. Targets and other components of the signaling pathways are candidates for further compound development.

Mechanism of action projects are very efficient: a small research team can typically identify the gene targets of a number of compounds within a few months. We intend to establish multiple mechanism of action collaborations with pharmaceutical and agrochemical companies. Since our partners are confident that modulating these targets leads to desirable biological activity, we believe that our partners will actively pursue many of the targets without further validation. Additionally, since

many of the compounds with which we identify the targets can be used as chemical lead structures, we believe that this approach can save two years or more in time to market as compared to more traditional approaches. We are also capitalizing on this technology to develop our own proprietary compounds.

The following table summarizes the current status of our mechanism of action programs described above:

[TABLE: MECHANISM OF ACTION STATUS]

Corporate Collaborations

It is part of our strategy to establish collaborations with leading companies in the pharmaceutical and agrochemical industries. Through these collaborations, we obtain license fees and research funding, together with the opportunity to receive milestone payments and royalties resulting from research results and subsequent product development. To date we have structured our agreements to retain significant rights in technology developed in each program for use elsewhere in our business.

Each of Bayer and Pharmacia & Upjohn accounted for more than 10% of our revenues in 1999, and the loss of either of them as a customer would have a material adverse effect on our business, financial condition and results of operations.

Bayer Corporation

In December 1999, we established GenOptera LLC, a Delaware limited liability company, with Bayer Corporation to develop insecticides and nematicides for

crop protection. As part of the formation of this joint venture, Bayer agreed to pay us, through GenOptera, license fees and research commitment fees of \$20 million and to provide eight years of research funding at a minimum level of \$10 million per year (for a total of \$100 million of committed fees and research support). One-half, or \$10 million, of these license and research commitment fees were received in January 2000, with the remaining amounts to be received in January 2001. Bayer owns 60% of GenOptera and Exelixis owns the remaining 40%. The formation of this joint venture is an outgrowth of, and replaces, the contractual collaboration we first established with Bayer AG (the corporate parent of Bayer Corporation) in May 1998. The funding committed as part of the formation of

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GenOptera is in addition to the research support that has already been provided under the original agreement. Bayer will pay GenOptera milestones and royalties on products developed by it resulting from the GenOptera research, and we will pay GenOptera royalties on certain uses of technology arising from such research.

GenOptera has been organized to conduct its research in close conjunction with the other research conducted at Exelixis. Pursuant to a services agreement, Exelixis employees will conduct the GenOptera research, and the operations of the joint venture will be located in Exelixis research facilities. We have agreed that during the term of GenOptera research support, we will not conduct other research directed towards the specified field of research except through the joint venture.

GenOptera will identify and validate molecular targets within its field of research. GenOptera will also conduct assay development based on those targets to the extent determined by the management committee of the joint venture. Bayer will have the first right to screen compounds in assays developed by GenOptera for insecticidal and nematicidal use.

The parties have agreed on a detailed allocation of rights with respect to the use of targets identified by GenOptera, and the use of assays developed against those targets by GenOptera. The allocation of rights takes into consideration many different factors, but is designed generally to:

- . provide Bayer exclusive rights for the discovery and commercialization of compounds in the specified field of research;
- . permit Bayer to market any resulting products for most nonpharmaceutical uses; and
- . permit Exelixis to use the technology generated by Exelixis or GenOptera in the course of the joint venture's research for other purposes, although this work is subject to restrictions designed to protect Bayer's interests arising from the joint venture.

We retain exclusive rights to use the technology resulting from the joint venture's work for pharmaceutical purposes, subject to rights in favor of Bayer to collaborate with us in such projects.

Either Bayer or Exelixis may terminate the GenOptera research efforts after eight years. In addition, Bayer may terminate the joint venture or buy out our interest in the joint venture under specified conditions, including, by way of example, failure to agree on key strategic issues after a period of years, the acquisition of Exelixis by another company or the loss of key personnel that we are unable to replace with individuals acceptable to Bayer.

#### Pharmacia & Upjohn AB

In February 1999, we established a five-year collaboration with Pharmacia & Upjohn to identify targets in the fields of Alzheimer's disease, Type II diabetes and associated complications of metabolic syndrome, a condition which comprises much of diabetes, obesity and portions of cardiovascular disease. In October 1999, this collaboration was expanded to include mechanism of action work designed to identify biological targets of agents already identified by Pharmacia & Upjohn as having activity in these fields. Under this agreement, Pharmacia & Upjohn paid us a license fee and provides ongoing research support. Pharmacia & Upjohn will also pay us milestones based on target selection and royalties in the event that products result from the targets that we identify.

Under this agreement, Pharmacia & Upjohn has the exclusive right to pursue, within the field of Alzheimer's disease and metabolic syndrome, a specified number of targets that we identify. Although Pharmacia & Upjohn is obligated to use these targets only for research related to Alzheimer's disease and metabolic syndrome, it may develop and commercialize any resulting products for any use. Pharmacia & Upjohn has the right to substitute targets if newly identified ones

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appear more promising than those previously designated by Pharmacia & Upjohn, but there are numerical limitations on the total number of targets that can be reserved by Pharmacia & Upjohn at any single time. We retain the exclusive right, subject to certain rights of first negotiation of Pharmacia & Upjohn, to use all targets identified in the course of the research performed for Pharmacia & Upjohn that are not subsequently selected by Pharmacia & Upjohn. In addition, we retain rights for specified uses of those targets that are selected by Pharmacia & Upjohn for further research.

Either party may terminate the research at the end of the third year of the collaboration, the fifth year or any subsequent year. Pharmacia & Upjohn may terminate the research at any time with advance written notice in the event of our failure to find an acceptable replacement for a particular key employee or in the event of conflicting material third-party intellectual property rights.

In conjunction with the establishment of our research collaboration, Pharmacia & Upjohn purchased 2,500,000 shares of our Series D preferred stock for a purchase price of \$7.5 million, and also made us an interest-free loan of \$7.5 million. The loan is evidenced by a promissory note which must be converted into shares of our common stock during the two-year period following this offering at a price per share equal to 120% of the initial public offering price, the time of such conversion prior to March 2002 to be determined by Pharmacia & Upjohn.

#### Bristol-Myers Squibb

In September 1999, we entered into a three-year research collaboration with Bristol-Myers Squibb to identify the mechanism of action of compounds delivered to us by Bristol-Myers. The identity and function of these compounds, including their field of activity, are not known to us prior to their delivery to us.

Under this agreement, the parties agreed to a non-exclusive cross-license of research technology. We granted Bristol-Myers the right to use our proprietary technology covering *C. elegans* and *D. melanogaster* genetics, and in exchange Bristol-Myers transferred to us combinatorial chemistry hardware and software, together with related intellectual property rights, which had been developed by Bristol-Myers. The technology received from Bristol-Myers under this agreement will expedite the development of our compound discovery capabilities.

Under the agreement, Bristol-Myers pays us a technology access fee and research support payments, as well as additional milestones and royalties based on achievements in the research and commercialization of products.

#### Dow Agrosciences

In March 2000, we signed a non-binding letter of intent with Dow Agrosciences LLC in connection with a proposed research collaboration. In connection with this collaboration, Dow Agrosciences will make a \$5 million equity investment in a private placement of our common stock concurrent with this offering at a 25% premium to the initial public offering price. The letter of intent provides for a three-year research collaboration in a specified field of agriculture and the payment of milestones and royalties.

#### Relationship with Artemis

In June 1998, we purchased a minority interest in Artemis Pharmaceuticals GmbH, a genetics company located in Cologne, Germany, focusing on the development of vertebrate model genetic systems such as mice and zebrafish. We established this relationship with Artemis in order to expand our access to other model systems technology beyond our existing systems. The individual founders of Artemis include Professor Christianne Nusslein-Volhard, Ph.D., a geneticist and 1995 Nobel Laureate in

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medicine and physiology, Professor Klaus Rajewsky, Ph.D., professor and director of the Institute of Genetics at the University of Cologne, and Peter Stadler, Ph.D., the former head of pharma-biotechnology for Bayer AG's European operations. As of December 31, 1999, we own 24% of the outstanding equity of Artemis and, pursuant to a shareholders' agreement, we have appointed three of the five members of the Artemis shareholders' governing board. We have agreed in principle with Artemis, and Artemis has solicited shareholder consent, to amend the shareholders' agreement to increase the size of the Artemis shareholders' governing board to six members, of which we will have the right to appoint three members.

In September 1998, we also entered into a five-year cooperation agreement with Artemis under which we agreed to share technology and business opportunities as they arise. While either party may terminate this agreement at any time, we believe that it provides a significant opportunity to access complementary genetic research. In addition to developing zebrafish and mouse model system technology, Artemis is studying cartilage biology, angiogenesis and cardiovascular biology. We and Artemis have developed an integrated research approach in the field of angiogenesis and are jointly marketing this capability.

#### Academic and Government Collaborations

In order to enhance our research and technology access, we have established key relationships with government agencies and major academic centers in the U.S. and Europe. Our government collaborators include a number of U.S. Department of Agriculture campuses, and we maintain over ten academic collaborations with investigators at such institutions as Stanford University, Columbia University, University of Cologne, The Rockefeller Institute and the University of North Carolina. The purpose of these government and academic collaborations is to continuously improve our core technology and to facilitate the establishment of new discovery programs.

We will continue to establish strategic collaborations with government agencies and academic centers. We will seek to retain significant rights to develop and market products arising from our strategic alliances. In addition, we will continue to invest our own funds in certain specific areas and product opportunities with the aim of maintaining, enhancing and extending our core technology, as well as increasing our opportunities to generate greater revenue from such activities.

#### Competition

We are aware of other companies, including Paradigm Genetics, Inc., DeltaGen, Inc., Devgen N.V. and Lexicon Genetics Incorporated, that have or are developing capabilities in the use of model systems to define gene function. In addition, many genomics companies are expanding their capabilities, using a variety of techniques, to determine gene function. The pharmaceutical industry more broadly has invested heavily in obtaining access to genomics data and identifying biological targets.

We are aware that companies focused specifically on other model systems such as mice and yeast have alternative methods for identifying product targets. In addition, pharmaceutical, biotechnology and genomics companies and academic institutions are conducting work in this field. In the future, we expect the field to become more competitive with companies and academic institutions seeking to develop competing technologies.

Any products that we may develop or discover through application of our technologies will compete in highly competitive markets. Many of our potential competitors in these markets have substantially greater financial, technical and personnel resources than we do, and we cannot assure you that they will not succeed in developing technologies and products that may render our technologies and products and those of our collaborators obsolete or noncompetitive. In addition,

many of our competitors have significantly greater experience than we do in their respective fields.

#### Proprietary Rights

To establish and protect our proprietary technologies and targets, we rely on a combination of patent, copyright, trademark and trade secret laws, as well as confidentiality provisions in our contracts. We believe that we have developed proprietary technology for use in target identification, biochemical pathway identification and assay design and that we have identified proprietary targets. Our patent strategy is designed to provide us with freedom to operate and facilitate commercialization of our current and future products. Our patent portfolio includes two issued U.S. patents relating to our proprietary model genetic systems and comparative genomics technologies and exclusively licensed U.S. patent rights and technology related to our model system technologies from the Carnegie Institution of Washington and Yale University. We have an additional 49 pending U.S. and foreign patent applications related to our technologies and specialized screens, and the application of these technologies to diverse industries including agriculture, pharmaceuticals, diagnostics, chemicals and small molecule therapeutics.

We also rely in part on trade secret protection of our intellectual property. We attempt to protect our trade secrets by entering into confidentiality agreements with third parties, employees and consultants. Our employees and consultants also sign agreements requiring that they assign to us their interests in patents and other intellectual property arising from their work for us. All employees sign an agreement not to engage in any conflicting employment or activity during their employment with us, and not to disclose or misuse our confidential information. However, it is possible that these agreements may be breached or invalidated and if so, there may not be an adequate corrective remedy available. Accordingly, we cannot assure you that employees, consultants or third parties will not breach the confidentiality provisions in our contracts or infringe or misappropriate our patents, trade secrets and other proprietary rights, and the measures we are taking to protect our proprietary rights may not be adequate.

In the future, third parties may file claims asserting that our technologies or products infringe on their intellectual property. We cannot predict whether third parties will assert such claims against us or against the licensors of technology licensed to us, or whether those claims will harm our business. If we are forced to defend ourselves against such claims, whether they are with or without merit and whether they are resolved in favor of or against us or our licensors, we may face costly litigation and diversion of management's attention and resources. As a result of such disputes, we may have to develop costly non-infringing technology, or enter into licensing agreements. These agreements, if necessary, may be unavailable on terms acceptable to us, or at all, which could seriously harm our business or financial condition.

#### Legal Proceedings

We are not a party to any material legal proceedings.

#### Employees

As of December 31, 1999, we had 168 full-time employees, 76 of whom hold Ph.D. and/or M.D. degrees and 130 of whom were engaged in full-time research activities. We plan to expand our corporate development programs and hire additional staff as corporate collaborations are established and we expand our internal development programs. Our success will depend upon our ability to attract and retain employees. We face competition in this regard from other companies in both the biotechnology and high technology industries as well as research and academic institutions. None of our employees are represented by a labor union, and we consider our employee relations to be good.

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#### Facilities

We currently lease an aggregate of 70,000 square feet of office and laboratory facilities in South San Francisco, California in two buildings. The first building lease, for 33,000 square feet, expires on July 31, 2005. The second building lease, for 37,000 square feet, expires concurrent with our move to new facilities described below.

We are party to a lease arrangement for two new office and laboratory facilities totaling a maximum of 120,000 square feet. The first building lease, for 70,000 square feet, expires 17 years from the rent commencement date. Under this lease, we have two five-year options to extend the term prior to

expiration. We exercised an option to obtain an additional 50,000 square feet in a building to be constructed across the street. Construction is required to begin following an agreement on the terms of a lease for this second building. We will move into the first building beginning in the second half of 2000 and believe that the new facilities, including the space in the building to be constructed, will be sufficient for a minimum of three years. Depending on our growth, we believe we may require additional space thereafter and will seek additional facilities.

MANAGEMENT

Executive Officers and Directors

The following table sets forth information as of February 28, 2000 regarding our current executive officers and directors.

Name ----	Age ---	Position -----
George A. Scangos, Ph.D.....	51	President, Chief Executive Officer and Director
Geoffrey Duyk, M.D., Ph.D.....	40	Chief Scientific Officer and Director
Lloyd M. Kunimoto.....	46	Senior Vice President of Business Development
Michael Morrissey.....	39	Vice President, Discovery Research
Michael Rusnak.....	43	Vice President, Pharmaceutical Business Development
Glen Y. Sato.....	40	Chief Financial Officer, Vice President of Legal Affairs and Secretary
Stelios Papadopoulos, Ph.D. (1)(2).	51	Chairman of the Board of Directors
Charles Cohen, Ph.D. (1).....	49	Director
Jurgen Drews, M.D.....	67	Director
Jason S. Fisherman, M.D. (2).....	44	Director
Jean-Francois Formela, M.D. (2)....	43	Director
Edmund Olivier de Vezin (1).....	62	Director
Peter Stadler, Ph.D.....	54	Director
Lance Willsey, M.D.....	38	Director

- (1) Member of the compensation committee.  
(2) Member of the audit committee.

George A. Scangos, Ph.D., has served as our President and Chief Executive Officer since October 1996 and as a Director since October 1996. From September 1993 to October 1996, Dr. Scangos served as President of Biotechnology at Bayer Corporation, a pharmaceutical company, and was responsible for research, business and process development, manufacturing, engineering and quality assurance. Dr. Scangos holds a B.A. in Biology from Cornell University and a Ph.D. in Microbiology from the University of Massachusetts. He was a Post-Doctoral Fellow at Yale University and a faculty member at the Johns Hopkins University. He currently holds an appointment as Adjunct Professor of Biology at Johns Hopkins University.

Geoffrey Duyk, M.D., Ph.D., has served as our Chief Scientific Officer since April 1997 and as a Director since April 1998. From 1994 to 1997, Dr. Duyk served at Millennium Pharmaceuticals, Inc., a genomics company, mostly recently as Vice President of Genomics. From 1992 to 1994, Dr. Duyk was an Assistant Professor in the Department of Genetics at Harvard Medical School and an Assistant Investigator of the Howard Hughes Medical Institute. While at Harvard Medical School, Dr. Duyk was a co-principal investigator in the NIH-funded Cooperative Human Linkage Center. Dr. Duyk holds a Ph.D. and M.D. from Case Western Reserve University and completed his residency and post-doctoral training at University of California, San Francisco.

Lloyd M. Kunimoto has served as our Senior Vice President of Business Development since August 1999. From 1997 to 1999, Mr. Kunimoto served as Vice President of Commercial Development for the Nutrition and Consumer Products sector of Monsanto Company, a life sciences company. While at Monsanto, Mr.

Kunimoto was responsible for directing Monsanto's genetic

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engineering program in the area of food ingredients. From 1996 to 1997, Mr. Kunimoto served as President and Chief Executive Officer of Calgene, Inc., an agricultural biotechnology company. Mr. Kunimoto holds a B.S. in Mathematics from Stanford University.

Michael M. Morrissey, Ph.D. has served as our Vice President of Discovery Research since February 2000. Previously with Berlex Biosciences since 1991, Dr. Morrissey held positions of increasing responsibility, including Vice President of Discovery Research, Director of Pharmaceutical Discovery and Unit Head of Medicinal Chemistry. Dr. Morrissey received his Ph.D. in Chemistry from Harvard University and his B.S. Honors in Chemistry from the University of Wisconsin.

Michael Rusnak, has served as our Vice President of Pharma Business Development since February 2000. Mr. Rusnak was Vice President of Business Development for CombiChem, Inc. from March 1999 until the company was acquired by DuPont Pharmaceuticals in November of 1999. From January 1996 to November 1999, Mr. Rusnak was employed by Lexicon Genetics Incorporated in The Woodlands, Texas as Vice President of Marketing and Business Development. Previous to Lexicon, he served as Director of Marketing for Aprogenex, Inc. He received his B.S. in Microbiology from St. Bonaventure University and his M.S. in Clinical Science from San Francisco State University.

Glen Y. Sato has served as our Chief Financial Officer, Vice President of Legal Affairs and Secretary since November 1999. From April 1999 to November 1999, Mr. Sato served as Vice President, Legal and General Counsel for Protein Design Labs, Inc., a biotechnology company, where he previously served as the Associate General Counsel and Director of Corporate Planning from July 1993 to April 1999. Mr. Sato holds a B.A. from Wesleyan University and a J.D. and M.B.A. from the University of California, Los Angeles.

Stelios Papadopoulos, Ph.D., has been a Director since December 1994 and Chairman of the Board since January 1998. Dr. Papadopoulos has been an investment banker at SG Cowen since February, 2000. Prior to this, Dr. Papadopoulos was an investment banker at PaineWebber from April 1987 to February 2000, and Chairman of PaineWebber Development Corp., a PaineWebber subsidiary, from June 1998 to February 2000. Dr. Papadopoulos is a member of the Board of Directors of Diacrin, Inc. and several private companies. Dr. Papadopoulos holds a Ph.D. in Biophysics and an M.B.A. in Finance, both from New York University.

Charles Cohen, Ph.D., has been a Director since November 1995. Dr. Cohen co-founded Creative BioMolecules, Inc., a biotechnology company, in 1982 and is its Chief Scientific Officer. Dr. Cohen serves on the board of directors of Creative BioMolecules, Inc. and several private companies. Dr. Cohen holds a B.A. from State University of New York at Buffalo and a Ph.D. in Basic Medical Sciences from New York University School of Medicine.

Jurgen Drews, M.D., has been a Director since July 1998. Dr. Drews has been Chairman of the Board of International Biomedicine Management Partners, Inc. since October 1997. From 1996 to 1997, Dr. Drews served as President of Global Research for Hoffmann-La Roche Inc. and also served as a member of the Corporate Executive Committee of the Roche Group. From 1991 to 1995, Dr. Drews served as President of International Research and Development and as a member of the Corporate Executive Committee for Roche. Dr. Drews is also a director of Protein Design Labs, Inc., Human Genome Sciences, Inc. and MorphoSys GmbH. Dr. Drews holds an M.D. in Internal Medicine and Molecular Biology from the University of Heidelberg.

Jason S. Fisherman, M.D., has been a Director since March 1996. Dr. Fisherman has been a partner of Advent International Corporation since 1994. From 1991 to 1994, Dr. Fisherman served as Senior Director of Medical Research at Enzon, where he managed clinical programs in oncology, genetic diseases and blood substitutes. Dr. Fisherman is a director of Mediconsult.com, Inc., ILEX

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Oncology, Inc. and several private companies. Dr. Fisherman holds a B.A. in Molecular Biophysics and Biochemistry from Yale University, an M.D. from the

University of Pennsylvania and an M.B.A. from the Wharton Graduate School of Business.

Jean-Francois Formela, M.D., has been a Director since September 1995. Dr. Formela was a partner of Atlas Venture from 1993 to 1995, and has been a general partner of Atlas since 1995. From 1989 to 1993, Dr. Formela served at Schering-Plough, most recently as Senior Director, Medical Marketing and Scientific Affairs, where he had biotechnology licensing and marketing responsibilities. Dr. Formela serves on the board of directors of BioChem Pharma, Inc. and several private companies. Dr. Formela holds an M.D. from Paris University School of Medicine and an M.B.A. from Columbia Business School.

Edmund Olivier de Vezin has been a Director since July 1997. Mr. Olivier has been a General Partner of Oxford BioScience Partners and general partner of Fairfield/Steuben Venture Partners since 1993. From 1983 to 1993, Mr. Olivier served as Vice President of Technology and Planning at Diamond Shamrock. Mr. Olivier is a Life Fellow and a Member of the National Council of the Salk Institute and a former Chairman of the Biotechnology Venture Investors Group. Mr. Olivier holds a B.S. in Chemical Engineering from Rice University and an M.B.A. from Harvard University Graduate School of Business.

Peter Stadler, Ph.D., has been a Director since April 1998. Dr. Stadler has been President and Chief Executive Officer of Artemis Pharmaceuticals, GmbH since June 1998. From 1987 to 1997, Dr. Stadler was head of pharma-biotechnology at Bayer AG. From 1986 to 1987, Dr. Stadler served as a visiting scientist at the University of Munster, Germany and the Massachusetts Institute of Technology in the area of biotechnology. Dr. Stadler holds a Ph.D. in Organic Chemistry and Biochemistry from the University of Hamburg.

Lance Willsey, M.D., has been a Director since April 1997. Dr. Willsey has been a Founding Partner of DCF Capital, a hedge fund focused on investing in the life sciences, since July 1998. From July 1997 to July 1998, Dr. Willsey served on the Staff Department of Urologic Oncology at the Dana Farber Cancer Institute at Harvard University School of Medicine. From July 1996 to July 1997, Dr. Willsey served on the Staff Department of Urology at Massachusetts General Hospital at Harvard University School of Medicine, where he was a urology resident from July 1992 to July 1996. Dr. Willsey holds a B.S. in Physiology from Michigan State University and an M.S. in Biology and an M.D. from Wayne State University.

Scientific Advisory Board

The following individuals are members of our Scientific Advisory Board:

Name	Current Position
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Spyridon Artavanis-Tsakonas, Ph.D...	Director of Developmental Biology and Cancer at the Massachusetts General Hospital Cancer Center
Richard French-Constant, Ph.D.....	Chair of Insect Molecular Biology, Department of Biology and Biochemistry at the University of Bath
Corey S. Goodman, Ph.D.....	Evan Rauch Professor of Neuroscience and Director of the Wills Neuroscience Institute at the University of California, Berkeley
Ronald Plasterk, Ph.D.....	Director of the Hubrecht Laboratory for Developmental Biology (Utrecht, the Netherlands)
Marc Tessier-Lavigne, Ph.D.....	Professor of Anatomy and of Biochemistry and Biophysics, and Director of the Center for Brain Development, University of California, San Francisco, and Investigator of the Howard Hughes Medical Institute
James H. Thomas, Ph.D.....	Associate Professor in the Department of Genetics and member of the Programs in Molecular and Cellular Biology and in Neuroscience and Behavior, University of Washington, Seattle Director of the Max-Planck Institute (Tubingen, Germany)
Christianne Nusslein-Volhard, Ph.D..	
Klaus Rajewsky, Ph.D.....	Professor and Director of the Institute of Genetics at the University of Kohn



## Board Composition

We currently have ten directors. Subject to approval, in accordance with the terms of our certificate of incorporation and bylaws, upon the closing of this offering we will have ten directors and the terms of office of the board of directors will be divided into three classes. As a result, a portion of our board of directors will be elected each year. The division of the three classes and their respective election dates are as follows:

- . the class I directors will be Drs. Cohen, Drews and Duyk, and their term will expire at the annual meeting of stockholders to be held in 2000;
- . the class II directors will be Drs. Fisherman and Formela and Mr. Olivier, and their term will expire at the annual meeting of stockholders to be held in 2001; and
- . the class III directors will be Drs. Papadopoulos, Scangos, Stadler and Willsey, and their term will expire at the annual meeting of stockholders to be held in 2002.

At each annual meeting of stockholders after the initial classification, the successors to directors whose terms will then expire will be elected to serve from the time of election and qualification until the third annual meeting following election. In addition, our certificate of incorporation provides that the authorized number of directors may be changed only by resolution of the board of directors. Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that, as nearly as possible, each class will consist of one-third of the directors. This classification of the board of directors may have the effect of delaying or preventing changes in control or management of Exelixis.

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The holders of our preferred stock currently have rights to appoint directors pursuant to the Fourth Amended and Restated Securityholders' Agreement that we entered into in February 1999 with our Series A, Series B, Series C and Series D preferred stockholders. In accordance with these appointment rights:

- . Dr. Formela was appointed by Atlas Venture Fund II, L.P. and Atlas Venture Europe Fund B.V.;
- . Dr. Fisherman was appointed by our Series A and Series B preferred stockholders;
- . Drs. Papadopoulos, Drews and Willsey and Mr. Olivier were appointed by our Series A, Series B, Series C and Series D preferred stockholders voting together as a single class; and
- . Dr. Scangos serves as a director by virtue of his position as our Chief Executive Officer.

Upon the closing of this offering, our preferred stock will be converted to common stock and these appointment rights will cease to exist.

## Board Committees

**Audit Committee.** Our audit committee reviews our internal accounting procedures and consults with, and reviews the services provided by, our independent accountants. Current members of our audit committee are Drs. Fisherman, Formela and Papadopoulos.

**Compensation Committee.** Our compensation committee reviews and recommends to the board of directors the compensation and benefits of all our officers and establishes and reviews general policies relating to compensation and benefits of our employees. The compensation committee also administers the issuance of stock options and other awards under our stock plans. Current members of the compensation committee are Mr. Olivier and Drs. Cohen and Papadopoulos.

## Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee has at any time been an officer or employee of Exelixis. No interlocking relationship exists between our board of directors or compensation committee and the board of directors or compensation committee of any other company, nor has any interlocking relationship existed in the past.

Drs. Formela, Papadopoulus and Scangos serve as members of the Shareholders' Committee of Artemis, the governing board of Artemis responsible for compensation decisions. Dr. Stadler, a member of our board, is Chief Executive Officer of Artemis.

Director Compensation

Directors currently receive no cash compensation from us for their services as members of the board or for attendance at committee meetings.

In January 2000, we adopted the 2000 Non-Employee Directors' Stock Option Plan to provide for the automatic grant of options to purchase shares of common stock to our directors who are not employees of Exelixis or of any affiliate of Exelixis. Any non-employee director elected after the closing of this offering will receive an initial option to purchase 25,000 shares of common stock. Starting at the annual stockholder meeting in 2000, all non-employee directors will receive an annual option to purchase 5,000 shares of common stock. See "--Employee Benefit Plans--2000 Non-Employee Directors' Stock Option Plan" for a more detailed explanation of the terms of these stock options.

Executive Compensation

The following table sets forth information concerning the compensation that we paid during 1999 to our Chief Executive Officer and each of the four other most highly compensated executive officers who earned more than \$100,000 during 1999. These individuals are referred to as the "named executive officers."

Summary Compensation Table

Name and Principal Position	Annual Compensation		Long-Term Compensation Awards
	Salary	Bonus	Securities Underlying Options
George A. Scangos, Ph.D. President and Chief Executive Officer	\$400,000	\$250,000(1)	600,000
Geoffrey Duyk, M.D., Ph.D. Chief Scientific Officer	290,000	162,000(2)	375,000
Lloyd M. Kunimoto (3) Senior Vice President of Business Development	87,500	71,875	262,500
Glen Y. Sato (4) Chief Financial Officer, Vice President of Legal Affairs and Secretary	30,962	--	243,750
Lynne Zydowsky, Ph.D.(5)	162,500	48,000(6)	90,000

- (1) Includes a 1998 bonus of \$50,000 that was paid in 1999.
- (2) Includes a 1998 bonus of \$87,000 that was paid in 1999.
- (3) Mr. Kunimoto joined Exelixis in August 1999. Mr. Kunimoto's annual salary is \$210,000.
- (4) Mr. Sato joined Exelixis in November 1999. Mr. Sato's annual salary is \$210,000.
- (5) Dr. Zydowsky left her position as our Vice President, Pharmaceutical Business Development in January 2000.
- (6) Includes a 1998 bonus of \$20,000 that was paid in 1999.

Option Grants in Fiscal Year 1999

The following table sets forth each grant of stock options during the fiscal year ended December 31, 1999, to each of the named executive officers.

The exercise price of each option is equal to the estimated fair market value of our common stock as determined by the board of directors on the date

of grant. In determining the estimated fair market value of our common stock on the date of grant our board of directors considered many factors, including:

- . the fact that our options involved illiquid securities in a nonpublic company;
- . prices of preferred stock issued by Exelixis to outside investors in arm's-length transactions;
- . the rights, preferences and privileges of our preferred stock over our common stock;
- . our stage of development and business strategy; and
- . the likelihood that our common stock would become liquid through an initial public offering, a sale of Exelixis or another event.

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The exercise price may be paid in cash, promissory notes, shares of our common stock valued at fair market value on the exercise date or through a cashless exercise procedure involving a same-day sale of the purchased shares.

The potential realizable value of our options is calculated based on the ten-year term of the option at the time of grant. Stock price appreciation of 5% and 10% is assumed pursuant to rules promulgated by the Securities and Exchange Commission and does not represent our prediction of our stock price performance. The potential realizable values at 5% and 10% appreciation are calculated by:

- . multiplying the number of shares of common stock subject to a given option by the assumed initial public offering price of \$11.00 per share;
- . assuming that the aggregate stock value derived from that calculation compounds at the annual 5% or 10% rate shown in the table until the expiration of the options; and
- . subtracting from that result the aggregate option exercise price.

Percentages shown under "Percent of Total Options Granted to Employees in 1999" are based on an aggregate of 2,892,202 (post-split) options granted to our employees, consultants and directors under our stock option plans during 1999.

Name	Individual Grants			Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term		
	Number of Securities Underlying Options Granted (#)	Percent of Total Options Granted to Employees in 1999 (%)	Exercise Price per Share (\$)	Expiration Date	5%	10%
George A. Scangos, Ph.D.	375,000	12.97	0.27	08/04/09	6,297,979	9,625,284
	225,000	7.78	1.33	12/16/09	3,540,287	5,536,671
Geoffrey Duyk, M.D., Ph.D.	225,000	7.78	0.27	08/04/09	3,778,787	5,775,171
	150,000	5.19	1.33	12/16/09	2,360,192	3,691,114
Lloyd M. Kunimoto	225,000	7.78	0.27	08/01/09	3,778,787	5,775,171
	37,500	1.33	1.33	12/16/09	590,048	922,778
Glen Y. Sato	243,750	8.43	0.40	11/07/09	4,061,832	6,224,492
Lynne Zydowsky, Ph.D.	60,000	2.07	0.27	06/03/09	1,007,677	1,540,045
	30,000	1.04	0.40	10/31/09	499,938	766,123

Option Values at December 31, 1999

The following table sets forth the number and value of securities underlying unexercised options that are held by each of the named executive officers as of December 31, 1999.

Amounts shown under the column "Value of Unexercised In-the-Money Options at

December 31, 1999" are based on the assumed initial public offering price of \$11.00, without taking into account any taxes that may be payable in connection with the transaction, multiplied by the number of shares underlying the option, less the exercise price payable for these shares.

Name	Shares		Number of Securities Underlying Unexercised Options at December 31, 1999(1)		Value of Unexercised In-the-Money Options at December 31, 1999(1)	
	Acquired on Exercise (#)	Value Realized (\$)	Exercisable/ Vested	Exercisable/ Unvested	Exercisable/ Vested	Exercisable/ Unvested
George A. Scangos, Ph.D.	--	--	196,094	666,406	2,104,089	6,912,036
Geoffrey Duyk, M.D., Ph.D.....	--	--	123,047	420,703	1,320,294	4,355,143
Lloyd M. Kunimoto.....	--	--	--	262,500	--	2,776,875
Glen Y. Sato.....	62,500	58,125	--	181,250	--	1,921,250
Lynne Zydowsky, Ph.D....	42,263	30,743	--	96,487	--	1,031,770

(1) All options are exercisable upon grant but are subject to a right of repurchase by Exelixis until vested.

Employee Benefit Plans

2000 Equity Incentive Plan

We adopted our 2000 Equity Incentive Plan in January 2000 to replace the 1997 Equity Incentive Plan.

Administration. The plan is administered by our board of directors, or a committee appointed by the board, which determines recipients and types of stock awards to be issued, including number of shares under the stock award and the exercisability of the stock award, and also has the power to construe, interpret and amend the incentive plan.

Share Reserve. We have reserved a total of 3,000,000 shares of our common stock for issuance under the incentive plan. On the last day of each of our fiscal years for ten years, starting in 2000, the share reserve will automatically be increased by a number of shares equal to the greater of:

- . 5% of our outstanding shares on a fully-diluted basis; or
- . that number of shares subject to stock awards granted under the incentive plan during the prior 12-month period.

The automatic increase is subject to reduction by the board, and share reserve increases for incentive stock options may not exceed an aggregate of 30,000,000 shares over the term of the plan. If the recipient of a stock award does not purchase the shares subject to his or her stock award before the stock award expires or otherwise terminates, the shares that are not purchased will again become available for issuance under the incentive plan. Likewise, if the recipient of a stock award terminates his or her service to us, any unvested shares that we repurchase will again become available for issuance under the incentive plan for all awards other than incentive stock options.

Eligibility. The board may grant incentive stock options that qualify under Section 422 of the Internal Revenue Code to our employees and to the employees of our affiliates. The board also may grant nonstatutory stock options, stock bonuses and restricted stock purchase awards to our employees, directors and consultants as well as to the employees, directors and consultants of our affiliates.

Under certain conditions the board may grant an incentive stock option to a person who owns or is deemed to own stock possessing more than 10% of our total combined voting power or the total combined voting power of an affiliate of

ours. In such a case, the exercise price of any such options must be at least 110% of the fair market value of the stock on the grant date, and the option term must be five years or less.

Option Terms. The board may grant incentive stock options with an exercise price of 100% or more of the fair market value of a share of our common stock on the grant date, but it has the discretion to set a lower exercise price for nonstatutory stock options. If the value of our shares declines thereafter, the board may offer optionholders the opportunity to replace their outstanding higher-priced options with new lower-priced options.

The maximum option term is ten years. Subject to this limitation, the board may provide for exercise periods of any length with respect to individual option grants. An option generally terminates three months after the optionholder's service to us or one of our affiliates terminates. If this termination is due to the optionholder's disability, the exercise period generally is extended to 12 months. If termination is due to the optionholder's death or if the optionholder dies within three months of the date on which his or her service terminates, the exercise period generally is extended to 18 months following the optionholder's death.

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The board may provide for the transferability of nonstatutory stock options but not incentive stock options. However, the optionholder may designate a beneficiary to exercise either type of option in the event of the optionholder's death. If the optionholder does not designate a beneficiary, the optionholder's option rights will pass by his or her will or by the laws of descent and distribution.

Terms of Other Stock Awards. The board determines the purchase price of other stock awards. The board may award stock bonuses in consideration of past services without a purchase payment. Shares that we sell or award under our incentive plan may, but need not, be restricted and subject to a repurchase option in our favor in accordance with a vesting schedule that the board determines. The board, however, may accelerate the vesting of the restricted stock.

Other Provisions. Transactions that do not involve our receipt of consideration, including a merger, consolidation, reorganization, stock dividend and stock split, may trigger a change in the class and number of shares subject to the incentive plan and to outstanding awards. In that event, the board will appropriately adjust the incentive plan as to the class and the maximum number of shares subject to the incentive plan and the cap on the number of shares available for incentive stock options. It will also adjust outstanding awards as to the class, number and price of shares subject to such awards.

Effect of a Merger on Stock Awards. If we dissolve or liquidate, then our outstanding stock awards will terminate immediately prior to such event. However, we treat outstanding stock awards differently in the following change in control situations:

- . a sale, lease or other disposition of all or substantially all of our assets;
- . a merger or consolidation in which we are not the surviving corporation;
- . a reverse merger in which we are the surviving corporation but the shares of our common stock outstanding immediately preceding the merger are converted by virtue of the merger into other property; and
- . an acquisition of the beneficial ownership of our securities representing at least 50% of the combined voting power entitled to vote in the election of our directors.

In these situations, any surviving entity may either assume or replace all outstanding awards under the incentive plan. Otherwise, the vesting and exercisability of outstanding awards will accelerate.

If a participant's service is either involuntarily terminated without cause or voluntarily terminated for good reason within the period of time beginning one month before and ending 13 months after a change in control, then the

vesting of an award (and, if applicable, the exercisability of the award) will accelerate by one year.

Stock Awards Granted. As of the date of this prospectus, we have issued no options under the incentive plan, and all 3,000,000 shares remained available for future grants. As of the date of this prospectus, the board had not granted any stock bonuses or restricted stock under the incentive plan.

Plan Termination. The incentive plan will terminate in 2010 unless the board terminates it sooner.

#### 1997 Equity Incentive Plan and 1994 Employee, Director and Consultant Stock Plan

Our 1997 Equity Incentive Plan was adopted in September 1997 and terminated for purposes of new option grants in January 2000. Our 1994 Employee, Director and Consultant Stock Plan was adopted in January 1995 and terminated for purposes of new option grants in September 1997. Each of the plans remains in effect as to outstanding stock options granted under that plan.

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Each of the 1997 plan and the 1994 plan provided for the grant of incentive stock options to employees and nonstatutory stock options to employees, directors and consultants of Exelixis and its affiliates. The plans also provided for the outright sale of stock to employees, directors and consultants. Each of these plans is administered by the board of directors, or a committee appointed by the board, which determined recipients and types of stock awards to be issued, including the number of shares under the stock award and the exercisability of the stock award, and also has the power to construe, interpret and amend the plan.

Prior Option Grants. As of December 31, 1999, under the 1997 Equity Incentive Plan and 1994 Employee, Director and Consultant Stock Plan, options to purchase 4,504,027 shares of common stock were outstanding under these plans, 375,000 of which were granted subject to stockholder approval of an increase in the available share reserve, and options to purchase 2,353,889 shares of common stock had been exercised.

Effect of a Merger on Options. If we dissolve or liquidate or have a change of control transaction, options outstanding under the 1997 plan and the 1994 plan will be treated in the same manner as options outstanding under the 2000 Equity Incentive Plan.

#### 2000 Non-Employee Directors' Stock Option Plan

We adopted the 2000 Non-Employee Directors' Stock Option Plan in January 2000. The directors' plan provides for the automatic grant of options to purchase shares of our common stock to our non-employee directors.

Administration. The board of directors administers the directors' plan unless it delegates administration to a committee. The board has the authority to construe, interpret and amend the directors' plan but the directors' plan specifies the essential terms of the options, including recipients, grant dates, the number of shares in each option and price per share.

Share Reserve. We have reserved a total of 500,000 shares of our common stock for issuance under the directors' plan. On the last day of each of our fiscal years for ten years, starting in 2000, the share reserve will automatically be increased by a number of shares equal to the greater of:

- . 0.75% of our outstanding shares on a fully-diluted basis; or
- . that number of shares subject to options granted under the directors' plan during the prior 12-month period.

The automatic increase is subject to reduction by the board. If an optionholder does not purchase the shares subject to his or her option before the option expires or otherwise terminates, the shares that are not purchased will again become available for issuance under the directors' plan. Likewise, if an optionholder terminates his or her service to us, any unvested shares that we repurchase will again become available for issuance under the directors' plan

Eligibility. We will automatically issue options to our non-employee

directors under the directors' plan as follows:

- . Each person who is a non-employee director on the effective date of the closing of this offering or who is first elected or appointed thereafter as a non-employee director will automatically receive an initial grant for 25,000 shares. The initial grant is exercisable immediately but will vest at the rate of 25% of the shares on the first anniversary of the grant date and monthly thereafter over the next three years.
- . In addition, on the day after each of our annual meetings of the stockholders each non-employee director will automatically receive an annual grant for 5,000 shares. This annual

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grant is exercisable immediately but will vest monthly over the following year. If the non-employee director is appointed to the board after the annual meeting, the annual grant will be pro rated.

As long as the optionholder continues to serve with us or with an affiliate of ours, whether in the capacity of a director, an employee or a consultant, the option will continue to vest and be exercisable during its term. When the optionholder's service terminates, we will have the right to repurchase any unvested shares at the original exercise price, without interest.

Option Terms. Options have an exercise price equal to 100% of the fair market value of our common stock on the grant date. The option term is ten years but terminates three months after the optionholder's service terminates. If this termination is due to the optionholder's disability, the post-termination exercise period is extended to 12 months. If termination is due to the optionholder's death or if the optionholder dies within three months of the date on which his or her service terminates, the post-termination exercise period is extended to 18 months following death.

The optionholder may transfer the option by gift to immediate family members or for estate-planning purposes. The optionholder may also designate a beneficiary to exercise the option in the event of the optionholder's death. If the optionholder does not designate a beneficiary, the option exercise rights will pass by the optionholder's will or by the laws of descent and distribution.

Other Provisions. Transactions that do not involve our receipt of consideration, including a merger, consolidation, reorganization, stock dividend and stock split, may trigger a change in the class and number of shares subject to the directors' plan and to outstanding options. In that event, the board will appropriately adjust the directors' plan as to the class and the maximum number of shares subject to the directors' plan and the automatic option grants. It will also adjust outstanding options as to the class, number and price of shares subject to such options.

Effect of a Merger on Options. If we dissolve or liquidate, outstanding options will terminate immediately prior to such event. However, we treat outstanding options differently in the following situations:

- . a sale, lease or other disposition of all or substantially all of our assets;
- . a merger or consolidation in which we are not the surviving corporation;
- . a reverse merger in which we are the surviving corporation but the shares of our common stock outstanding immediately preceding the merger are converted by virtue of the merger into other property; and
- . an acquisition of the beneficial ownership of our securities representing at least 50% of the combined voting power entitled to vote in the election of our directors.

In these situations, any surviving entity will either assume or replace all outstanding options under the directors' plan. Otherwise, the vesting of the options will accelerate.

Options Issued. The directors' plan will not be effective until the effective date of the closing of this offering. Therefore, we have not issued any options under the directors' plan.

Plan Termination. The directors' plan will terminate in 2010 unless the board terminates it sooner.

#### 2000 Employee Stock Purchase Plan

Our board adopted the 2000 Employee Stock Purchase Plan in January 2000.

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Administration. The board administers the purchase plan unless it delegates administration to a committee. The board has the authority to construe, interpret and amend the purchase plan as well as to determine the terms of rights granted under the purchase plan.

Share Reserve. We authorized the issuance of 300,000 shares of our common stock pursuant to purchase rights granted to eligible employees under the purchase plan. On the last day of each of our fiscal years for ten years, starting in 2000, the share reserve will automatically be increased by a number of shares equal to the greater of:

- . 0.75% of our outstanding shares on a fully-diluted basis; or
- . that number of shares subject to stock awards granted under the incentive plan during the prior 12-month period.

The automatic increase is subject to reduction by the board, and the share reserve may not increase by more than an aggregate of 1.5 million shares over the ten-year period.

Eligibility. The purchase plan is intended to qualify as an employee stock purchase plan within the meaning of Section 423 of the Internal Revenue Code. The purchase plan provides a means by which eligible employees may purchase our common stock through payroll deductions. We implement the purchase plan by offering purchase rights to eligible employees. Generally, all of our full-time employees who have been employed for at least ten days may participate in offerings under the purchase plan. However, no employee may participate in the purchase plan if immediately after we grant the employee a purchase right, such employee would have voting power over 5% or more of our outstanding capital stock.

Offerings. The board has the authority to set the terms of an offering. It may specify offerings of up to 27 months where common stock is purchased for accounts of participating employees at a price per share equal to the lower of:

- . 85% of the fair market value of a share on the first day of the offering; or
- . 85% of the fair market value of a share on the purchase date.

The first offering will begin on the effective date of the closing of this offering. The fair market value of the shares will be the initial public offering price. Thereafter, the fair market value will be the closing sales price (rounded up where necessary to the nearest whole cent) for our shares (or the closing bid, if no sales were reported) as quoted on the Nasdaq National Market on the last trading day prior to the relevant determination date, as reported in The Wall Street Journal.

The board may provide that employees who become eligible to participate after an offering period begins may nevertheless enroll in the offering. These employees will purchase our stock at the lower of:

- . 85% of the fair market value of a share on the day they began participating in the purchase plan; or
- . 85% of the fair market value of a share on the purchase date.

The board has determined that participating employees may authorize payroll deductions of up to 15% of their compensation for the purchase of stock under the purchase plan. These employees may end their participation in the offering at any time up to ten days before a purchase date. Their participation ends automatically on termination of their employment.



Other Provisions. A participant's right to purchase our stock under our purchase plan, plus any other purchase plans established by us or by our affiliates, is limited. An employee may not accrue

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the right to purchase stock at a rate of more than \$25,000 of the fair market value of our stock for each calendar year in which the purchase right is outstanding. We determine the fair market value of our stock, for the purpose of this limitation, as of the first day of the offering.

Upon a change in control, the board may provide that the successor corporation will either assume or replace outstanding purchase rights. Alternatively, the board may shorten the ongoing offering period and provide that our stock will be purchased for the participants immediately before the change in control.

Shares Issued. As of the date of this prospectus, no shares of common stock had been issued under the purchase plan.

Plan Termination. The purchase plan will be terminated in 2010. Prior to that time, the board may terminate the purchase plan at any time after the end of an offering.

#### 401(k) Plan

All of our employees generally are eligible to participate in our 401(k) Retirement Plan. Pursuant to the 401(k) Plan, employees may elect to reduce their current compensation by up to the lesser of 20% of their annual compensation or the statutorily prescribed annual limit allowable under Internal Revenue Service Regulations and to have the amount of such reduction contributed to the 401(k) Plan. The 401(k) Plan permits us, but does not require us, to make additional matching contributions on behalf of all participants in the 401(k) Plan. We have not made any contributions to the 401(k) Plan. The 401(k) Plan is intended to qualify under Section 401(k) of the Code so that contributions to the 401(k) Plan by employees or by Exelixis, and the investment earnings thereon, will not be taxable to employees until withdrawn from the 401(k) Plan, and our contributions, if any, will be deductible by us when made.

#### Limitations of Liability and Indemnification Matters

In connection with the consummation of this offering, we will adopt and file an amended and restated certificate of incorporation and restated bylaws. As permitted by Delaware law, our amended and restated certificate of incorporation provides that no director will be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for:

- . any breach of duty of loyalty to us or our stockholders;
- . acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- . unlawful payment of dividends or unlawful stock repurchases or redemptions; or
- . any transaction from which the director derived an improper personal benefit.

Our amended and restated bylaws provide that we shall indemnify our directors and executive officers and may indemnify our other officers and employees and other agents to the fullest extent permitted by law. We believe that indemnification under our amended and restated bylaws covers at least negligence and gross negligence on the part of indemnified parties. Our amended and restated bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in such capacity, regardless of whether the amended and restated bylaws would permit indemnification.

We have entered into agreements to indemnify our directors and executive officers, in addition to the indemnification provided for in our amended and restated bylaws. These agreements, among other things, indemnify our directors and executive officers for certain expenses, including attorneys'

fees, judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by us, arising out of such person's services as a director or executive officer with respect to Exelixis, any of our subsidiaries or any other company or enterprise to which the person provides services at our request. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

Change in Control Arrangements and Employment Agreements

At the time of commencement of employment, our employees generally sign offer letters specifying basic terms and conditions of employment. In general, our employees are not subject to written employment agreements. Each officer and employee has entered into a standard form agreement with respect to confidential information and invention assignment that provides that the employee will not disclose any confidential information of Exelixis received during the course of employment and that, with some exceptions, the employee will assign to Exelixis any and all inventions conceived or developed during the course of employment.

In September 1996, we entered into an agreement with George Scangos in connection with his appointment as President and Chief Executive Officer of Exelixis. The agreement provides that Dr. Scangos' term of employment will be renewed automatically each year unless either party provides written notice of its intention not to renew. In the event that Dr. Scangos' employment is terminated without cause, he may receive up to six months base salary and bonus, together with all benefits. The agreement also provides that in the event of a merger or sale of more than 50% of Exelixis' assets, Dr. Scangos' unvested stock options shall automatically accelerate and vest in full.

In April 1997, we entered into an agreement with Geoffrey Duyk in connection with his appointment as Chief Scientific Officer and Senior Vice President of Research and Development. The agreement provides that Dr. Duyk's term of employment will be renewed automatically each year unless either party provides written notice of its intention not to renew. In the event that Dr. Duyk's employment is terminated without cause, he may receive up to six months base salary and any declared but unpaid bonus as of the date of termination, together with all benefits. The agreement also provides that in the event of a change of control, Dr. Duyk's unvested stock options shall automatically accelerate and vest in full.

In October 1999, we entered into an agreement with Glen Sato in connection with his appointment as Chief Financial Officer and Vice President of Legal Affairs. The agreement provides that in the event that Mr. Sato's employment is terminated without cause, he will receive six months base salary and benefits.

CERTAIN TRANSACTIONS

Stock option grants to our executive officers and directors are described in this prospectus under the headings "Management--Director Compensation," and "Management--Executive Compensation."

The following executive officers, directors and holders of more than five percent of our voting securities purchased securities in the amounts as of the dates shown below since January 1, 1997.

	Common Stock	Shares of Preferred Stock (1)	
		Series C	Series D
Directors and Executive Officers			
George A. Scangos.....	1,125,000	--	--
Geoffrey Duyk.....	675,000	--	--
Glen Y. Sato.....	62,499	--	--

Stelios Papadopoulos.....	--	37,500	--
Lance Willsey.....	--	37,500	--
5% Stockholders			
Atlas Venture Fund II, L.P. (2).....	--	200,022	101,064
Atlas Venture Europe Fund B.V. (2).....	--	99,978	50,532
Pharmacia & Upjohn AB.....	--	--	1,875,000
Oxford Bioscience Partners, L.P. (3).....	--	126,225	63,602
Oxford Bioscience Partners (Bermuda) L.P.(3).....	--	35,025	17,648
Advent Partners L.P.(4).....	--	5,048	2,884
Advent Performance Materials, L.P.(4).....	--	22,651	12,944
Adwest L.P.(4).....	--	12,944	7,396
Rovent II L.P.(4).....	--	90,606	51,774
Hambrecht & Quist Healthcare Investors.....	--	112,500	
Hambrecht & Quist Life Science Investors.....	--	75,000	
PaineWebber Capital, Inc. (5).....	--	112,500	35,346
Price per share.....	\$ 0.001 to \$	2.67	\$ 4.00
	\$	1.33	
Date(s) of purchase.....	4/97 to	4/97	8/98 to
	12/99		2/99

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- (1) The Series A, Series B, Series C and Series D preferred stock will all convert into shares of common stock on a 1-for-0.75 basis upon the closing of this offering.
- (2) Jean-Francois Formela, one of our directors, is a general partner of Atlas Venture.
- (3) Edmund Olivier, one of our directors, is a partner of Oxford Bioscience Partners.
- (4) Jason S. Fisherman, one of our directors, is a partner of Advent International Corporation.
- (5) Stelios Papadopoulos, one of our directors, is an investment banker at PaineWebber Incorporated.

Fourth Amended and Restated Securityholders' Agreement. In February 1999, Exelixis and the Series A, Series B, Series C and Series D preferred stockholders entered into the fourth amended and restated securityholders' agreement. The agreement provides that in the event of an underwritten public offering such as this offering, Exelixis will use its best efforts to cause the underwriters to reserve up to 10% of the shares included in the public offering for purchase by individuals who hold Series C preferred stock and do not hold shares of any other class of our capital stock. If these Series C stockholders are able to participate in such public offering, they may purchase shares of our common stock in the public offering pro rata to their holdings of Series C preferred stock. This provision derives from agreements entered into in April 1997 in connection with the issuance of the Series C preferred stock.

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Executive Employment Agreements. We have entered into employment agreements with George Scangos, President and Chief Executive Officer, Geoffrey Duyk, Chief Scientific Officer and Senior Vice President of Research and Development, and Glen Sato, Chief Financial Officer and Vice President of Legal Affairs. See "Management--Change in Control Arrangements and Employment Agreements."

Indemnification Agreements. We intend to enter into indemnification agreements with our directors and certain officers for the indemnification of and advancement of expenses to these persons to the fullest extent permitted by law. We also intend to execute these agreements with our future directors and officers. See "Management--Limitations of Liability and Indemnification Matters."

Indebtedness of Management. In January 1998, we entered into a loan agreement with George Scangos, President, Chief Executive Officer and a director, in the amount of \$150,000. The loan has an interest rate of 6.13% and matures on January 19, 2003. Pursuant to the terms of the loan agreement, the loan may be forgiven under certain circumstances.

In January 1998, we entered into a loan agreement with Geoffrey Duyk, Chief Scientific Officer, Senior Vice President of Research and Development, and a director, in the amount of \$90,000. The loan has an interest rate of 6.13% and matures on January 16, 2003. Pursuant to the terms of the loan agreement, the loan may be forgiven under certain circumstances.

In March 1999, we entered into a loan agreement with Lynne Zydowsky, former Vice President, Pharmaceutical Business Development, in the amount of \$150,000. The loan has an interest rate of 5.5% and matures on the earlier of 181 days after the closing of our initial public offering or upon the financing of a new business venture by Dr. Zydowsky.

Artemis. In 1998, we purchased a minority interest in Artemis Pharmaceuticals GmbH, a genetics company located in Cologne, Germany, focusing on the study of vertebrate model genetic systems such as mice and zebrafish. As of December 31, 1999, we own 24% of the outstanding equity of Artemis, and, pursuant to a shareholders' agreement, we have appointed three of the five members of the Artemis shareholders' governing board. In January 2000, we agreed in principal with Artemis to amend the shareholders' agreement to increase the size of the Artemis shareholders' governing board to six members, of which we will have the right to appoint three members.

In September 1998, we entered into a five-year cooperation agreement with Artemis under which we agreed to share technology and business opportunities as they arise. While either party may terminate this agreement at any time, we believe that it provides a significant opportunity to access complementary genetic research. In addition to developing zebrafish and mouse model system technology, Artemis is studying cartilage biology, angiogenesis and cardiovascular biology. We and Artemis have developed an integrated research approach in the field of angiogenesis and are jointly marketing this capability.

We believe that all of the transactions set forth above were made on terms no less favorable to us than could have been obtained from unaffiliated third parties. All future transactions, including loans, between us and our officers, directors, principal stockholders and their affiliates will be approved by a majority of the board of directors, including a majority of the independent and disinterested directors, and will continue to be on terms no less favorable to us than could be obtained from unaffiliated third parties.

#### PRINCIPAL STOCKHOLDERS

The following table sets forth summary information regarding the beneficial ownership of our outstanding common stock as of December 31, 1999 (assuming the reverse stock split and conversion of all outstanding shares of preferred stock into common stock upon the closing of this offering and as adjusted to reflect the sale of the shares offered by this prospectus and in the private placement) by:

- . each of the named executive officers;
- . each of our directors;
- . each person or group who is known by us to beneficially own more than 5% of our common stock; and
- . all of our current directors and executive officers as a group.

Beneficial ownership of shares is determined under the rules of the Securities and Exchange Commission and generally includes any shares over which a person exercises sole or shared voting or investment power. Except as indicated by footnote, and subject to applicable community property laws, each person identified in the table possesses sole voting and investment power with respect to all shares of common stock held by them. Shares of common stock subject to options currently exercisable or exercisable within 60 days of December 31, 1999 as of that date are deemed outstanding for calculating the percentage of outstanding shares of the person holding these options, but are not deemed outstanding for calculating the percentage of any other person. Applicable percentage ownership in the following table is based on 29,136,461 shares of common stock outstanding as of December 31, 1999, after giving effect to the conversion of all outstanding shares of preferred stock into common stock upon the closing of this offering, and 38,600,097 shares of common stock

outstanding immediately following the completion of this offering and the private placement. Unless otherwise indicated, the address of each individual listed in the table is in care of Exelixis, Inc., 260 Littlefield Avenue, South San Francisco, California 94080.

Beneficial Ownership as of December 31, 1999

Name and Address of Beneficially Owned	Number of Shares Beneficially Owned	Shares Issuable Pursuant to Options and Warrants Exercisable within 60 days of December 31, 1999		Percentage Beneficially Owned	
		Shares Exelixis May Repurchase	Shares Exelixis May Repurchase	Before Offering	After Offering
Directors and Executive Officers					
George A. Scangos, Ph.D.....	1,125,000	862,500	808,592	6.6%	5
Geoffrey Duyk, M.D., Ph.D.....	675,000	543,750	673,826	4.1	3.1
Lloyd M. Kunimoto.....	--	262,500	262,500	*	*
Glen Y. Sato.....	62,499	181,251	243,750	*	*
Lynne Zydowsky, Ph.D. ..	109,762	96,487	98,139	*	*
Stelios Papadopoulos, Ph.D(1).....	1,760,345	128,571	--	6.5	4.9
Charles Cohen, Ph.D(2)..	212,142	120,000	--	1.1	*
Jurgen Drews, M.D(3)....	1,250,000	--	--	4.3	3.2
Jason S. Fisherman, M.D(4).....	1,730,997	--	--	5.9	4.9
Jean-Francois Formela, M.D(5).....	4,023,736	--	--	13.8	10.4
Edmund Olivier de Vezin(6).....	2,153,924	--	--	7.4	5.6
Lance Willsey, M.D.....	37,500	--	--	*	*
Peter Stadler, Ph.D.....	--	225,000	93,750	*	*
5% Stockholders					
Atlas Venture(5).....	4,023,736	--	--	13.8	10.4
Oxford Bioscience Partners(6).....					
Pharmacia & Upjohn AB(7).....	1,875,000	--	--	6.4	4.9
Advent International Group(4) .....					
Hambrecht & Quist Capital Management, Inc.(8).....	1,687,500	--	--	5.8	4.4
PaineWebber Incorporated(1).....					
All directors and executive officers as a group (13 persons)(9)..	13,140,905	2,420,059	2,180,557	49.4%	38 %

\* Represents beneficial ownership of less than 1 percent.

- (1) Includes 1,219,275 shares held by PaineWebber Capital, Inc. and 321,428 shares held by PW Partners 1993, L.P. Dr. Papadopoulos is an investment banker at PaineWebber Incorporated and disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in these shares. PaineWebber Incorporated is located at 1285 Avenue of the Americas, New York, NY 10019.
- (2) Includes 107,142 shares held by Creative BioMolecules, Inc. Dr. Cohen is a director of Creative BioMolecules, Inc. and disclaims beneficial ownership of these shares. Creative BioMolecules, Inc. is located at 101 Huntington Avenue, Suite 2400, Boston, MA 02199.
- (3) Includes 1,250,000 shares held by FEI Biomedicine Private Equity Holding Inc., an investment company managed by International Biomedicine Management

Partners Inc. ("IBMP"). Dr. Drews is the Chairman of the Board of IBMP and disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in these shares. IBMP is located at House of Commerce, Aeschenplatz 7, Basel, Switzerland.

- (4) Includes 1,192,380 shares held by Rovent II L.P., 298,095 shares held by Advent Performance Materials, L.P., 170,341 shares held by Adwest L.P., 66,432 shares held by Advent Partners L.P. and 3,750 shares held by Advent International Investors II, L.P. Advent International Corporation, the venture capital firm that is the manager of the funds affiliated with Advent International Group, exercises sole voting and investment power with respect to all shares held by these funds. Dr. Fisherman is a partner of Advent International Corporation and disclaims beneficial ownership of these shares except for 17,053 shares that are indirectly beneficially owned by Dr. Fisherman. Advent International Corporation is located at 75 State Street, Boston, MA 02109.
- (5) Consists of 2,682,763 shares held by Atlas Venture Fund II, L.P. and 1,340,973 shares held by Atlas Venture Europe Fund B.V. Atlas Venture Fund II, L.P. and Atlas Venture Europe Fund B.V. are part of the Atlas Venture, a group of funds under common control. Dr. Formela is a general partner of Atlas Venture. No general partner of Atlas Venture is deemed to have voting and investment power with respect to such shares and Dr. Formela disclaims beneficial ownership of these shares. Atlas Venture is located at 222 Berkeley Street, Suite 1950, Boston, MA 02116.
- (6) Consists of 1,473,102 shares held by Oxford Bioscience Partners, L.P., 408,678 shares held by Oxford Bioscience Partners (Bermuda) L.P., 182,144 shares held by Oxford Bioscience Partners (Adjunct) L.P. and 90,000 shares held by Oxford Bioscience Management Partners. Mr. Olivier is a general partner of Oxford Bioscience Partners and disclaims beneficial ownership of these shares except to the extent of his proportionate partnership interest in these shares. Oxford Bioscience Partners is located at 650 Town Center Drive, Suite 810, Costa Mesa, CA 92626.
- (7) Pharmacia & Upjohn is entitled to additional shares of common stock by virtue of an interest free loan of \$7.5 million made to Exelixis in 1999 that is evidenced by a convertible promissory note. The promissory note must be converted into shares of our common stock during the two-year period following this offering at a price per share equal to 120% of the initial public offering price, the time of such conversion prior to March 2002 to be determined by Pharmacia & Upjohn.
- (8) Consists of 937,500 shares held by Hambrecht & Quist Healthcare Investors and 750,000 held by Hambrecht & Quist Life Science Investors, closed-end registered investment companies for which Hambrecht & Quist Capital Management, Inc. ("HQCM") is the investment adviser. HQCM is wholly owned by Chase H&Q Group, which is owned by the Chase Manhattan Bank. HQCM is located at 50 Rowes Wharf, Boston, MA 02110.
- (9) Total number of shares includes 10,806,502 shares of common stock held by entities affiliated with directors and executive officers. See footnotes 1 through 6 above.

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#### DESCRIPTION OF CAPITAL STOCK

Upon completion of this offering and the filing of our amended and restated certificate of incorporation, our authorized capital stock will consist of 100,000,000 million shares of common stock, \$0.001 par value, and 10,000,000 million shares of preferred stock, \$0.001 par value.

#### Common Stock

As of December 31, 1999, there were 29,136,461 shares of common stock outstanding that were held of record by approximately 202 stockholders after giving effect to the reverse stock split and the conversion of our preferred stock into common stock at a 1-to-0.75 ratio. There will be 38,600,097 shares of common stock outstanding (assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options) after giving effect to the sale of the shares of common stock offered by this prospectus and in the private placement.

The holders of common stock are entitled to one vote per share on all

matters submitted to a vote of our stockholders and do not have cumulative voting rights. Accordingly, holders of a majority of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election. Subject to preferences that may be applicable to any preferred stock outstanding at the time, the holders of outstanding shares of common stock are entitled to receive ratably any dividends out of assets legally available therefor as our board of directors may from time to time determine. Upon liquidation, dissolution or winding up of Exelixis, holders of our common stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any then outstanding shares of preferred stock. Holders of common stock have no preemptive or conversion rights or other subscription rights. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of common stock are fully paid and nonassessable.

#### Preferred Stock

According to our amended and restated certificate of incorporation, our board of directors will have the authority, without further action by the stockholders, to issue up to 10,000,000 shares of preferred stock, in one or more series. Our board shall determine the rights, preferences, privileges and restrictions of the preferred stock, including dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of any series. The issuance of preferred stock could diminish voting power of holders of common stock, and the likelihood that holders of preferred stock will receive dividend payments and payments upon liquidation may have the effect of delaying, deferring or preventing a change in control of Exelixis, which could depress the market price of our common stock. We have no present plan to issue any shares of preferred stock.

#### Warrants

As of December 31, 1999, warrants to purchase 141,160 shares of Series A preferred stock were outstanding at an exercise price of \$0.93 per share. These warrants were immediately exercisable upon issuance and expire upon the later of July 20, 2005 or five years after completion of this offering. The warrants contain provisions for the adjustment of the exercise price and the aggregate number of shares that may be issued upon the exercise of the warrant if a stock dividend, stock split, reorganization, reclassification or consolidation occurs. Upon the closing of this offering, the warrants to purchase Series A preferred stock will become exercisable for common stock at the rate of one share of common stock for each share of preferred stock underlying the warrants.

As of December 31, 1999, warrants to purchase 267,857 shares of Series B preferred stock were outstanding at an exercise price of \$1.13 per share. The warrants expire upon the later of

January 24, 2006 or five years after completion of this offering. The warrants contain provisions for the adjustment of the exercise price and the aggregate number of shares that may be issued upon the exercise of the warrants if a stock dividend, stock split, reorganization, reclassification or consolidation occurs. Upon the closing of this offering, the warrants to purchase Series B preferred stock will become exercisable for common stock at the rate of one share of common stock for each share of preferred stock underlying the warrants.

As of December 31, 1999, warrants to purchase a total of 245,892 shares of common stock were outstanding. During 1995, we issued warrants to purchase 69,642 shares of our common stock at an exercise price of \$0.93 per share to two stockholders. During January 2000, one warrant to purchase 16,071 shares was exercised. These warrants expire in January 2005. In September 1997, we issued warrants to purchase 63,750 shares of our common stock at an exercise price of \$2.67 per share as part of an equipment lease financing arrangement. These warrants expire upon the earlier of September 25, 2007 or five years after completion of this offering. In May 1999, we issued warrants to purchase 112,500 shares of our common stock at an exercise price of \$4.00 per share in connection with a building lease. These warrants expire five years after completion of this offering. Each warrant contains provisions for the adjustment of the exercise price and the aggregate number of shares that may be issued upon the exercise of the warrants if a stock dividend, stock split,

reorganization, reclassification or consolidation occurs.

#### Registration Rights of Stockholders

Upon completion of this offering, holders of an aggregate of 22,877,656 shares of common stock and holders of warrants to purchase an aggregate of 409,017 shares of common stock will be entitled to rights to register these shares under the Securities Act. These rights are provided under the Fourth Amended and Restated Securityholders' Agreement, dated January 28, 1999, under the Fourth Amended and Restated Registration Rights Agreement, dated February 26, 1999, and under agreements with similar registration rights. If we propose to register any of our securities under the Securities Act, either for our own account or for the account of others, the holders of these shares are entitled to notice of the registration and are entitled to include, at our expense, their shares of common stock in the registration and any related underwriting, provided, among other conditions, that the underwriters may limit the number of shares to be included in the registration and in some cases, including this offering, exclude these shares entirely. In addition, the holders of these shares may require us, at our expense and on not more than two occasions at any time beginning six months from the date of the closing of the offerings, to file a registration statement under the Securities Act with respect to their shares of common stock, and we will be required to use our best efforts to effect the registration. Further, the holders may require us at our expense to register their shares on Form S-3 when this form becomes available.

#### Anti-Takeover Provisions of Delaware Law and Charter Provisions

In general, Section 203 of the Delaware General Corporation Law prohibits a publicly-held Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder unless:

- . prior to that date, our board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- . upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding those shares owned by persons who are directors and also officers, and by employee stock plans in which shares held subject to the plan will be tendered in a tender or exchange offer; or

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- . on or subsequent to that date, the business combination is approved by our board of directors and is authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock not owned by the interested stockholder.

Section 203 defines "business combination" to include:

- . any merger or consolidation involving the corporation and the interested stockholder;
- . any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- . subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; and
- . the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by the entity or person.

Our amended and restated certificate of incorporation requires that upon



completion of the public offerings, any action required or permitted to be taken by our stockholders must be effected at a duly called annual or special meeting of stockholders and may not be effected by a consent in writing. Additionally, our certificate of incorporation:

- . substantially limits the use of cumulative voting in the election of directors;
- . provides that the authorized number of directors may be changed only by resolution of our board of directors; and
- . authorizes our board of directors to issue blank check preferred stock to increase the amount of outstanding shares.

Our amended and restated bylaws provide that candidates for director may be nominated only by our board of directors or by a stockholder who gives written notice to us no later than 60 days prior nor earlier than 90 days prior to the first anniversary of the last annual meeting of stockholders. Our board of directors currently consists of ten members, who will be divided into three classes. As a result, a portion of our board of directors will be elected each year. Our board of directors may appoint new directors to fill vacancies or newly created directorships. Our bylaws also limit who may call a special meeting of stockholders.

Delaware law and these charter provisions may have the effect of deterring hostile takeovers or delaying changes in control of our management, which could depress the market price of our common stock.

#### Transfer Agent and Registrar

The transfer agent and registrar for the common stock is ChaseMellon Shareholder Services.

#### National Market Listing

We have applied for listing of our common stock on the Nasdaq National Market under the symbol "EXEL."

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#### SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our common stock. Future sales of substantial amounts of our common stock in the public market could reduce prevailing market prices. As described below, no shares currently outstanding will be available for sale immediately after this offering because of contractual restrictions on resale. Sales of substantial amounts of our common stock in the public market after the restrictions lapse could adversely affect the prevailing market price and impair our ability to raise equity capital in the future.

Upon completion of this offering and the private placement, we will have outstanding 38,600,097 shares of common stock. Of these shares, all of the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless these shares are purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act. In general, affiliates include officers, directors or 10% stockholders. The remaining 29,500,097 shares outstanding are "restricted securities" within the meaning of Rule 144. These restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144, 144(k) or 701 promulgated under the Securities Act, which are summarized below. Sales of the restricted securities in the public market, or the availability of these shares for sale, could adversely affect the market price of our common stock.

All of our directors and officers and some of our stockholders and option holders have entered into lock-up agreements in connection with this offering generally providing that they will not offer, sell, contract to sell or grant any option to purchase or otherwise dispose of our common stock or any securities exercisable for or convertible into our common stock owned by them for a period of 180 days after the date of this prospectus without the prior written consent of Goldman, Sachs & Co.

Taking into account these lock-up agreements, and assuming Goldman, Sachs &

Co. does not release stockholders from their agreements, the following shares will be eligible for sale in the public market at the following times:

- . 633,384 shares will be eligible for sale upon completion of this offering;
- . 4,856 shares will be eligible for sale 90 days from completion of this offering;
- . 28,498,221 shares will be eligible for sale upon the expiration of lock-up agreements, beginning 180 days after the date of this prospectus; and
- . 363,636 shares will be eligible for sale by Dow Agrosiences upon the expiration of a lock-up agreement in April 2002; and
- . 1,594,481 shares will be eligible for sale upon the exercise of vested options 180 days after the date of this prospectus.

In general, under Rule 144 as currently in effect, after expiration of the lock-up agreements, a person who has beneficially owned restricted securities for at least one year would be entitled to sell within any three-month period a number of shares that does not exceed the greater of:

- . one percent of the number of shares of common stock then outstanding, which will equal approximately 386,000 shares immediately after this offering; or
- . the average weekly trading volume of the common stock during the four calendar weeks preceding the sale.

Sales under Rule 144 must comply with the requirements with respect to manner of sale, notice and the availability of current public information about us. Under Rule 144(k), a person who is not deemed to have been our affiliate at any time during the three months preceding a sale, and who has beneficially owned the shares proposed to be sold for at least two years, is entitled to sell these shares without complying with the manner of sale, public information, volume limitation or notice provisions of Rule 144.

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Rule 701, as currently in effect, permits our employees, officers and directors or consultants who purchased shares under a written compensatory plan or contract to resell these shares in reliance upon Rule 144 but without compliance with specific restrictions. Commencing 90 days after the date of this offering, Rule 701 permits affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirement and permits non-affiliates to sell these shares in reliance on Rule 144 without complying with the holding period, public information, volume limitation or notice provisions of Rule 144.

Registration Rights. Upon completion of this offering, the holders of 22,877,656 shares of our common stock and holders of warrants to purchase an aggregate of 409,017 shares of our common stock, or their transferees, will be entitled to rights with respect to the registration of their shares under the Securities Act. Registration of their shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates, immediately upon the effectiveness of this registration.

In addition, we intend to file, immediately after the effectiveness of this offering, a registration statement on Form S-8 under the Securities Act covering all shares of common stock reserved for issuance under our stock option plans. Shares registered under this registration statement would be available for sale in the open market in the future, providing there is compliance with Rule 144 restrictions, in the case of affiliates, and the contractual restrictions described above.

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#### VALIDITY OF THE COMMON STOCK

The validity of the common stock offered hereby will be passed upon by our

counsel, Cooley Godward LLP, Palo Alto, California and for the underwriters by Sullivan & Cromwell, Los Angeles, California.

#### EXPERTS

The consolidated financial statements of Exelixis, Inc. as of December 31, 1998 and 1999 and for each of the three years in the period ended December 31, 1999 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

The financial statements of MetaXen, LLC as of December 31, 1997 and 1998 and for each of the two years in the period ended December 31, 1998 included in this prospectus have been so included in reliance on the report of PricewaterhouseCoopers LLP, independent accountants, given on the authority of said firm as experts in auditing and accounting.

#### WHERE YOU CAN FIND MORE INFORMATION

We have filed with the Securities and Exchange Commission a registration statement on Form S-1 under the Securities Act with respect to the common stock offered in this offering. This prospectus does not contain all of the information set forth in the registration statement. For further information with respect to Exelixis, Inc. and the common stock offered in this offering, we refer you to the registration statement and to the attached exhibits and schedules. Statements made in this prospectus concerning the content of any document referred to in this prospectus are not necessarily complete. With respect to each such document filed as an exhibit to the registration statement, we refer you to the exhibit for a more complete description of the matter involved.

You may inspect our registration statement and the attached exhibits and schedules without charge at the public reference facilities maintained by the Securities and Exchange Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 and at the regional offices of the Commission located at Seven World Trade Center, 13th Floor, New York, New York 10048 and the Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. You may obtain copies of all or any part of our registration statement from the Securities and Exchange Commission upon payment of prescribed fees. You may also inspect reports, proxy and information statements and other information regarding registrants that file electronically with the Securities and Exchange Commission without charge at the website maintained by the Securities and Exchange Commission at [www.sec.gov](http://www.sec.gov). Information contained on our website does not constitute part of this prospectus.

Upon completion of the offering, we will be subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and we will file reports, proxy statements and other information with the SEC.

We intend to furnish our stockholders with annual reports containing financial statements audited by our independent public accountants and quarterly reports for the first three fiscal quarters of each fiscal year containing unaudited interim financial information. Our telephone number is (650) 825-2200.

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EXELIXIS, INC.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of  
 Exelixis, Inc.

The stock split described in Note 1 to the financial statements has not been completed at March 16, 2000. When it has been completed, we will be in a position to furnish the following report:

"In our opinion, the accompanying balance sheets and the related statements of operations, of stockholders' deficit and of cash flows present fairly, in all material respects, the financial position of Exelixis, Inc. at December 31, 1998 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above."

San Jose, California

January 31, 2000, except as to the

sixth paragraph of Note 1 which

is as of April , 2000

EXELIXIS, INC.

BALANCE SHEETS

(in thousands, except share and per share data)

December 31,		Pro Forma Stockholders' Equity December 31,
----- 1998	1999	----- 1999
-----	-----	-----
		(unaudited)

## ASSETS

## Current assets:

Cash and cash equivalents.....	\$ 2,058	\$ 5,400
Short-term investments.....	--	1,504
Other receivables.....	150	185
Other current assets.....	423	943
	-----	-----
Total current assets.....	2,631	8,032
Property and equipment, net.....	5,744	9,498
Related party receivables.....	458	619
Other assets.....	148	752
	-----	-----
Total assets.....	\$ 8,981	\$ 18,901
	=====	=====

## LIABILITIES, MANDATORILY REDEEMABLE

## CONVERTIBLE PREFERRED STOCK AND

## STOCKHOLDERS' DEFICIT

## Current liabilities:

Accounts payable and accrued expenses.....	\$ 584	\$ 3,648
Current portion of capital lease obligations.....	924	735
Current portion of notes payable.....	504	1,554
Deferred revenue.....	437	2,767
	-----	-----
Total current liabilities.....	2,449	8,704
Capital lease obligations.....	973	229
Notes payable.....	1,583	3,299
Convertible promissory note.....	--	7,500
Other long-term liability.....	--	104
Deferred revenue.....	903	1,890
	-----	-----
Total liabilities.....	5,908	21,726
	-----	-----

## Commitments (Note 11)

## Mandatorily redeemable convertible preferred stock,

\$0.001 par value; 35,000,000 shares

authorized; issued and outstanding:

27,623,110 shares in 1998, 30,503,571

shares in 1999 and none pro forma

(aggregate liquidation preference \$46,780)

.....	38,138	46,780	\$ --
	-----	-----	-----

## Stockholders' deficit:

Common stock, \$0.001 par value; 50,000,000

shares authorized; issued and outstanding:

4,001,505 shares in 1998, 6,258,805 shares

in 1999 and 29,136,461 pro forma.....

	4	6	29
--	---	---	----

Class B common stock, \$0.001 par value;

526,819 shares authorized; shares issued

and outstanding: 526,819 shares in 1998,

none in 1999 and pro forma.....

	1	--	--
--	---	----	----

Additional paid-in-capital.....

Notes receivable from stockholders.....

	2,979	19,523	66,280
	(240)	(240)	(240)

Deferred stock compensation.....

Accumulated deficit.....

	(1,803)	(14,167)	(14,167)
	(36,006)	(54,727)	(54,727)

Total stockholders' deficit.....

	(35,065)	(49,605)	\$ (2,825)
	-----	-----	=====

Total liabilities, mandatorily redeemable

convertible preferred stock and

stockholders' deficit.....

	\$ 8,981	\$ 18,901
	=====	=====

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF OPERATIONS  
(in thousands, except per share data)

	Year Ended December 31,		
	1997	1998	1999
<b>Revenues:</b>			
License.....	\$ --	\$ 139	\$ 1,046
Contract.....	--	2,133	9,464
<b>Total revenues.....</b>	<b>--</b>	<b>2,272</b>	<b>10,510</b>
<b>Operating expenses:</b>			
Research and development (including stock compensation expense of \$25, \$557 and \$2,241 in 1997, 1998 and 1999, respectively) .....	8,223	12,096	21,653
General and administrative (including stock compensation expense of \$0, \$168 and \$1,281 in 1997, 1998 and 1999, respectively) .....	3,743	5,472	7,624
<b>Total operating expenses.....</b>	<b>11,966</b>	<b>17,568</b>	<b>29,277</b>
Loss from operations.....	(11,966)	(15,296)	(18,767)
Interest income.....	689	266	571
Interest expense.....	(219)	(316)	(525)
Loss before equity in net loss of affiliated company.....	(11,496)	(15,346)	(18,721)
Equity in net loss of affiliated company.....	--	(320)	--
<b>Net loss.....</b>	<b>\$ (11,496)</b>	<b>\$ (15,666)</b>	<b>\$ (18,721)</b>
<b>Net loss per share, basic and diluted.....</b>	<b>\$ (8.76)</b>	<b>\$ (3.83)</b>	<b>\$ (3.47)</b>
Shares used in computing net loss per share, basic and diluted.....	1,312	4,088	(5,389)
Pro forma net loss per share, basic and diluted..	--	--	\$ (0.67)
Shares used in computing pro forma net loss per share.....	--	--	27,996

The accompanying notes are an integral part of these financial statements.

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EXELIXIS, INC.

STATEMENTS OF STOCKHOLDERS' DEFICIT  
(in thousands, except share data)

	Common Stock		Class B Common Stock		Additional Paid-in Capital	Notes Receivable from Stockholders	Deferred Stock Compensation	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount					
Balance at January 1, 1997.....	1,239,912	\$ 1	526,819	\$ 1	\$ 147	\$ --	\$ (59)	\$ (8,844)	\$ (8,754)
Exercise of stock options.....	246,695	--	--	--	7	--	--	--	7
Deferred stock compensation.....	--	--	--	--	68	--	(68)	--	--
Amortization of deferred stock compensation.....	--	--	--	--	--	--	25	--	25
Net loss.....	--	--	--	--	--	--	--	(11,496)	(11,496)
Balance at December 31, 1997.....	1,486,607	1	526,819	1	222	--	(102)	(20,340)	(20,218)
Exercise of stock options.....	2,514,898	3	--	--	331	--	--	--	334

Issuance of notes to stockholders for the exercise of stock options.....	--	--	--	--	--	(240)	--	--	(240)
Deferred stock compensation.....	--	--	--	--	2,426	--	(2,426)	--	--
Amortization of deferred stock compensation.....	--	--	--	--	--	--	725	--	725
Net loss.....	--	--	--	--	--	--	--	(15,666)	(15,666)
-----									
Balance at December 31, 1998.....	4,001,505	4	526,819	1	2,979	(240)	(1,803)	(36,006)	(35,065)
Exercise of stock options.....	1,057,300	1	--	--	267	--	--	--	268
Issuance of stock purchase warrants.....	--	--	--	--	391	--	--	--	391
Deferred stock compensation.....	--	--	--	--	15,886	--	(15,886)	--	--
Amortization of deferred stock compensation.....	--	--	--	--	--	--	3,522	--	3,522
Conversion of Class B common stock into common stock.....	1,200,000	1	(526,819)	(1)	--	--	--	--	--
Net loss.....	--	--	--	--	--	--	--	(18,721)	(18,721)
-----									
Balance at December 31, 1999.....	6,258,805	\$ 6	--	\$ --	\$ 19,523	\$ (240)	\$ (14,167)	\$ (54,727)	\$ (49,605)
=====									

The accompanying notes are an integral part of these financial statements.

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EXELIXIS, INC.

STATEMENTS OF CASH FLOWS  
(in thousands)

	Year Ended December 31,		
	1997	1998	1999
	-----	-----	-----
Cash flows from operating activities:			
Net loss.....	\$ (11,496)	\$ (15,666)	\$ (18,721)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization.....	731	1,529	2,166
Loss on disposal of property and equipment...	19	--	--
Amortization of deferred stock compensation..	25	725	3,522
Changes in assets and liabilities:			
Other receivables.....	(52)	(98)	(35)
Other current assets.....	40	(397)	(497)
Other assets.....	(103)	(6)	(81)
Related party receivables.....	(635)	177	(161)
Accounts payable and accrued expenses.....	706	(334)	3,064
Deferred revenue.....	--	1,340	3,317
Other long-term liabilities.....	--	--	104
	-----	-----	-----
Net cash used in operating activities.....	(10,765)	(12,730)	(7,322)
-----			
Cash flows used in investing activities:			
Acquisition, net.....	--	--	(870)
Purchases of property and equipment.....	(3,973)	(2,494)	(4,100)
Proceeds from short-term investments.....	--	1,997	--
Purchase of short-term investments.....	(1,997)	--	(1,504)
	-----	-----	-----
Net cash used in investing activities.....	(5,970)	(497)	(6,474)
-----			
Cash flows from financing activities:			
Proceeds from sale of mandatorily redeemable convertible preferred stock.....	15,703	6,333	8,642
Proceeds from exercise of stock options.....	7	94	268
Proceeds from capital lease financing.....	1,838	179	--
Principal payments on capital lease obligations.....	(461)	(899)	(933)

Proceeds from issuance of notes payable.....	--	2,315	10,066
Principal payments on note payable.....	(720)	(455)	(905)
	-----	-----	-----
Net cash provided by financing activities..	16,367	7,567	17,138
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	(368)	(5,660)	3,342
Cash and cash equivalents, at beginning of year..	8,086	7,718	2,058
	-----	-----	-----
Cash and cash equivalents, at end of year.....	\$ 7,718	\$ 2,058	\$ 5,400
	=====	=====	=====
Supplemental cash flow disclosure:			
Property and equipment acquired under capital leases.....	\$ 1,169	\$ --	\$ --
Cash paid for interest.....	219	316	525

The accompanying notes are an integral part of these financial statements.

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EXELIXIS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 The Company and a Summary of Significant Accounting Policies

The Company

Exelixis, Inc. ("Exelixis" or the "Company"), formerly Exelixis Pharmaceuticals, Inc., is a model system genetics and comparative genomics company that uses model systems to identify critical genes in disease pathways and to determine functional relationships of genes and functionality of potential targets for the pharmaceutical and agriculture industries. The Company operates in one business segment in the U.S. and exited the development stage during the year ended December 31, 1998.

Equity in Affiliated Companies

The Company reports its minority ownership interests in GenOptera LLC and Artemis Pharmaceuticals, GmbH using the equity method of accounting.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Initial Public Offering

In January 2000, the Board of Directors authorized management of the Company to file a registration statement with the Securities and Exchange Commission to sell shares of its common stock to the public. If the initial public offering is completed under the terms presently anticipated, all outstanding shares of mandatorily redeemable convertible preferred stock will automatically convert into 22,877,656 shares of common stock. Unaudited pro forma stockholders' equity adjusted for the assumed conversion of the preferred stock is set forth on the balance sheets.

In February 2000, the Company's Board of Directors authorized a 4-for-3 reverse split of its common stock. The reverse stock split became effective on April , 2000. The accompanying financial statements have been adjusted retroactively to reflect the stock split. In March 2000, we signed a non-binding letter of intent with Dow Agrosciences LLC in connection with a proposed three-year research collaboration. In connection with this collaboration, Dow Agrosciences will make a \$5 million equity investment in a private placement of common stock concurrent with the initial public offering and at a 25% premium to the initial public offering price.

Concentration of Credit Risk



Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash equivalents and short-term investments. The Company's cash equivalents and short-term investments are held by three financial institutions. Deposits held with financial institutions may exceed the amount of insurance provided on such deposits. The Company has not experienced any losses on its deposits of cash and cash equivalents. See Note 3 for a discussion of notes and other receivables.

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EXELIXIS, INC.

NOTES TO FINANCIAL STATEMENTS--(Continued)

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company invests its excess cash in high grade short-term commercial paper and money market funds which invest in U.S. Treasury securities that are subject to minimal credit and market risk. The Company had \$1.8 million and \$1.0 million of high grade short-term commercial paper which was included in cash and cash equivalents at December 31, 1998 and 1999, respectively. These investments are carried at cost, which approximates fair market value.

Short-term Investments

The Company classifies all short-term investments as available-for-sale in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company's short-term investments consist of high grade corporate securities maturing one year or less from the date of purchase. Available-for-sale securities are carried at fair value with unrealized gains or losses, when material, reported in stockholders' deficit and included in other comprehensive loss. The cost of securities sold is based on the specific identification method.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over their estimated useful lives, generally four to ten years. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. Equipment held under capital leases is stated at the lower of the fair market value of the related asset or the present value of the minimum lease payments and is amortized on a straight-line basis over the shorter of the estimated useful life of the related asset or the term of the lease. Repair and maintenance costs are charged to expense as incurred.

Long-lived Assets

The Company accounts for its long-lived assets under SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" ("SFAS 121"). Consistent with SFAS 121, the Company identifies and records impairment losses on long-lived assets used in operations when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. None of these events have occurred with respect to the Company's long-lived assets, which consist primarily of machinery and equipment and leasehold improvements.

Income Taxes

The Company accounts for income taxes under the liability method. Under this method, deferred tax assets and liabilities are determined on the basis of the difference between the income tax bases of assets and liabilities and their respective financial reporting amounts at enacted tax rates in effect for the periods in which the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized.

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EXELIXIS, INC.

NOTES TO FINANCIAL STATEMENTS--(Continued)

Fair Value of Financial Instruments

Carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable, approximate fair value due to their short maturities. Based on borrowing rates currently available to the Company for loans with similar terms, the carrying value of its debt obligations approximates fair value.

Revenue Recognition

License, research commitment and other non-refundable payments received in connection with research collaboration agreements are deferred and recognized on a straight-line basis over the relevant periods specified in the agreements, generally the research term. The Company recognizes contract research revenues as services are performed, pursuant to the terms of the agreements. Any amounts received in advance of performance are recorded as deferred revenue.

Research and Development Expenses

Research and development costs are expensed as incurred and include costs associated with research performed pursuant to collaborative agreements. Research and development costs consist of direct and indirect internal costs related to specific projects as well as fees paid to other entities which conduct certain research activities on behalf of the Company. Research and development expenses incurred in connection with collaborative agreements approximated contract revenues for the years ended December 31, 1998 and 1999, respectively.

Net Loss per Share

The Company computes net loss per share in accordance with SFAS No. 128, "Earnings per Share" and SEC Staff Accounting Bulletin No. 98. Basic and diluted net loss per share are computed by dividing the net loss for the period by the weighted average number of shares of common stock outstanding during the period. The calculation of diluted net loss per share excludes potential common stock if their effect is antidilutive. Potential common stock consists of common stock subject to repurchase, incremental common shares issuable upon the exercise of stock options and warrants and shares issuable upon conversion of the preferred stock and note payable.

The following table sets forth potential shares of common stock that are not included in the diluted net loss per share because to do so would be anti-dilutive for the periods indicated:

	Year Ended December 31,		
	1997	1998	1999
Preferred stock.....	17,405,007	19,723,780	22,607,614
Options to purchase common stock.....	2,867,709	2,834,619	3,649,611
Common stock subject to repurchase.....	326,392	1,653,066	994,657
Conversion of note payable.....	--	--	1,718,750
Warrants.....	497,255	542,411	612,724
	-----	-----	-----
	21,096,363	24,753,876	29,583,356
	=====	=====	=====

Pro Forma Net Loss per Share (Unaudited)

Pro forma net loss per share for the year ended December 31, 1999 was computed using the weighted average number of shares of common stock outstanding, including the pro forma effect of

## EXELIXIS, INC.

## NOTES TO FINANCIAL STATEMENTS--(Continued)

the automatic conversion of all of the Company's preferred stock into shares of the Company's common stock effective upon the closing of the Company's initial public offering as if such conversion occurred on January 1, 1999, or at the date of original issuance, if later. The resulting pro forma adjustment includes an increase in the weighted average shares used to compute pro forma basic net loss per share for the year ended December 31, 1999. The calculation of pro forma diluted net loss per share excludes potential common stock as their effect would be anti-dilutive.

## Stock-based Compensation

The Company has adopted the pro forma disclosure requirements of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). As permitted, the Company continues to recognize employee stock-based compensation under the intrinsic value method of accounting as prescribed by Accounting Principles Board Opinion No. 25. The pro forma effects of applying SFAS 123 are shown in Note 9 to the financial statements. The Company accounts for stock options issued to non-employees in accordance with the provisions of SFAS 123 and EITF 96-18, "Accounting for Equity Instruments that are Issued to Other Than Employees for Acquiring, or in Conjunction with, Selling Goods or Services."

## Comprehensive Income

The Company adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income." This statement requires companies to classify items of other comprehensive income by their nature in the financial statements and display the accumulated balance of other comprehensive income separately from accumulated deficit and additional paid-in capital in the equity section of the balance sheet. For all periods presented, there were no material differences between comprehensive loss and net loss.

## Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivatives and Hedging Activities" ("SFAS No. 133"). SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. In July 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133." SFAS No. 137 deferred the effective date of SFAS No. 133 until fiscal years beginning after June 15, 2000. To date, the Company has not engaged in derivative or hedging activities.

## Note 2 Research and Collaboration Agreements

## Bayer

In May 1998, the Company entered into a six-year research collaboration agreement with Bayer AG (including its affiliates, "Bayer") to identify novel screening targets for the development of new pesticides for use in crop protection. The Company will provide research services directed towards identifying and investigating molecular targets in insects and nematodes that may be useful in developing and commercializing pesticide products. The Company received a \$1.2 million license fee upon execution of the agreement which has been deferred and will be recognized as revenue over the term of the agreement. The Company will also receive annual research funding of approximately

## EXELIXIS, INC.

## NOTES TO FINANCIAL STATEMENTS--(Continued)

\$2.8 million. The Company can earn additional payments under the agreement upon the achievement of certain milestones. The Company can also earn royalties on the future sale by Bayer of pesticide products incorporating compounds developed under the agreement. The agreement also provides Bayer an exclusive

royalty free option to use certain technology developed under the agreement in the development of fungicides and herbicides.

In December 1999, the Company significantly expanded its relationship with Bayer by forming a joint venture in the form of a new limited liability company, GenOptera LLC ("GenOptera"). Under the terms of the GenOptera operating agreement, Bayer will provide 100% of the capital necessary to fund the operations of GenOptera and will control the entity with a 60% ownership interest. The Company will own the other 40% interest in GenOptera without making any capital contribution and will report its investment in GenOptera using the equity method of accounting. Bayer's initial capital contribution to GenOptera will be \$10 million in January 2000 and another \$10 million on January 1, 2001. Bayer will also contribute cash to GenOptera in amounts necessary to fund its ongoing operating expenses.

On January 1, 2000, the Company, Bayer and GenOptera entered into an exclusive eight-year research collaboration agreement which superceded the 1998 agreement discussed above. The Company will provide GenOptera with significantly expanded research services focused on developing insecticides and nematocides for crop protection. Under the terms of the collaboration agreement, GenOptera will pay the Company a \$10 million license fee and a \$10 million research commitment fee. One-half of these fees was received in January 2000, with the remaining amounts to be received in January 2001. Additionally, GenOptera will also pay the Company approximately \$10 million in annual research funding. The Company can earn additional payments under the collaboration agreement upon the achievement of certain milestones. The Company can also earn royalties on the future sale by Bayer of pesticide products incorporating compounds developed under the agreement. The agreement also provides Bayer an exclusive royalty-free option to use certain technology developed under the agreement in the development of fungicides and herbicides. To the extent permitted under the collaboration agreement, if the Company were to develop and sell certain human health or agrochemical products which incorporate compounds developed under the agreement, it would be obligated to pay royalties to GenOptera. No such activities are expected for the foreseeable future.

Revenues recognized under these agreements approximated \$2.3 million and \$4.3 million during the years ended December 31, 1998 and 1999, respectively.

During 2000 and beyond, the Company will recognize license, contract research and milestone payments received from GenOptera as revenues over the term of the agreement and also record research and development expenses under this collaboration, all as described in Note 1.

#### Artemis Pharmaceuticals

In June 1998, the Company purchased a minority interest in Artemis Pharmaceuticals GmbH, a genetics company located in Cologne, Germany. The Company also entered into certain non-exclusive license agreements providing Artemis with access to the Company's technologies. In September 1998, the Company entered into a five-year cooperation agreement with Artemis under which the Company agreed to share technology and business opportunities as they arise. While either party may terminate this agreement at any time, the Company believes that it provides a

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EXELIXIS, INC.

#### NOTES TO FINANCIAL STATEMENTS--(Continued)

significant opportunity to access complementary genetic research. The Company has no financial obligation or current intention to fund Artemis. As of December 31, 1999, the Company owns 24% of the outstanding equity of Artemis. As a result of recording our portion of the 1998 Artemis loss, the carrying value of this investment was zero at December 31, 1998 and 1999.

#### Pharmacia & Upjohn

In February 1999, the Company entered into a five-year research collaboration agreement with Pharmacia & Upjohn AB ("Pharmacia & Upjohn") focused on the identification of novel targets that may be useful in the development of pharmaceutical products in the areas of Alzheimer's disease and metabolic syndrome. Pharmacia & Upjohn agreed to pay the Company a \$5 million

non-refundable license fee which is being recognized as revenue over the term of the agreement. Under the terms of the agreement, as expanded and amended in October 1999, the Company will also receive future research funding during the first three years of the agreement. The Company can also earn additional amounts under the agreement upon the achievement of certain milestones. The Company can also earn royalties on the future sales by Pharmacia & Upjohn of human therapeutic products incorporating compounds developed under the agreement. Revenues recognized under this agreement approximated \$5.6 million during the year ended December 31, 1999.

In connection with entering into this agreement, Pharmacia & Upjohn also purchased 2,500,000 shares of Series D Preferred Stock at \$3.00 per share, resulting in net cash proceeds to the Company of \$7.5 million. Further, Pharmacia & Upjohn loaned the Company \$7.5 million in exchange for a non-interest bearing convertible promissory note (see Note 6).

Bristol-Myers Squibb

In September 1999, the Company entered into a three-year research and technology transfer agreement with Bristol-Myers Squibb Company ("Bristol-Myers Squibb") to identify the mechanisms of action of compounds delivered to the Company by Bristol-Myers Squibb. Bristol-Myers Squibb agreed to pay the Company a \$250,000 technology access fee which is being recognized as revenue over the term of the agreement. Under the terms of the agreement, the Company will receive research funding ranging from \$1.3 million in the first year to as much as \$2.5 million in later years. The Company can also earn additional amounts under the agreement upon the achievement of certain milestones. The Company can also earn royalties on the future sale by Bristol-Myers Squibb of human products incorporating compounds developed under the agreement. The agreement also includes technology transfer and licensing terms which call for Bristol-Myers Squibb and the Company to license and share certain core technologies in genomics and lead optimization. Revenues recognized under this agreement approximated \$372,000 during the year ended December 31, 1999.

Note 3 Related Party Receivables

The Company had outstanding loans aggregating \$458,000 and \$619,000 to certain officers and employees of the Company at December 31, 1998 and 1999, respectively. The notes are collateralized and bear interest at rates ranging from 3.77% to 6.13% and have maturities through March 2003. The principal plus accrued interest will be forgiven annually over three to four years from the employees' date of employment with the Company. If an employee leaves the Company, all unpaid and unforgiven principal and interest will be due and payable within 60 days.

EXELIXIS, INC.

NOTES TO FINANCIAL STATEMENTS--(Continued)

Note 4 Property and Equipment

Property and equipment consists of the following (in thousands):

	December 31,	
	1998	1999
	-----	-----
Laboratory equipment.....	\$ 1,588	\$ 4,301
Computer equipment and software.....	1,667	2,837
Furniture and fixtures.....	525	1,018
Leasehold improvements.....	1,820	2,537
Equipment under capital leases.....	2,773	2,773
Construction in-progress.....	--	827
	-----	-----
	8,373	14,293
Less accumulated depreciation and amortization.....	(2,629)	(4,795)
	-----	-----

\$ 5,744 \$ 9,498  
=====

Depreciation and amortization expense for the years ended December 31, 1997, 1998 and 1999 included \$460,000, \$704,000 and \$652,000, respectively, related to equipment under capital leases. Accumulated depreciation and amortization for equipment under capital leases was \$1.5 million and \$2.2 million at December 31, 1998 and 1999, respectively. The equipment under capital leases collateralizes the related lease obligations.

#### Note 5 Notes Payable

In July 1998, the Company entered into a \$5.0 million equipment and tenant improvements lending agreement. As of December 31, 1999, there was approximately \$3.9 million outstanding under the lending agreement. The Company's ability to borrow additional amounts expired in January 2000. Borrowings under the lending agreement bear interest at 7.0% per annum and are collateralized by the financed equipment. Principal and interest are payable monthly over 42 months, and the Company is required to make a final balloon payment equal to 10% of the original principal amount of each drawdown.

In connection with the acquisition of MetaXen (see Note 12), the Company assumed a loan agreement which provided for the financing of equipment purchases. Borrowings under the agreement are collateralized by the assets financed and are subject to repayment over thirty-six to forty-eight months, depending on the type of asset financed. Borrowings under the agreement bear interest at the U.S. Treasury note rate plus a number of basis points determined by the type of asset financed (6.80% to 7.44% at December 31, 1999). As of December 31, 1999, there was approximately \$937,000 outstanding under this loan agreement.

Future principal payments of notes payable at December 31, 1999 are as follows (in thousands):

Year ending December 31, -----	
2000.....	\$ 1,554
2001.....	1,664
2002.....	1,209
2003.....	426
	-----
	4,853
Less current portion.....	(1,554)
	-----
	\$ 3,299
	=====

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EXELIXIS, INC.

NOTES TO FINANCIAL STATEMENTS--(Continued)

#### Note 6 Convertible Promissory Note

In February 1999, the Company issued a \$7.5 million convertible promissory note to Pharmacia & Upjohn in connection with a collaboration agreement (see Note 2). The non-interest bearing note automatically converts in March 2002, unless converted earlier at the option of Pharmacia & Upjohn. The note must be converted into shares of the Company's common stock during the two-year period following the Company's initial public offering at a price per share equal to 120% of the price of common stock sold in the initial public offering, the time of such conversion to be determined by Pharmacia & Upjohn. If the Company has not completed an initial public offering by March 2002, the note will be converted into a number of shares of convertible preferred stock equal to \$7.5 million divided by the most recent price per share of such convertible preferred stock. The note contains certain covenants including restrictions on mergers and disposition of assets.

Note 7 Mandatorily Redeemable Convertible Preferred Stock

The Company has authorized 35,000,000 shares of preferred stock, designated in series. A summary of mandatorily redeemable convertible preferred stock ("preferred stock") is as follows:

	Shares Designated	Liquidation Preference Per Share	December 31,	
			1998	1999
Series A.....	5,817,464	\$ 0.70	5,328,571	5,328,571
Series B.....	13,000,000	1.00	12,300,000	12,300,000
Series C.....	7,875,000	2.00	7,875,000	7,875,000
Series D.....	7,500,000	3.00	2,119,539	5,000,000
	34,192,464		27,623,110	30,503,571

The preferred stock has the following characteristics:

Conversion

Each share of Series A, B, C and D preferred stock is convertible at any time at the option of the holder into shares of common stock based upon a one to 0.75 conversion ratio. All Series A, B, C and D preferred stock will automatically convert to common stock upon the earlier of (1) the closing of an initial public offering of the Company's common stock resulting in net proceeds of at least \$15 million and a per share price of not less than \$5.00, or (2) the consent of the holders of at least 66 2/3% in voting power of the then outstanding shares of Series A, B, C and D preferred stock.

Dividends

Holders of the Series D preferred stock are entitled to receive dividends when and if declared by the Board of Directors.

Holders of the Series B and C preferred stock are entitled to receive dividends when and if declared by the Board of Directors, provided however, that no dividend shall be declared on the Series B or C preferred stock unless the holders of the Series D preferred stock shall have first received, or the Company shall simultaneously declare and pay, an equal dividend on each outstanding share of Series D preferred stock.

Holders of the Series A preferred stock are entitled to receive dividends when and if declared by the Board of Directors, provided however that with the exception of the declaration and payment of the Special Series A Dividend (as defined below), no dividend shall be declared or paid on the Series A preferred stock unless the Company shall simultaneously declare and pay an equal dividend on each outstanding share of Series B, C and D preferred stock. Through December 31, 1999, no dividends have been declared or paid by the Company.

Holders of Series A preferred stock are entitled to receive a dividend of one twentieth ( 1/20th) of one share of common stock (the "Special Series A Dividend") under certain circumstances. If the consummation of either (1) the consolidation, merger, liquidation or sale of all or substantially all of the assets of the Company, or (2) the closing of an initial public offering of the Company's common stock at a price at or above the Per Share Threshold Amount

(\$3.00 at December 31, 1999), as defined, occurs on or before March 31, 2000, then the Special Series A Dividend shall be payable to holders of Series A preferred stock immediately prior to such event.

#### Mandatory Redemption

On March 31, 2002, 2003 and 2004, each holder of Series A, B and C preferred stock and on March 13, 2002, 2003 and 2004 each holder of Series D preferred stock shall have the right to require the Company to redeem up to the number of shares of such preferred stock held by each shareholder multiplied by a percentage (33-1/3%, 50% and 100% at each respective redemption date) at a per share price of \$3.00 for Series D preferred stock, \$2.00 for Series C preferred stock, \$1.00 for Series B preferred stock and \$0.70 for Series A preferred stock, plus all declared but unpaid dividends.

#### Liquidation Preference

In the event of any liquidation, dissolution, or winding up of the affairs of the Company, the holders of Series D preferred stock will be entitled to receive in preference to the holders of the Series C, B and A preferred stock and all classes of common stock an amount equal to \$3.00 per share, subject to certain adjustments, plus any accrued but unpaid dividends. The holders of Series C preferred stock shall receive in preference to the holders of the Series B and A preferred stock and all classes of common stock an amount equal to \$2.00 per share, subject to certain adjustments, plus any accrued and unpaid dividends. The holders of Series B preferred stock shall receive, in preference to the holders of the Series A preferred stock and all classes of common stock an amount equal to \$1.00 per share, subject to certain adjustments, plus any accrued but unpaid dividends. The holders of Series A preferred stock shall receive, prior and in preference to any other series of preferred stock (other than the Series D, C and B preferred stock) and all classes of common stock, an amount equal to \$0.70 per share, subject to certain adjustments, plus any accrued but unpaid dividends.

#### Voting Rights

Each holder of Series A, B, C and D preferred stock is entitled to the number of votes equal to the number of shares of common stock into which such holder's shares are convertible.

#### Amended and Restated Securityholders' Agreement

In January 1999, the Company and the Series A, Series B, Series C and Series D preferred stockholders entered into an amended and restated securityholders' agreement. The agreement

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EXELIXIS, INC.

NOTES TO FINANCIAL STATEMENTS--(Continued)

provides that in the event of an underwritten public offering, the Company will use its best efforts to cause the underwriters to reserve up to 10% of the shares included in the public offering for purchase by individuals who hold Series C preferred stock and do not hold shares of any other class of our capital stock.

#### Note 8 Common Stock and Warrants

##### Stock Repurchase Agreements

In January 1995, the Company sold to certain founders and members of its Scientific Advisory Board (the "SAB") and to a consultant 1,327,500 shares of common stock at a price of \$0.001 per share. In June 1995, 1,200,000 of these shares held by three founders of the Company were converted into 526,819 shares of Class B common stock. Simultaneously, these founders entered into Restated Stock Purchase and Repurchase Agreements (the "Restated Agreements"). In April 1999, 526,819 shares of Class B common stock were converted into 1,200,000 shares of common stock pursuant to the terms of the Restated Agreements.

Under the terms of the 1997 Equity Incentive Plan (the "1997 Plan"), options are exercisable when granted and such shares are subject to repurchase upon termination of employment. Repurchase rights lapse over the vesting periods



which are generally three to four years. Should the employment of the holders of common stock subject to repurchase terminate prior to full vesting of the outstanding shares, the Company may repurchase all unvested shares at a price per share equal to the original exercise price. At December 31, 1999, 1,629,785 shares were subject to such repurchase terms.

#### Warrants

During 1995, the Company issued warrants to purchase 69,644 shares of the Company's common stock at an exercise price of \$0.93 per share to two shareholders of the Company. During January 2000, warrants to purchase 16,071 shares were exercised. The warrants expire in January 2005. The fair value of these warrants was determined using the Black-Scholes option pricing model and was not material, accordingly, no value was ascribed to them for financial reporting purposes.

In 1995, the Company also issued warrants to purchase 188,214 shares of the Company's Series A preferred stock at an exercise price of \$0.70 per share in connection with a line of credit agreement. The warrants were immediately exercisable upon issuance and expire ten years from the date of issuance or five years from the date of an initial public offering, whichever is longer. The fair value of these warrants was determined using the Black-Scholes option pricing model and was not material, accordingly, no value has been ascribed to them for financial reporting purposes.

In January 1996, the Company issued warrants to purchase 357,143 shares of Series B preferred stock, at an exercise price of \$0.85 per share, to a lender. The warrants expire ten years from the date of issue or five years from the effective date of an initial public offering, whichever is longer. The fair value of these warrants was determined using the Black-Scholes option pricing model and was not material, accordingly, no value was ascribed to them for financial reporting purposes.

In September 1997, the Company issued warrants to purchase 63,750 shares of common stock at an exercise price of \$2.67 per share as part of a \$2 million equipment lease financing arrangement. These warrants expire upon the earlier of September 2007 or five years from the

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#### EXELIXIS, INC.

#### NOTES TO FINANCIAL STATEMENTS--(Continued)

effective date of an initial public offering. The fair value of these warrants was determined using the Black-Scholes option pricing model and was not material, accordingly, no value has been ascribed to them for financial reporting purposes.

In May 1999, the Company issued warrants to purchase 112,500 shares of common stock at an exercise price of \$4.00 per share in connection with a building lease. The Company determined the fair value of these warrants using the Black-Scholes option pricing model with the following assumptions: expected life of five years; a weighted average risk-free rate of 6.1%; expected dividend yield of zero; volatility of 70% and a deemed value of the common stock of \$5.71 per share. The fair value of the warrants of 391,000 has been capitalized and will be amortized as rent expense over the term of the lease.

All such warrants are currently exercisable.

#### Reserved Shares

At December 31, 1999, the Company has reserved 30,295,798 shares of common stock for future issuance upon the conversion of its preferred stock, and the convertible promissory note, as well as for use in the Company's stock plans and exercise of outstanding warrants.

#### Note 9 Employee Benefit Plans

In January 1995, the Company adopted the 1994 Employee, Director and Consultant Stock Option Plan (the "1994 Plan"). The 1994 Plan provides for the issuance of incentive stock options, non-qualified stock options and stock purchase rights to key employees, directors, consultants and members of the SAB. In September 1997, the Company adopted the 1997 Plan. The 1997 Plan amends

and supercedes the 1994 Plan. At December 31, 1999, the total number of shares which may be issued under the 1997 Plan, as amended, was 9,142,000. During January 2000, the Company approved a 2,000,000 share increase to the authorized shares available for issuance under the 1997 Plan. The Board of Directors is responsible for administration of the Company's stock plans and determines the term of each option, exercise price and the vesting terms. The Company may not grant an employee incentive stock options that are exercisable during any one year with an estimated fair value in excess of \$100,000. Incentive stock options may be granted at an exercise price per share at least equal to the estimated fair value per underlying common share on the date of grant (not less than 110% of the estimated fair value in the case of holders of more than 10% of the Company's voting stock). Options granted under the 1997 Plan are exercisable when granted and generally expire ten years from the date of grant (five years for incentive stock options granted to holders of more than 10% of the Company's voting stock).

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EXELIXIS, INC.

NOTES TO FINANCIAL STATEMENTS--(Continued)

A summary of all option activity is presented below:

	Shares	Weighted- Average Exercise Price
	-----	-----
Options outstanding at December 31, 1996.....	1,924,365	\$ 0.06
Granted.....	2,092,215	0.21
Exercised.....	(246,695)	0.03
Cancelled.....	(48,363)	0.03
	-----	
Options outstanding at December 31, 1997.....	3,721,522	0.12
Granted.....	1,949,255	0.27
Exercised.....	(2,514,898)	0.13
Cancelled.....	(354,702)	0.26
	-----	
Options outstanding at December 31, 1998.....	2,801,177	0.25
Granted.....	2,892,202	0.32
Exercised.....	(1,057,300)	0.26
Cancelled.....	(169,552)	0.27
	-----	
Options outstanding at December 31, 1999.....	4,466,527	0.29
	=====	

The following table summarizes information about stock options outstanding at December 31, 1999:

Options Outstanding and Exercisable			
Exercise Prices	Number	Weighted- Average Remaining Contractual Life (Years)	Weighted- Average Exercise Price
-----	-----	-----	-----
\$ 0.01	29,625	6.34	\$ 0.01
0.13	107,261	7.02	0.13
0.27	3,776,256	8.81	0.27
0.40	473,150	9.81	0.40
0.80	42,735	9.94	0.80
1.33	37,500	9.96	1.33
	-----		

At December 31, 1999, 1,629,785 shares of common stock purchased under the 1994 and 1997 Plans were subject to repurchase by the Company at a weighted average price of \$0.27 per share.

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## EXELIXIS, INC.

## NOTES TO FINANCIAL STATEMENTS--(Continued)

Had compensation cost been determined based on the fair value of the options at the grant date consistent with the provisions of SFAS No. 123, the Company's pro forma net loss would have been as follows:

	Year Ended December 31,		
	1997	1998	1999
Net loss:			
As reported.....	\$ (11,496)	\$ (15,666)	\$ (18,721)
Pro forma.....	(11,505)	(15,701)	(18,776)
Net loss per share (basic and diluted):			
As reported.....	\$ (8.76)	\$ (3.83)	\$ (3.47)
Pro forma.....	(8.77)	(3.84)	(3.48)

Since options vest over several years and additional option grants are expected to be made in future years, the pro forma impact on the results of operations for the three years ended December 31, 1999 is not representative of the pro forma effects on the results of operations for future periods.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions for grants in 1997, 1998 and 1999: 0% dividend yield for all years; volatility of 0% for 1997, 0% for 1998 and 0% for 1999; risk-free interest rates of 6.18% for 1997, 5.82% for 1998 and 5.59% for 1999 and expected lives of 5 years for all years presented.

## Deferred Stock Compensation

During the period from January 1, 1997 through December 31, 1999, the Company recorded \$18.4 million of deferred stock compensation in accordance with APB 25, SFAS 123 and Emerging Issues Task Force 96-18, related to stock options granted to consultants and employees. For options granted to consultants, the Company determined the fair value of the options using the Black-Scholes option pricing model with the following assumptions: expected lives of four years; a weighted average risk-free rate of 5.75%; expected dividend yield of zero percent; volatility of 70% and deemed values of common stock between \$0.40 and \$8.35 per share. Stock compensation expense is being recognized in accordance with FIN 28 over the vesting periods of the related options, generally four years. The Company recognized stock compensation expense of \$25,000, \$725,000 and \$3.5 million for the years ended December 31, 1997, 1998 and 1999, respectively.

## 2000 Equity Incentive Plan

In January 2000, the Company adopted, subject to stockholder approval, the 2000 Equity Incentive Plan. A total of 3,000,000 shares of common stock have been reserved for future issuance under this plan.

## 2000 Non-Employee Directors' Stock Option Plan

In January 2000, the Company adopted, subject to stockholder approval, the 2000 Non-Employees Directors' Stock Option Plan. This plan provides for the automatic grant of options to purchase shares of common stock to non-employee

directors. A total of 500,000 shares of common stock were initially authorized for issuance under this plan.

2000 Employee Stock Purchase Plan

In January 2000, the Company adopted, subject to stockholder approval, the 2000 Employee Stock Purchase Plan. A total of 300,000 shares of common stock were initially authorized for issuance under this plan.

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EXELIXIS, INC.

NOTES TO FINANCIAL STATEMENTS--(Continued)

Note 10 Income Taxes

The Company's deferred tax assets consist of the following (in thousands):

	December 31	
	1998	1999
	-----	-----
Net operating loss carryforwards.....	\$ 8,248	\$ 12,430
Capitalized start-up and organizational costs.....	2,546	2,154
Tax credit carryforwards.....	1,483	2,071
Capitalized research and development costs.....	2,239	1,966
Other.....	(842)	(240)
	-----	-----
Total deferred tax assets.....	(13,674)	(18,381)
Valuation allowance.....	13,674	18,381
	-----	-----
Net deferred tax assets.....	\$ --	\$ --
	=====	=====

The valuation allowance increased by \$4.7 million and \$5.7 million during the years ended December 31, 1999 and 1998, respectively.

The Company has not recorded any provision or benefit for income taxes as it continues to record operating losses. The Company has provided a full valuation allowance for the deferred tax assets at December 31, 1999 since the realization of these amounts is not considered more likely than not by management.

At December 31, 1999, the Company had federal and state net operating loss carryforwards of approximately \$33.9 million and \$25.6 million, respectively, which expire at various dates beginning in the year 2005. Under the Internal Revenue Code, certain substantial changes in the Company's ownership could result in an annual limitation on the amount of net operating loss carryforwards which can be utilized in future years to offset future taxable income.

Note 11 Commitments

Leases

The Company leases office and research space and certain equipment under operating and capital leases that expire at various dates through the year 2017. Certain operating leases contain renewal provisions and require the Company to pay other expenses. Future minimum lease payments under operating and capital leases are as follows (in thousands):

Year ending December 31,	Operating	Capital
-----	Leases	Leases
	-----	-----

2000.....	\$ 3,061	\$ 793
2001.....	2,531	235
2002.....	2,489	--
2003.....	2,566	--
2004.....	2,621	--
Thereafter.....	23,778	--
	-----	-----
	37,046	1,028
Less amount representing interest.....	--	(64)
	-----	-----
Present value of minimum lease payments.....	\$37,046	964
	=====	-----
Less current portion.....		(735)
		-----
Long-term portion.....		\$ 229
		=====

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EXELIXIS, INC.

NOTES TO FINANCIAL STATEMENTS--(Continued)

Rent expense under noncancellable operating leases was \$882,000, \$920,000 and \$1.5 million for the years ended December 31, 1997, 1998 and 1999, respectively.

The Company entered into a line of credit agreement (the "Agreement") during 1995. The term of each borrowing under the Agreement ranges from thirty-six to forty-eight months and bears interest at rates ranging from 9.5% to 11.0% depending on the type of equipment purchased under the Agreement. At December 31, 1999, \$125,000 was outstanding under the Agreement. In connection with the Agreement, the Company issued warrants to purchase 188,214 shares of the Company's Series A preferred stock at an exercise price of \$0.70 per share (see Note 8).

In September 1997, the Company entered into a lease line of credit arrangement (the "Arrangement") which allows the Company to purchase \$2.0 million of equipment. The term of each borrowing under the Arrangement is 42 months and each bears interest at a minimum of 9.0%. At December 31, 1999, \$839,000 was outstanding under the Arrangement. In connection with the Arrangement, the Company granted warrants to purchase 63,750 shares of its common stock (see Note 8).

Licensing Agreements

The Company has entered into several licensing agreements with various universities and institutions under which it obtained exclusive rights to certain patent, patent applications, and other technology. Future payments pursuant to these agreements are as follows (in thousands):

Year ending December 31,	
-----	
2000.....	\$1,573
2001.....	665
2002.....	657
2003.....	657
2004.....	441
	-----
	\$3,993
	=====

In addition to the payments summarized above, the Company is required to make royalty payments based upon a percentage of net sales of any products or services developed from certain of the licensed technologies and milestone payments upon the occurrence of certain events as defined by the related agreements. No such royalties or milestones have been paid through December 31, 1999.

Consulting agreements

The Company has entered into consulting agreements with certain members of the SAB. Total consulting expense incurred under these agreements during the years ended December 31, 1997, 1998 and 1999 was \$236,000, \$345,000 and \$352,000, respectively.

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EXELIXIS, INC.

NOTES TO FINANCIAL STATEMENTS--(Continued)

Note 12 Acquisition

In July 1999, the Company acquired substantially all the assets of MetaXen, LLC ("MetaXen"), a biotechnology company focusing on molecular genetics. In addition to paying cash consideration of \$870,000, the Company assumed a note payable relating to certain acquired assets with a principal balance due of \$1.1 million (see Note 5). The Company also assumed responsibility for a facility sub-lease relating to the office and laboratory space occupied by MetaXen.

This transaction was recorded using the purchase method of accounting. The fair value of the assets purchased, and debt assumed, was determined by management to equal their respective historical net book values on the transaction date, as follows (in thousands):

Laboratory and computer equipment.....	\$ 1,645
Leasehold improvements.....	175
Other tangible assets.....	155
Note payable.....	(1,105)
	-----
	\$ 870
	=====

The following unaudited pro forma financial information presents the consolidated results of the Company as if the acquisition had occurred at the beginning of each period presented (in thousands, except per share data). This pro forma financial information is not intended to be indicative of future operating results.

	Year Ended December 31,	
	1998	1999
	----- (unaudited)	
Total revenues.....	\$ 7,022	\$ 12,807
Net loss.....	(19,129)	(20,328)
Net loss per share, basic and diluted.....	(4.68)	(3.77)

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Members of  
MetaXen, LLC

In our opinion, the accompanying balance sheets and the related statements of operations, of members' equity (deficit) and of cash flows present fairly, in all material respects, the financial position of MetaXen, LLC (a majority

owned subsidiary of Xenova UK Limited) at December 31, 1997 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred net losses since inception which raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ PricewaterhouseCoopers LLP

San Jose, California  
February 10, 1999

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METAXEN, LLC  
(A MAJORITY OWNED SUBSIDIARY OF XENOVA UK LIMITED)

BALANCE SHEETS

	December 31,		June 30,
	1997	1998	1999
			(unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 124,000	\$ 216,000	\$ 30,000
Other current assets.....	130,000	121,000	135,000
Total current assets.....	254,000	337,000	165,000
Property and equipment, net.....	1,487,000	3,132,000	2,837,000
Other assets.....	160,000	320,000	320,000
	\$1,901,000	\$ 3,789,000	\$ 3,322,000
	=====	=====	=====
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)			
Current liabilities:			
Accounts payable.....	\$ 306,000	\$ 369,000	\$ 263,000
Accrued expenses.....	244,000	1,415,000	1,227,000
Deferred revenue.....	--	502,000	379,000
Intercompany payable.....	3,000	227,000	1,965,000
Intercompany loan.....	--	3,035,000	3,084,000
Current portion of long-term liabilities.....	250,000	380,000	417,000
Total current liabilities.....	803,000	5,928,000	7,335,000
Long-term liabilities.....	707,000	788,000	548,000
Total liabilities.....	1,510,000	6,716,000	7,883,000
	-----	-----	-----
Commitments (Note 9)			

Members' equity (deficit):			
Preferred stock--Class A; 1,766,000 shares issued and outstanding at December 31, 1997 and 1998.....	391,000	(3,068,000)	(4,675,000)
Preferred stock--Class B; 120,000 shares issued and outstanding at December 31, 1997 and 1998.....	--	--	--
Preferred stock--Class C; 300,000 and 345,000 shares issued and outstanding at December 31, 1997 and 1998, respectively.....	--	141,000	114,000
Total members' equity (deficit).....	391,000	(2,927,000)	(4,561,000)
	\$1,901,000	\$ 3,789,000	\$ 3,322,000
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

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METAXEN, LLC  
(A MAJORITY OWNED SUBSIDIARY OF XENOVA UK LIMITED)

STATEMENTS OF OPERATIONS

	Year Ended December 31,		Six Months Ended June 30,	
	1997	1998	1998	1999
			(unaudited)	
Contract revenues.....	\$ --	\$ 4,750,000	\$ 2,364,000	\$ 2,297,000
Operating expenses:				
General and administrative.....	1,268,000	1,348,000	583,000	513,000
Research and development.....	2,937,000	6,626,000	2,774,000	3,328,000
Total operating expenses...	4,205,000	7,974,000	3,357,000	3,841,000
Loss from operations.....	(4,205,000)	(3,224,000)	(993,000)	(1,544,000)
Interest income.....	46,000	35,000	16,000	9,000
Interest expense.....	(30,000)	(274,000)	(70,000)	(72,000)
Net loss.....	\$(4,189,000)	\$(3,463,000)	\$(1,047,000)	\$(1,607,000)
	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

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METAXEN, LLC  
(A MAJORITY OWNED SUBSIDIARY OF XENOVA UK LIMITED)

STATEMENTS OF MEMBERS' EQUITY (DEFICIT)  
FOR THE PERIOD FROM INCEPTION (AUGUST 1996) THROUGH DECEMBER 31, 1998

Series A Preferred Stock	Series B Preferred Stock	Series C Preferred Stock
-----	-----	-----



	Shares	Amount	Shares	Amount	Shares	Amount	Total
	-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 1996.....	280,000	\$ 364,000	120,000	\$216,000	320,000	\$ 2,000	\$ 582,000
Issuance of Class A Preferred Stock at \$2.50 per share.....	1,200,000	3,000,000	--	--	--	--	3,000,000
Issuance of Class A Preferred Stock at \$3.50 per share.....	286,000	1,000,000	--	--	--	--	1,000,000
Repurchase of Class C Preferred Stock at \$0.10 per share.....	--	--	--	--	(20,000)	(2,000)	(2,000)
Net loss.....	--	(3,973,000)	--	(216,000)	--	--	(4,189,000)
-----	-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 1997.....	1,766,000	391,000	120,000	--	300,000	--	391,000
Issuance of Class C Preferred Stock at \$0.005 per share.....	--	--	--	--	20,000	--	--
Issuance of Class C Preferred Stock at \$0.10 per share.....	--	--	--	--	45,000	5,000	5,000
Stock compensation expense.....	--	--	--	--	--	141,000	141,000
Repurchase of Class C Preferred Stock at \$0.005 per share.....	--	--	--	--	(10,000)	--	--
Repurchase of Class C Preferred Stock at \$0.10 per share.....	--	--	--	--	(10,000)	(1,000)	(1,000)
Net loss.....	--	(3,459,000)	--	--	--	(4,000)	(3,463,000)
-----	-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 1998.....	1,766,000	(3,068,000)	120,000	--	345,000	141,000	(2,927,000)
Stock compensation expense (unaudited)....	--	--	--	--	--	(27,000)	(27,000)
Net loss (unaudited)....	--	(1,607,000)	--	--	--	--	(1,607,000)
-----	-----	-----	-----	-----	-----	-----	-----
Balance at June 30, 1999 (unaudited).....	1,766,000	\$ (4,675,000)	120,000	\$ --	345,000	\$114,000	\$ (4,561,000)
=====	=====	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

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METAXEN, LLC  
(A MAJORITY OWNED SUBSIDIARY OF XENOVA UK LIMITED)

STATEMENTS OF CASH FLOWS

	Year Ended December 31,		Six Months Ended June 30,	
	1997	1998	1998	1999
	-----	-----	-----	-----
Cash flow used in operating activities:				
Net loss.....	\$ (4,189,000)	\$ (3,463,000)	\$ (1,047,000)	\$ (1,607,000)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization.....	314,000	659,000	266,000	317,000
Loss on disposal of property and				

equipment.....	--	104,000	--	--
Stock compensation....	--	141,000	--	(27,000)
Changes in assets and liabilities:				
Other current assets..	(95,000)	9,000	(47,000)	(14,000)
Other assets.....	(160,000)	(160,000)	(160,000)	--
Accounts payable.....	236,000	63,000	(182,000)	(106,000)
Accrued expenses.....	212,000	1,171,000	--	(188,000)
Deferred revenue.....	--	502,000	366,000	(123,000)
Intercompany payable..	--	224,000	--	1,738,000
	-----	-----	-----	-----
Net cash used in operating activities.....	(3,682,000)	(750,000)	(804,000)	(10,000)
	-----	-----	-----	-----
Cash flow used in investing activities:				
Purchases of property and equipment.....	(1,731,000)	(2,408,000)	(376,000)	(22,000)
	-----	-----	-----	-----
Cash flow provided by financing activities:				
Proceeds from issuance of Class A Preferred Stock.....	4,000,000	--	(1,000)	--
Proceeds from issuance of Class C Preferred Stock.....	--	5,000	--	--
Repurchase of Class C Preferred Stock.....	(2,000)	(1,000)	--	--
Proceeds from equipment line of credit.....	1,000,000	254,000	--	--
Repayments under equipment line of credit.....	(43,000)	(43,000)	(110,000)	(203,000)
Increase in intercompany loan.....	--	3,035,000	2,100,000	49,000
	-----	-----	-----	-----
Net cash provided by (used in) financing activities.....	4,955,000	3,250,000	1,989,000	(154,000)
	-----	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	(458,000)	92,000	809,000	(186,000)
Cash and cash equivalents at beginning of period...	582,000	124,000	124,000	216,000
	-----	-----	-----	-----
Cash and cash equivalents at end of period.....	\$ 124,000	\$ 216,000	\$ 933,000	\$ 30,000
	=====	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

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METAXEN, LLC  
(A MAJORITY OWNED SUBSIDIARY OF XENOVA UK LIMITED)

NOTES TO FINANCIAL STATEMENTS

Note 1--The Company and Significant Accounting Policies:

Nature of business

MetaXen, LLC (the "Company") was incorporated in Delaware in August 1996 for the purpose of performing research and development in the fields of biotechnology and molecular genetics and to develop pharmaceutical products and procedures on its own account and in collaboration with Xenova UK Limited, a wholly owned subsidiary of Xenova Group plc (collectively referred to as "Xenova" or the "Parent Company"). The Company is a majority owned subsidiary of Xenova. The Company emerged from the development stage during 1997.

The Company was formed as a result of a merger in September 1996 between RGH Founders, LLC, a Delaware corporation incorporated in August 1996, and MetaXen, LLC, a Delaware corporation incorporated in September 1996 ("Merger Corp."). At that time, Xenova exchanged its premerger interests in Merger Corp. for 280,000 shares of Class A Preferred Stock in the Company; MJR Holdings, Inc. exchanged its premerger interests in Merger Corp. for 100,000 shares of Class B Preferred Stock in the Company. Also at this time, Ross Holdings, Inc., Giebel Holdings, Inc. and Hartmanis Holdings, Inc. exchanged their interests in RGH Founders, LLC for 200,000, 100,000 and 20,000 shares of the Company's Class C Preferred Stock, respectively. Upon the merger, the Company assumed the assets and liabilities of Merger Corp. and RGH Founders, LLC. Merger Corp. and RGH Founders, LLC were both nominally capitalized at that time and there was no gain or loss arising from the merger. These financial statements include the results of RGH Founders, LLC and Merger Corp. since their inception.

#### Need for additional financing

The Company has incurred a cumulative net loss of \$8,072,000 since inception and expects to incur additional losses in the future which raise substantial doubt about the Company's ability to continue as a going concern. Xenova has committed to provide sufficient funds to support the operations of MetaXen until the earlier of 1) such time as Xenova Group plc has less than a 50% controlling interest in MetaXen or 2) March 31, 1999. Therefore, in order to continue operating and fully implement its business plan, the Company will need to raise additional debt or equity financing. There can be no assurance that such additional funds will be available to the Company, or if available, that it will be on reasonable terms. The inability of the Company to obtain additional financing beyond March 1999 will have a material adverse impact on the Company's operations.

The Company funded its operations through June 1999 by amounts received under a research and license agreement and additional amounts received from Xenova.

#### Cash and cash equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

#### Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed on a straight-line basis over the lesser of the estimated useful lives of the assets, which range from three to seven years, or the lease terms.

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METAXEN, LLC  
A MAJORITY OWNED SUBSIDIARY OF XENOVA LIMITED

NOTES TO FINANCIAL STATEMENTS--(Continued)

#### Revenue recognition

Revenue recognized under research and development contracts is recorded as earned pursuant to the terms of the contracts. Nonrefundable contract fees for which no further performance obligations exist are recognized when the payments are received or when collection is assured. In return for such payments, contract partners may receive certain marketing and manufacturing rights, products for clinical use and testing, and/or research and development services.

#### Research and development expenses

Research and development costs are expensed as incurred.

#### Stock-based compensation

The Company has adopted the pro forma disclosure requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). As permitted, the Company continues to recognize

employee stock-based compensation under the intrinsic value method of accounting pursuant to Accounting Principles Board Opinion No. 25.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could subsequently differ from those estimates.

Note 2--Property and Equipment:

Property and equipment consists of the following:

	December 31,	
	1997	1998
Lab equipment.....	\$ 818,000	\$ 1,305,000
Computer equipment.....	449,000	676,000
Furniture and equipment.....	184,000	357,000
Leasehold improvements.....	353,000	1,366,000
	-----	-----
	1,804,000	3,704,000
Less accumulated depreciation and amortization.....	(317,000)	(572,000)
	-----	-----
	\$ 1,487,000	\$ 3,132,000
	=====	=====

Depreciation and amortization expense was \$659,000 and \$314,000 for the years ended December 31, 1998 and 1997, respectively.

Note 3--Other Assets:

At December 31, 1998, other assets of \$320,000 consisted of a certificate of deposit restricted as to withdrawal to secure an irrevocable letter of credit issued in connection with the Company's non-cancellable facility operating lease.

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METAXEN, LLC  
A MAJORITY OWNED SUBSIDIARY OF XENOVA LIMITED

NOTES TO FINANCIAL STATEMENTS--(Continued)

Note 4--Income Taxes:

No provision or benefit for federal income taxes is reported in the financial statements because, as a limited liability company, the tax effects of the Company's results accrue to its Members.

Note 5--Debt:

In July 1997, the Company entered into a loan agreement which provides for the financing of up to \$1,500,000 of equipment purchases made through December 31, 1998. Borrowings under this agreement are secured by the assets financed and are to be repaid over thirty-six to forty-eight months, depending on the type of asset financed. Borrowings under this agreement bear interest at the U.S. Treasury note rate plus a number of basis points determined by the type of asset financed (9.22% to 11.09% at December 31, 1998).

Future payments under this loan are as follows:

Year Ending December 31,  
-----

1999.....	\$ 500,000
2000.....	500,000
2001.....	367,000
2002.....	148,000
	-----
	1,515,000
Less interest.....	(347,000)
	-----
	1,168,000
Less current portion.....	(380,000)
	-----
Long-term portion.....	\$ 788,000
	=====

Note 6--Members' Equity:

The rights and preferences of the preferred stock are described below.

Allocations and distributions

In the event of cash distributions, amounts will first be distributed to the holders of Class A and Class B Preferred Stock pro rata in accordance with the balances in their respective Member equity accounts. Any amounts in excess of the amounts in their Member equity accounts will be distributed (i) 80% to the holders of Class A Preferred Stock; and (ii) 20% to the holders of Class B and Class C Preferred Stock, pro rata in accordance with the number of such shares held by such holders. No distributions have been made from inception through December 31, 1998.

Net losses of the Company are first allocated (i) 80% to the holders of Class A Preferred Stock; and (ii) 20% to the holders of the Class B and C Preferred Stock, to the extent that cumulative net profits (if any) allocated to the holders of Class B and C Preferred Stock in prior years exceeds the cumulative net losses allocated to such holders in prior years. Any remaining net losses of the Company are then allocated (i) to the holders of Class B Preferred Stock to the extent that this would not cause such holders to have a deficit in their Member equity at the end of the year; then (ii) to the holders of Class A Preferred Stock to the extent that this would not cause such holders to have a

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METAXEN, LLC  
A MAJORITY OWNED SUBSIDIARY OF XENOVA LIMITED

NOTES TO FINANCIAL STATEMENTS--(Continued)

deficit in their Members equity account at the end of the year; and then (a) 80% to the holders of Class A Preferred Stock; and (b) 20% to the holders of Class B and C Preferred Stock. However, in the event of the members having received a distribution of the type described below in connection with a winding up of the Company, the Member equity accounts of the holders of Class B and C Preferred Stock and Common Stock shall be adjusted to reflect the aggregate net loss that would have been allocated to such holders if the holders of Common Stock had participated with the holders of Class B and C Preferred Stock under (b) above from the date of the acquisition of such Common Stock.

Net profits of the Company are first allocated to the holders of Class A, B and C Preferred Stock to the extent that cumulative net losses allocated to such holders in prior years exceed the cumulative net profits allocated to such holders in prior years. Any remaining net profits are then allocated (i) to the holders of Class A Preferred Stock to the extent that cumulative net losses allocated to such holders in provision (ii) on the allocation of losses above exceed cumulative net profits allocated under this provision; then (ii) to the holders of Class B Preferred Stock to the extent that cumulative net losses allocated to such holders in provision (i) on the allocation of losses above exceed cumulative net profits allocated under this provision; and then (a) 80%

to the holders of Class A Preferred Stock; and (b) 20% to the holders of Class B and C Preferred Stock. However, in the event of the members having received a distribution of the type described below in connection with a winding up of the Company, the Member equity accounts of the holders of Class B and C Preferred Stock and Common Stock shall be adjusted to reflect the aggregate net profit that would have been allocated to such holders if the holders of Common Stock had participated with the holders of Class B and C Preferred Stock under (b) above from the date of the acquisition of such Common Stock. Furthermore, in the event of the Members receiving a distribution of the type described below describing distributions upon the winding up of the Company, the holders of Common Stock shall be allocated the portion of net profit associated with the remaining distributable assets distributed to the holders of such Common Stock.

In the event of there being distributable assets upon the winding up of the Company, these assets will be distributed (i) to the holders of Class A and B Preferred Stock pro rata in accordance with the balances in their respective Member equity accounts for the return of their respective contributions; (ii) to all members of the Company pro rata in accordance with their respective Member equity accounts after giving effect to (i) above but without allocating any net profit resulting from the liquidation of the Company's assets and the dissolution of the Company; (iii) to the holders of Class A Preferred Stock to the extent of 80% of the remaining distributable assets; and (iv) to the holders of Class B and C Preferred Stock and Common Stock pro rata in accordance with the number of such shares then held by such holders.

#### Class A Preferred Stock

Holders of Class A Preferred Stock are entitled to one vote per share and are entitled to elect two-thirds of the members of the Board of Directors.

#### Class B Preferred Stock

Holders of Class B Preferred Stock are entitled to one vote per share and are entitled to elect one-third of the number of members constituting the Board of Directors subject to certain approvals from the holders of the Class A Preferred Stock.

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METAXEN, LLC  
A MAJORITY OWNED SUBSIDIARY OF XENOVA LIMITED

NOTES TO FINANCIAL STATEMENTS--(Continued)

At any time following September 4, 2000 and prior to the close of business on the 30th day thereafter, the holders of Class B Preferred Stock may exchange their shares for ordinary shares of Xenova Group plc. The applicable exchange ratio depends upon the Company and Xenova having achieved various milestones.

At any time prior to the close of business on the 60th day following September 4, 2000, Xenova Group plc may exchange all of the then outstanding Class B Preferred Stock for ordinary shares of Xenova Group plc. The applicable exchange ratio depends upon the Company and Xenova having achieved various milestones.

At any time prior to September 4, 2000, subject to the achievement of specified milestones, the holders (other than Xenova Group plc and its affiliates) of not less than one-third of the then outstanding shares and options and warrants to purchase any class of stock may exchange the portion requested for shares and options, respectively, of Xenova Group plc at the then applicable exchange ratio. The applicable exchange ratio depends upon the Company and Xenova having achieved various milestones.

#### Class C Preferred Stock

The holders of Class C Preferred Stock do not have any voting rights but have the same exchange rights and obligations as the holders of Class B Preferred Stock.

In the event that a holder of Class C Preferred Stock (i) terminates his or her employment with the Company in certain circumstances; or (ii) in the case of any person acquiring Class C Preferred Stock prior to commencing employment with the Company, where the person failed to execute an employment agreement

and commence employment with the Company prior to September 4, 1997, the Company has the option to repurchase all or a portion of that person's Class C Preferred Stock. The portion of the person's Class C Preferred Stock that the Company may purchase depends upon the length of time that has passed since the September 1996 merger.

During 1998, the Company recorded \$141,000 of stock compensation expense for the excess deemed fair value over the issuance price of stock sold to employees.

#### Class D Preferred Stock

At December 31, 1998, the Company had not designated or issued any Class D Preferred Stock. The holders of Class D Preferred Stock would be entitled to a percentage, prorata and in accordance with the number of shares then held by such holders, of all cash profit or loss distributions which is equal to the product of 0.000015 and the number of Class D Preferred Shares outstanding at such time.

#### Class E Preferred Stock

At December 31, 1998, the Company had not designated or issued any shares of Class E Preferred Stock. The holders of Class E Preferred Stock would be entitled to a percentage, prorata and in accordance with the number of shares then held by such holders, of all cash profit or loss distributions which is equal to the product of 0.0000775 and the number of Class E Preferred Shares outstanding at such time.

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METAXEN, LLC

A MAJORITY OWNED SUBSIDIARY OF XENOVA LIMITED

NOTES TO FINANCIAL STATEMENTS (Continued)

#### Stock Warrants

In May 1997, the Company entered into a building lease agreement (the "Lease Agreement"). As part of the Lease Agreement, the Company granted the lessor warrants on November 5, 1997 to purchase 100,000 shares of the Company's Class D Preferred Stock with an exercise price of \$6.38 per share, which equalled the fair market value of the Xenova common stock plus \$2.00 per share, as of the date of the issuance of such warrants. The warrants are exercisable from the date of issuance through October 2002.

In July 1997, the Company entered into a loan agreement which provides for the financing of certain equipment purchases (see Note 5). As part of the agreement, the Company granted the lender warrants on July 31, 1997 to purchase 14,516 shares of the Company's Class E Preferred Stock with an exercise price of \$7.75 per share. The exercise price of \$7.75 is based on the sum of the Common Stock price of Xenova Group plc as of June 17, 1997 plus \$2.00 per share. The warrants are exercisable from the date of issuance through June 2002.

A nominal value was ascribed to the warrants outlined above.

#### Common Stock

At December 31, 1998, the Company had not issued any shares of Common Stock. The Common Stock does not have any voting rights. The shares of Common Stock are subject to the same exchange rights and obligations as the Class B Preferred Stock but such shares will be exchanged for Xenova Group plc shares on a one-for-one basis.

#### Note 7--Stock Option Plan:

In December 1996 the Company adopted the 1996 Equity Incentive Plan (the "1996 Plan"). The Company has reserved 300,000 shares of Common Stock for issuance under the 1996 Plan relating to nonqualified options to be granted to officers and employees. The exercise price, vesting requirements and maximum term of each option issued under the 1996 Plan are determined by the Company's Board of Directors.

Activity under the 1996 Plan is summarized as follows:

	Options Available for Grant	Options Outstanding	Exercise Price
	-----	-----	-----
Balance at December 31, 1996.....	300,000	--	--
Granted.....	(216,000)	216,000	\$2.88-\$5.81
	-----	-----	
Balance at December 31, 1997.....	84,000	216,000	2.88-5.81
Granted.....	(94,000)	94,000	2.69-2.75
Cancelled.....	92,500	(92,500)	2.88-5.81
	-----	-----	
Balance at December 31, 1998.....	82,500	217,500	2.69-5.81
	=====	=====	

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METAXEN, LLC  
A MAJORITY OWNED SUBSIDIARY OF XENOVA LIMITED

NOTES TO FINANCIAL STATEMENTS--(Continued)

The following table summarizes information about options outstanding under the 1996 Plan as of December 31, 1998:

Options Outstanding			
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
-----	-----	-----	-----
\$2.69-2.88	166,500	4.2 years	\$2.80
3.63	20,000	3.0 years	3.63
4.38	16,000	3.6 years	4.38
5.81	15,000	3.3 years	5.81
	-----		
	217,500		3.20
	=====		

The Company believes that had employee stock-based compensation for options granted under the 1996 Plan been determined based on the fair value at the grant date using the minimum value model as prescribed by SFAS 123, there would have been no material difference between the Company's pro forma net loss for the years ended December 31, 1998 and 1997 and the actual net loss recorded in the accompanying statement of operations. The fair value of each option was estimated on the grant date using the minimum value method with the following assumptions: annual dividend yield of 0.0%, risk-free annual interest rate of 5.82% to 6.57% and an expected option term of four years.

Note 8--Research and License Agreement:

The Company and Xenova signed a research and license agreement with Eli Lilly and Company ("Eli Lilly") on February 16, 1998. The Company and Xenova are providing research services to Eli Lilly in the form of screening certain compounds for accelerated drug discovery and development. Eli Lilly will have certain license rights to any compounds resulting from efforts completed under the agreement. The Company and Xenova receive amounts quarterly under the agreement which approximate cost reimbursement for amounts incurred pursuant to the agreement. Milestone payments can also be earned by the Company and Xenova, as defined in the agreement. For the year ended December 31, 1998, the Company recorded total contract revenues of \$4,750,000, consisting of a \$1,000,000 non-



refundable license fee and \$3,750,000 of research fees. Costs incurred by the Company under the agreement in 1998 approximated \$4,409,000.

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METAXEN, LLC  
A MAJORITY OWNED SUBSIDIARY OF XENOVA LIMITED

NOTES TO FINANCIAL STATEMENTS--(Continued)

Note 9--Commitments:

The Company leases its facility under a non-cancellable operating lease which expires in September 2002. The Company subleases certain space in its current facility to other tenants.

Rent expense for the years ended December 31, 1998 and 1997 was \$762,000 and \$377,000, respectively. The Company recognizes rent expense on a straight line basis over the lease period.

Future minimum lease payments under the non-cancellable operating lease and minimum sublease rental receipts under non-cancellable operating sub-leases are as follows:

Year Ending December 31, -----	Operating Lease	Sublease Income
	-----	-----
1999.....	\$ 1,966,000	\$ 633,000
2000.....	1,997,000	429,000
2001.....	1,843,000	--
2002.....	1,814,000	--
2003.....	1,783,000	--
	-----	-----
	\$ 9,403,000	\$ 1,062,000
	=====	=====

Note 10--Related Party Transactions:

On September 4, 1996, the Company entered into a research and development collaboration agreement with Xenova. The agreement specifies the rights of both parties to intellectual property developed under the agreement. The agreement will continue to be in force until the earlier of (i) the date that Xenova provides the Company with notice that it will cease to provide funding for the operations of the Company; (ii) the dissolution of the Company; or (iii) the date of exchange of all shares of Class B and C Preferred Stock and Common Stock of the Company for shares of Xenova common stock.

On December 17, 1997, the Company entered into a loan agreement with Xenova. Under this agreement, Xenova agreed to make available to the Company a loan facility of \$1.1 million or such other amounts as the parties may agree to in writing from time to time. The loan bears interest at the UK LIBOR plus 1%, compounded quarterly. The loan will mature one year from the date on which Xenova advances amounts to the Company or such other date as the parties hereto may agree to in writing from time to time. On January 2, 1998, Xenova advanced \$1.1 million to the Company under this loan agreement.

During 1998 the loan agreement was amended and the total amount available was increased to \$2.92 million, all of which was borrowed and outstanding at December 31, 1998. Interest due on the loan as of December 31, 1998 amounted to \$115,000.

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EXELIXIS, INC.

On July 11, 1999, the Company acquired substantially all of the assets of MetaXen, LLC ("MetaXen"), a biotechnology company focused on molecular genetics, in a transaction accounted for using the purchase method of accounting. Under the purchase method of accounting, the aggregate purchase price is allocated to the tangible and identifiable intangible assets acquired and debt assumed on the basis of their fair values on the acquisition date. The fair value of the assets purchased, and debt assumed, was determined by management to equal their respective historical net book values on the transaction date. The unaudited pro forma combined statement of operations is based on the individual statements of operations of the Company and MetaXen for the year ended December 31, 1999. The operations of MetaXen have been included in the unaudited pro forma combined statement of operations as though the acquisition had been consummated on January 1, 1999.

The pro forma information has been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and is provided for illustrative purposes only. The pro forma information does not purport to be indicative of the results that actually would have occurred had the combination been effected on the date indicated above. The unaudited pro forma financial statement, including the notes thereto, are qualified in their entirety by reference to, and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and notes thereto, which are included elsewhere herein.

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EXELIXIS, INC.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS  
(in thousands, except per share data)

	Year Ended December 31, 1999		
	As Reported	MetaXen	Pro Forma
	-----	-----	-----
Revenues:			
License.....	\$ 1,046	\$ --	\$ 1,046
Contract.....	9,464	2,297	11,761
	-----	-----	-----
Total revenues.....	10,510	2,297	12,807
	-----	-----	-----
Operating expenses:			
Research and development.....	21,653	3,328	24,981
General and administrative.....	7,624	513	8,137
	-----	-----	-----
Total operating expenses.....	29,277	3,841	33,118
	-----	-----	-----
Loss from operations.....	(18,767)	(1,544)	(20,311)
Interest and other income.....	571	9	580
Interest expense.....	(525)	(72)	(597)
	-----	-----	-----
Net loss.....	\$ (18,721)	\$ (1,607)	\$ (20,328)
	=====	=====	=====
Basic and diluted net loss per share.....	\$ (3.47)		\$ (3.77)
Shares used in computing basic and diluted net loss per share.....	5,389		5,389

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EXELIXIS, INC.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENT  
(UNAUDITED)

Note 1 Basis of Presentation:

On July 11, 1999, the Company acquired substantially all the assets of MetaXen, LLC ("MetaXen"), a biotechnology company focused on molecular genetics. In addition to paying cash consideration of \$870,000, the Company assumed a note payable relating to certain acquired assets with a principle balance due of \$1.1 million. The Company also assumed responsibility for a facility sub-lease relating to the office and laboratory space occupied by MetaXen.

This transaction was recorded using the purchase method of accounting. The allocation of the aggregate purchase price to the tangible and identifiable intangible assets acquired and liabilities assumed in connection with this acquisition was based on estimated fair values as determined by management. The purchase price allocation is summarized below (in thousands):

Laboratory and computer equipment.....	\$ 1,645
Leasehold improvements.....	175
Other tangible assets.....	155
Note payable.....	(1,105)
	-----
	\$ 870
	=====

Pro forma adjustments relating to interest income and interest expense were not material to the unaudited pro forma combined financial statement.

Note 2 Net Loss Per Share:

Basic and diluted net loss per share and shares used in computing basic and diluted net loss per share for the year ended December 31, 1999 are based upon the Company's historical weighted average common shares outstanding. Common stock issuable upon the exercise of the stock options and warrants, and shares issuable upon the conversion of preferred stock and note payable have been excluded from the computation of basic and diluted net loss per share as their effect would be anti-dilutive.

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UNDERWRITING

Exelixis and the underwriters named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co., Credit Suisse First Boston Corporation and SG Cowen Securities Corporation are the representatives of the underwriters:

Underwriters	Number of Shares
-----	-----
Goldman, Sachs & Co.....	
Credit Suisse First Boston Corporation.....	
SG Cowen Securities Corporation.....	
	-----
Total.....	9,100,000
	=====

If the underwriters sell more shares than the total number set forth in the table above, the underwriters have an option to buy up to an additional 1,365,000 shares from Exelixis to cover such sales. They may exercise that option for 30 days. If any shares are purchased under this option, the underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters by Exelixis. These amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

The following table summarizes the compensation and expenses we will pay.

Paid by Exelixis -----	No Exercise	Full Exercise
-----	-----	-----
Per share.....	\$	\$
Total.....	\$	\$

Shares sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the underwriters to securities dealers may be sold at a discount of up to \$ per share from the initial public offering price. Any of these securities dealers may resell any shares purchased from the underwriters to other brokers or dealers at a discount of up to \$ per share from the initial public offering price. If all the shares are not sold at the initial public offering price, the representatives may change the offering price and the other selling terms.

Exelixis has agreed with the underwriters not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of the representatives. This restriction does not apply to any existing employee benefit plans or securities issued in connection with acquisition transactions, provided that the recipients of such securities agree not to dispose of or hedge any of such securities for the same 180 day period. See "Shares Eligible for Future Sale" for a discussion of transfer restrictions.

Exelixis currently anticipates that it will undertake a directed shares program, pursuant to which it will direct the underwriters to reserve up to 637,000 shares of common stock for certain directors, employees and friends of Exelixis. In addition, at the request of Exelixis and in accordance with contractual rights granted in April 1997 to the holders of Exelixis Series C preferred stock who do not hold shares of any other class of capital stock, the underwriters have reserved for sale, at the initial

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public offering price, 10% of the shares included in this offering for those individuals. There can be no assurance that any of the reserved shares will be so purchased. The number of shares available for sale to the general public in the offering will be reduced to the extent these persons purchase any reserved shares. Any reserved shares not so purchased will be offered to the general public on the same basis as the other shares offered hereby.

Prior to this offering, there has been no public market for the common stock. The initial public offering price for the common stock will be negotiated among Exelixis and the representatives of the underwriters. Among the factors considered in determining the initial public offering price of the shares, in addition to prevailing market conditions, will be Exelixis' historical performance, estimates of Exelixis' business potential and earnings prospects, an assessment of Exelixis' management and the consideration of the above factors in relation to market valuation of companies in related businesses.

Exelixis' has filed an application for its common stock to be approved for quotation on the Nasdaq National Market under the symbol "EXEL."

In connection with the offering, the underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Stabilizing transactions consist of bids or purchases made for the purpose of

preventing or retarding a decline in the market price of the common stock while the offering is in progress.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters may stabilize, maintain or affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time. These transactions may be effected on The Nasdaq National Market, in the over-the-counter market or otherwise.

A prospectus in electronic format may be made available on the web sites maintained by one or more underwriters or securities dealers. The underwriters may agree to allocate a number of shares to underwriters for sale to their online brokerage account holders. Internet distributions will be allocated by the lead managers to underwriters that may make Internet distributions on the same basis as other allocations. In addition, shares may be sold by the underwriters to securities dealers who resell shares to online brokerage account holders.

The underwriters do not expect sales to discretionary accounts to exceed five percent of the total number of shares offered.

Exelixis estimates that its share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$ .

Exelixis has agreed to indemnify the several underwriters against liabilities, including liabilities under the Securities Act of 1933.

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No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this Prospectus. You must not rely on any unauthorized information or representations. This Prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this Prospectus is current only as of its date.

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Through and including \_\_\_\_\_, 2000 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

-----  
-----  
-----  
-----

9,100,000 Shares

Exelixis, Inc.  
Common Stock

-----  
[LOGO OF EXELIXIS]  
-----

Goldman, Sachs & Co.  
Credit Suisse First Boston  
SG Cowen

Representatives of the Underwriters

-----  
-----

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the costs and expenses, other than the underwriting discounts payable by us, in connection with the sale of common stock being registered. All amounts are estimates except the SEC registration fee, the NASDAQ filing fee and the Nasdaq National Market listing fee.

SEC registration fee.....	\$ 29,040
NASDAQ filing fee.....	10,500
Nasdaq National Market listing fee.....	95,000
Blue Sky Fees and expenses.....	5,000
Transfer Agent and registrar fees.....	10,000
Accounting fees and expenses.....	350,000
Legal fees and expenses.....	500,000
Printing and engraving costs.....	270,000
Miscellaneous expenses.....	30,460
	-----
Total.....	\$1,300,000
	=====

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\*To be filed by amendment.

Item 14. Indemnification of Directors and Officers

As permitted by Delaware law, our amended and restated certificate of incorporation provides that no director of ours will be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability:

- . for any breach of duty of loyalty to us or to our stockholders;
- . for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- . for unlawful payment of dividends or unlawful stock repurchases or redemptions under Section 174 of the Delaware General Corporation Law; or
- . for any transaction from which the director derived an improper personal benefit.

Our amended and restated certificate of incorporation further provides that we must indemnify our directors and executive officers and may indemnify our other officers and employees and agents to the fullest extent permitted by Delaware law. We believe that indemnification under our amended and restated certificate of incorporation covers negligence and gross negligence on the part of indemnified parties.

We have entered into indemnification agreements with each of our directors and certain officers. These agreements, among other things, require us to indemnify each director and officer for certain expenses including attorneys' fees, judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by or in the right of Exelixis, Inc., arising out of the person's services as our director or officer, any subsidiary of ours or any other company or enterprise to which the person provides services at our request.

The underwriting agreement (see Exhibit 1.1) will provide for indemnification by the underwriters of Exelixis, Inc., our directors, our officers who sign the registration statement, and our controlling persons for some liabilities, including liabilities arising under the Securities Act.

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Item 15. Recent Sales of Unregistered Securities

Since January 1, 1997, Exelixis, Inc. has sold and issued the following unregistered securities:

(1) From January 1997 through January 2000, Exelixis has granted stock options to purchase 7,726,983 shares of common stock, at a weighted average exercise price of \$0.39, to employees, consultants and directors. Of these stock options, 669,106 shares have been cancelled or have lapsed without being exercised, 5,548,531 shares have been exercised for common stock and 3,469,711 shares remain outstanding.

(2) In April 1997, Exelixis issued an aggregate of 7,875,000 shares of Series C preferred stock to 41 accredited investors at \$2.00 per share, for an aggregate purchase price of \$15,750,000. Shares of Series C preferred stock are convertible into shares of common stock at the rate of 0.75 of a share of common stock for each share of Series C preferred stock outstanding.

(3) In September 1997, Exelixis issued one warrant to purchase 63,750 shares of common stock to one purchaser at an exercise price of \$2.67 per share.

(4) From August 1998 to June 1999, Exelixis issued an aggregate of 2,500,000 shares of Series D preferred stock to 11 accredited investors at \$3.00 per share, for an aggregate purchase price of \$7.5 million. In this period, Exelixis issued an additional 2,500,000 shares of Series D preferred stock to Pharmacia & Upjohn, Inc. at \$3.00 per share, for an aggregate purchase price of \$7.5 million pursuant to the terms of a development agreement dated February 26, 1999. Shares of Series D preferred stock are convertible at the rate of 0.75 of a share of common stock for each share of Series D preferred stock outstanding.

(5) In November 1999 Exelixis issued three warrants to purchase an aggregate of 112,500 shares of common stock to three purchasers at an exercise price of \$4.00 per share.

Item 16. (A) Exhibits and Financial Statement Schedules

- 1.1+ Form of Underwriting Agreement.
- 3.1+ Certificate of Amendment of the Restated Certificate of Incorporation of Exelixis Pharmaceuticals, Inc., dated February 2, 2000.
- 3.2\*\* Form of Amended and Restated Certificate of Incorporation of Registrant to be filed upon the closing of the offering made in connection with this Registration Statement.
- 3.3\*\* Amended and Restated Bylaws of Registrant to be filed upon the closing of the offering made in connection with this Registration Statement.
- 4.1\* Specimen Common Stock Certificate.
- 4.2+ Fourth Amended and Restated Registration Rights Agreement, dated February 26, 1999 among Exelixis and Certain Stockholders of Exelixis.
- 4.3+ Warrant, dated August 17, 1998, to Purchase 167,728 shares of Series A Preferred Stock in favor of Comdisco, Inc. (125,796 post-split shares).
- 4.4+ Warrant, dated August 17, 1998, to Purchase 20,486 shares of Series A Preferred Stock in favor of Greg Stento (15,365 post-split shares).
- 4.5+ Warrant, dated January 24, 1996, to Purchase 357,143 shares of Series B Convertible Stock in favor of MMC/GATX Partnership No. 1 (267,857 post-split shares).
- 4.6+ Warrant, dated September 25, 1997, to Purchase 85,000 shares of Common Stock in favor of MMC/GATX Partnership No. 1 (63,750 post-split shares).
- 4.7+ Warrant, dated November 15, 1999, to Purchase 12,000 shares of Common Stock in favor of Bristow Investments, L.P. (9000 post-split shares).

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- 4.8+ Warrant, dated November 15, 1999, to Purchase 135,000 shares of Common Stock in favor of Slough Estates USA, Inc. (101,250 post-split shares).
- 4.9+ Warrant, dated November 15, 1999, to Purchase 3,000 shares of Common Stock in favor of Laurence and Magdalena Shushan FamilyTrust (2,250 post-split shares).
- 5.1\* Opinion of Cooley Godward LLP.
- 10.1\*\* Form of Indemnity Agreement.
- 10.2\*\* 1994 Employee, Director and Consultant Stock Plan.
- 10.3\*\* 1997 Equity Incentive Plan.
- 10.4\*\* 2000 Equity Incentive Plan.
- 10.5\*\* 2000 Non-Employee Directors' Stock Option Plan.
- 10.6\*\* 2000 Employee Stock Purchase Plan.
- 10.7+ Collaboration Agreement, dated December 16, 1999, between Registrant, Bayer Corporation and GenOptera LLC.
- 10.8+ Operating Agreement, dated December 15, 1999, between Registrant, Bayer Corporation and GenOptera LLC.
- 10.9+ Cooperation Agreement, dated September 15, 1998, between Registrant and Artemis Pharmaceuticals, GmbH.
- 10.10+ Sublease Agreement, dated June 1, 1997, between Arris Pharmaceutical Corporation and Registrant.
- 10.11+ Lease, dated May 12, 1999, between Registrant and Britannia Pointe Grand Limited Partnership.
- 10.12+ Master Services Agreement, dated November 15, 1999, between Registrant and Artemis Pharmaceuticals GmbH.
- 10.13+ Research Collaboration and Technological Transfer Agreement, dated September 14, 1999, between Registrant and Bristol-Myers Squibb.
- 10.14+ Corporate Collaboration Agreement, dated February 26, 1999, between



- Registrant and Pharmacia & Upjohn AB.
- 10.15+ Amendment to Corporate Collaboration Agreement, dated October, 1999, between Registrant and Pharmacia & Upjohn AB.
  - 10.16+ Asset Purchase Agreement, dated July 11, 1999, between Registrant and MetaXen/Xenova.
  - 10.17+ Employment Agreement, dated September 13, 1996, between Registrant and George Scangos, Ph.D.
  - 10.18+ Employment Agreement, dated April 14, 1997, between Registrant and Geoffrey Duyk, M.D., Ph.D.
  - 10.19+ Employment Agreement, dated October 19, 1999, between Registrant and Glen Y. Sato, Chief Financial Officer and Vice President of Legal Affairs.
  - 23.1\*\* Consent of Independent Accountants (Exelixis).
  - 23.2\*\* Consent of Independent Accountants (MetaXen).
  - 23.3\* Consent of Cooley Godward LLP (included in Exhibit 5.1).
  - 24.1+ Power of Attorney (contained on signature page).
  - 27.1+ Financial Data Schedule.

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- + Previously filed.
- \* To be filed by amendment.
- \*\* Filed herewith.
- + Confidential treatment requested for certain portions of this exhibit.

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(b) Financial Statement Schedules

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

Item 17. Undertakings

The registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of Prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1993, as amended, the Registrant has caused this Amendment No. 2 to Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the County of South San Francisco, State of California on the 17th day of March, 2000.

Exelixis, Inc.

/s/ George A. Scangos, Ph.D  
 By: \_\_\_\_\_  
 George A. Scangos, Ph.D  
 President and Chief Executive  
 Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 2 to Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Signature -----	Title -----	Date ----
/s/ George A. Scangos, Ph.D. _____ George A. Scangos, Ph.D.	President, Chief Executive Officer and Director (principal executive officer)	March 17, 2000
/s/ Glen Y. Sato _____ Glen Y. Sato	Chief Financial Officer (principal financial and accounting officer)	March 17, 2000
* _____ Stelios Papadopoulos, Ph.D.	Chairman of the Board of Directors	March 17, 2000
* _____ Charles Cohen, Ph.D.	Director	March 17, 2000
* _____ Jurgen Drews, M.D.	Director	March 17, 2000
* _____ Geoffrey Duyk, M.D., Ph.D.	Director	March 17, 2000
* _____ Jason S. Fisherman, M.D.	Director	March 17, 2000
* _____ Jean-Francois Formela, M.D.	Director	March 17, 2000

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Signature -----	Title -----	Date ----
* _____ Edmund Olivier	Director	March 17, 2000
*	Director	March 17, 2000

-----  
Lance Willsey, M. D.

\*

Director

March 17, 2000

-----  
Peter Stadler, Ph.D.

/s/ Glen Y. Sato

\*By:

-----  
Attorney-in-fact

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Exhibit Index

Exhibit Number -----	Description -----
1.1+	Form of Underwriting Agreement.
3.1+	Certificate of Amendment of the Restarted Certificate of Incorporation of Exelixis Pharmaceuticals, Inc., dated February 2, 2000.
3.2**	Form Amended and Restated Certificate of Incorporation of Registrant to be filed upon the closing of the offering made in connection with this Registration Statement.
3.3**	Amended and Restated Bylaws of Registrant to be filed upon the closing of the offering made in connection with this Registration Statement.
4.1*	Specimen Common Stock Certificate.
4.2+	Fourth Amended and Restated Registration Rights Agreement, dated February 26, 1999 among Exelixis and Certain Stockholders of Exelixis.
4.3+	Warrant, dated August 17, 1998, to Purchase 167,728 shares of Series A Preferred Stock in favor of Comdisco, Inc. (125,796 post-split shares).
4.4+	Warrant, dated August 17, 1998, to Purchase 20,486 shares of Series A Preferred Stock in favor of Greg Stento (15,365 post-split shares).
4.5+	Warrant, dated January 24, 1996, to Purchase 357,143 shares of Series B Convertible Stock in favor of MMC/GATX Partnership No. 1 (267,857 post-split shares).
4.6+	Warrant, dated September 25, 1997, to Purchase 85,000 shares of Common Stock in favor of MMC/GATX Partnership No. 1 (63,750 post-split shares).
4.7+	Warrant, dated November 15, 1999, to Purchase 12,000 shares of Common Stock in favor of Bristow Investments, L.P. (9,000 post-split shares).
4.8+	Warrant, dated November 15, 1999, to Purchase 135,000 shares of Common Stock in favor of Slough Estates USA, Inc. (101,250 post-split shares).
4.9+	Warrant, dated November 15, 1999, to Purchase 3,000 shares of Common Stock in favor of Laurence and Magdalena Shushan FamilyTrust (2,250 post-split shares).
5.1*	Opinion of Cooley Godward LLP.
10.1**	Form of Indemnity Agreement.
10.2**	1994 Employee, Director and Consultant Stock Plan.
10.3**	1997 Equity Incentive Plan.
10.4**	2000 Equity Incentive Plan.
10.5**	2000 Non-Employee Directors' Stock Option Plan.
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- 24.1+ Power of Attorney (contained on signature page).
- 27.1+ Financial Data Schedule.

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- + Previously filed.
- \* To be filed by amendment.
- \*\* Filed herewith.
- + Confidential treatment requested for certain portions of this exhibit.

AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
EXELIXIS, INC.

George Scangos and Glen Sato hereby certify that:

1. The original name of this corporation is Exelixis Pharmaceuticals, Inc. and the date of filing the original Certificate of Incorporation of this corporation with the Secretary of State of the State of Delaware is November 15, 1994.

2. They are the duly elected and acting President and Chief Executive Officer and Secretary, respectively, of Exelixis, Inc., a Delaware Corporation.

3. The Certificate of Incorporation of this corporation is hereby amended and restated to read as follows:

I.

The name of the Corporation is Exelixis, Inc. (the "Corporation").

II.

The address of the registered office of the Corporation in the State of Delaware is:

Corporation Trust Center  
1209 Orange Street  
Wilmington, Delaware 19805  
County of New Castle

The name of the registered agent of the Corporation at such address is The Corporation Trust Company.

III.

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware.

IV.

This Corporation is authorized to issue two classes of stock to be designated, respectively, "Common Stock" and "Preferred Stock." The total number of shares which the corporation is authorized to issue is One Hundred and Ten Million (110,000,000) shares. One Hundred Million (100,000,000) shares shall be Common Stock, each having a par value of one-tenth of one cent (\$0.001). Ten Million (10,000,000) shares shall be Preferred Stock, each having a par value of one-tenth of one cent (\$0.001).

1.

Preferred Stock. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors is hereby authorized, by filing a certificate (a "Preferred Stock Designation") pursuant to the Delaware General Corporation Law ("DGCL"), to fix or alter from time to time the designation, powers, preferences, and rights of the shares of each such series and the qualifications, limitations or restrictions of any wholly unissued series of Preferred Stock, and to establish from time to time the number of shares constituting any such series or any of them; and to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be decreased in accordance with the foregoing sentence, the shares constituting such decrease shall resume the status that they had prior to adoption of the resolution originally fixing the number of shares of such series.

V.

A. Board of Directors. For the management of the business and the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

1. Powers. The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors.

2. Number of Directors. The number of directors which shall constitute the whole Board of Directors shall be fixed exclusively by one or more resolutions adopted by the Board of Directors.

3. Election of Directors. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, following the closing of the initial public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "1933 Act"), covering the offer and sale of Common Stock to the public (the "Initial Public Offering"), the directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting of stockholders following the closing of the Initial Public Offering, the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the closing of the Initial Public Offering, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the closing of the Initial Public Offering, the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.

Notwithstanding the foregoing provisions of this section, each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

2.

4. Removal of Directors.

a. Neither the Board of Directors nor any individual director may be removed without cause.

b. Subject to any limitation imposed by law, any individual director or directors may be removed with cause by the holders of a majority of the voting power of the corporation entitled to vote at an election of directors.

5. Vacancies.

a. Subject to the rights of the holders of any series of Preferred Stock, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors, shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders, except as otherwise provided by law, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors, and not by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified.

b. If at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Delaware Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the

shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in offices as aforesaid, which election shall be governed by Section 211 of the DGCL.

B.

1. Bylaw Amendments. Subject to paragraph (h) of Section 43 of the Bylaws, the Bylaws may be altered or amended or new Bylaws adopted by the affirmative vote of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the voting stock of the corporation entitled to vote. The Board of Directors shall also have the power to adopt, amend, or repeal Bylaws.

2. Election of Directors by Written Ballot. The directors of the corporation need not be elected by written ballot unless the Bylaws so provide.

3. Action by Written Consent of the Stockholders. No action shall be taken by the stockholders of the corporation except at an annual or special meeting of stockholders called in accordance with the Bylaws or by written consent of stockholders in accordance with the Bylaws prior to the closing of the Initial Public Offering and following the closing of the Initial Public Offering no action shall be taken by the stockholders by written consent.

3.

4. Notice of Meetings. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the corporation shall be given in the manner provided in the Bylaws of the Corporation.

VI.

A. Indemnification. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director derived an improper personal benefit. If the Delaware General Corporation Law is amended after approval by the stockholders of this Article to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

B. Amendments to Articles VII of the Certificate of Incorporation. Any repeal or modification of this Article VI shall be prospective and shall not affect the rights under this Article VI in effect at the time of the alleged occurrence of any act or omission to act giving rise to liability or indemnification.

VII.

A. Amendments to Certificate of Incorporation. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, except as provided in paragraph B. of this Article VIII, and all rights conferred upon the stockholders herein are granted subject to this reservation.

B. Amendments to Articles V, VI, and VII of the Certificate of Incorporation. Notwithstanding any other provisions of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the voting stock required by law, this Certificate of Incorporation or any Preferred Stock Designation, the affirmative vote of the holders of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the voting stock, voting together as a single class, shall be required to alter, amend or repeal Articles V, VI, VII and VIII.

4. This Amended and Restated Certificate of Incorporation has been duly approved by the Board of Directors of this Corporation.

5. This Amended and Restated Certificate of Incorporation has been duly adopted in accordance with the provisions of Sections 228, 242 and 245 of the General Corporation Law of the State of Delaware by the Board of Directors and the stockholders of the Corporation. The

4.

total number of outstanding shares entitled to vote or act by written consent was 10,672,686 shares of Common stock, 5,328,571 shares of Series A Preferred stock, 12,300,000 shares of Series B Preferred Stock, 7,875,000 shares of Series C Preferred Stock and 5,000,000 shares of Series D Preferred Stock. The number of shares voting in favor of the amendment and restatement equaled or exceed the vote required. The percentage vote required was a majority of the outstanding shares of Common Stock, Series A Convertible Preferred Stock, Series B Convertible Preferred Stock, Series C Convertible Preferred Stock and Series D Convertible Preferred Stock of the Corporation, voting together as a single class, holders of a majority of the outstanding shares of Common Stock of the Corporation, voting as a separate class, holders of at least 60% of the outstanding shares of Series A Convertible Preferred Stock of the Corporation, voting as a separate class, holders of at least 71% of the outstanding shares of Series B Convertible Preferred Stock of the Corporation, voting as a separate class, holders of at least 66 2/3% of the outstanding shares of Series C Convertible Preferred Stock of the Corporation, voting as a separate class, and holders of at least 66 2/3% of the outstanding shares of Series D Convertible Preferred Stock of the Corporation, voting as a separate class. Such vote approved this Amended and Restated Certificate of Incorporation by written consent in accordance with Section 228 of the General Corporation Law of the State of Delaware and written notice of such was given by the Corporation in accordance with said Section 228.

5.

IN WITNESS WHEREOF, Exelixis, Inc. has entered this Amended and Restated Certificate of Incorporation to be signed by its \_\_\_\_\_ in South San Francisco, California, this \_\_\_\_\_ day of \_\_\_\_\_, 2000.

EXELIXIS, INC.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Attest:

By: \_\_\_\_\_

Title: \_\_\_\_\_

6.



BYLAWS  
OF  
EXELIXIS, INC.  
(A DELAWARE CORPORATION)

BYLAWS  
OF  
EXELIXIS, INC.  
(A DELAWARE CORPORATION)

ARTICLE I  
OFFICES

Section 1. Registered Office. The registered office of the corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle.

Section 2. Other Offices. The corporation shall also have and maintain an office or principal place of business at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II  
CORPORATE SEAL

Section 3. Corporate Seal. The corporate seal shall consist of a die bearing the name of the corporation and the inscription, "Corporate Seal-Delaware." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE III  
STOCKHOLDERS' MEETINGS

Section 4. Place Of Meetings. Meetings of the stockholders of the corporation shall be held at such place, either within or without the State of Delaware, as may be designated from time to time by the Board of Directors, or, if not so designated, then at the office of the corporation required to be maintained pursuant to Section 2 hereof.

Section 5. Annual Meeting.

(a) The annual meeting of the stockholders of the corporation, for the purpose of election of directors and for such other business as may lawfully come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors.

(b) At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be: (A) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (B) otherwise properly

1.

brought before the meeting by or at the direction of the Board of Directors, or (C) otherwise properly brought before the meeting by a stockholder. For business

to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a stockholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not later than the close of business on the sixtieth (60th) day nor earlier than the close of business on the ninetieth (90th) day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than thirty (30) days from the date contemplated at the time of the previous year's proxy statement, notice by the stockholder to be timely must be so received not earlier than the close of business on the ninetieth (90th) day prior to such annual meeting and not later than the close of business on the later of the sixtieth (60th) day prior to such annual meeting or, in the event public announcement of the date of such annual meeting is first made by the corporation fewer than seventy (70) days prior to the date of such annual meeting, the close of business on the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the corporation. A stockholder's notice to the Secretary shall set forth as to each matter the stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and address, as they appear on the corporation's books, of the stockholder proposing such business, (iii) the class and number of shares of the corporation which are beneficially owned by the stockholder, (iv) any material interest of the stockholder in such business and (v) any other information that is required to be provided by the stockholder pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1934 Act"), in his capacity as a proponent to a stockholder proposal. Notwithstanding the foregoing, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholder's meeting, stockholders must provide notice as required by the regulations promulgated under the 1934 Act. Notwithstanding anything in these Bylaws to the contrary, no business shall be conducted at any annual meeting except in accordance with the procedures set forth in this paragraph (b). The chairman of the annual meeting shall, if the facts warrant, determine and declare at the meeting that business was not properly brought before the meeting and in accordance with the provisions of this paragraph (b), and, if he should so determine, he shall so declare at the meeting that any such business not properly brought before the meeting shall not be transacted.

(c) Only persons who are nominated in accordance with the procedures set forth in this paragraph (c) shall be eligible for election as directors. Nominations of persons for election to the Board of Directors of the corporation may be made at a meeting of stockholders by or at the direction of the Board of Directors or by any stockholder of the corporation entitled to vote in the election of directors at the meeting who complies with the notice procedures set forth in this paragraph (c). Such nominations, other than those made by or at the direction of the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the corporation in accordance with the provisions of paragraph (b) of this Section 5. Such stockholder's notice shall set forth (i) as to each person, if any, whom the stockholder proposes to nominate for election or re-election as a director: (A) the name, age, business address and residence address of such person, (B) the principal occupation or employment of such person, (C) the class and number of shares of the corporation which are beneficially owned by such

2.

person, (D) a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nominations are to be made by the stockholder, and (E) any other information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the 1934 Act (including without limitation such person's written consent to being named in the proxy statement, if any, as a nominee and to serving as a director if elected); and (ii) as to such stockholder giving notice, the information required to be provided pursuant to paragraph (b) of this Section 5. At the request of the Board of Directors, any person nominated by a stockholder for election as a director shall furnish to the Secretary of the corporation that information required to be set forth in the stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in this paragraph (c). The chairman of the meeting shall, if the facts warrant,

determine and declare at the meeting that a nomination was not made in accordance with the procedures prescribed by these Bylaws, and if he should so determine, he shall so declare at the meeting, and the defective nomination shall be disregarded.

(d) For purposes of this Section 5, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act.

#### Section 6. Special Meetings.

(a) Special meetings of the stockholders of the corporation may be called, for any purpose or purposes, by (i) the Chairman of the Board of Directors, (ii) the Chief Executive Officer, (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption) or (iv) by the holders of shares entitled to cast not less than fifty percent (50%) of the votes at the meeting, and shall be held at such place, on such date, and at such time as the Board of Directors, shall fix.

(b) If a special meeting is called by any person or persons other than the Board of Directors, the request shall be in writing, specifying the general nature of the business proposed to be transacted, and shall be delivered personally or sent by registered mail or by telegraphic or other facsimile transmission to the Chairman of the Board of Directors, the Chief Executive Officer, or the Secretary of the corporation. No business may be transacted at such special meeting otherwise than specified in such notice. The Board of Directors shall determine the time and place of such special meeting, which shall be held not less than thirty-five (35) nor more than one hundred twenty (120) days after the date of the receipt of the request. Upon determination of the time and place of the meeting, the officer receiving the request shall cause notice to be given to the stockholders entitled to vote, in accordance with the provisions of Section 7 of these Bylaws. If the notice is not given within sixty (60) days after the receipt of the request, the person or persons requesting the meeting may set the time and place of the meeting and give the notice. Nothing contained in this paragraph (b) shall be construed as limiting,

3.

fixing, or affecting the time when a meeting of stockholders called by action of the Board of Directors may be held.

Section 7. Notice Of Meetings. Except as otherwise provided by law or the Certificate of Incorporation, written notice of each meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, date and hour and purpose or purposes of the meeting. Notice of the time, place and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

Section 8. Quorum. At all meetings of stockholders, except where otherwise provided by statute or by the Certificate of Incorporation, or by these Bylaws, the presence, in person or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the chairman of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by law, the Certificate of Incorporation or these Bylaws, all action taken by the holders of a majority of the vote cast, excluding abstentions, at any meeting at which a quorum is present shall be valid and

binding upon the corporation; provided, however, that directors shall be elected by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors. Where a separate vote by a class or classes or series is required, except where otherwise provided by the statute or by the Certificate of Incorporation or these Bylaws, a majority of the outstanding shares of such class or classes or series, present in person or represented by proxy, shall constitute a quorum entitled to take action with respect to that vote on that matter and, except where otherwise provided by the statute or by the Certificate of Incorporation or these Bylaws, the affirmative vote of the majority (plurality, in the case of the election of directors) of the votes cast, including abstentions, by the holders of shares of such class or classes or series shall be the act of such class or classes or series.

Section 9. Adjournment And Notice Of Adjourned Meetings. Any meeting of stockholders, whether annual or special, may be adjourned from time to time either by the chairman of the meeting or by the vote of a majority of the shares casting votes, excluding abstentions. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days or if after the adjournment a new record date is fixed for the adjourned meeting,

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a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 10. Voting Rights. For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose names shares stand on the stock records of the corporation on the record date, as provided in Section 12 of these Bylaws, shall be entitled to vote at any meeting of stockholders. Every person entitled to vote or execute consents shall have the right to do so either in person or by an agent or agents authorized by a proxy granted in accordance with Delaware law. An agent so appointed need not be a stockholder. No proxy shall be voted after three (3) years from its date of creation unless the proxy provides for a longer period.

Section 11. Joint Owners Of Stock. If shares or other securities having voting power stand of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two (2) or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (a) if only one (1) votes, his act binds all; (b) if more than one (1) votes, the act of the majority so voting binds all; (c) if more than one (1) votes, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionally, or may apply to the Delaware Court of Chancery for relief as provided in the General Corporation Law of Delaware, Section 217(b). If the instrument filed with the Secretary shows that any such tenancy is held in unequal interests, a majority or even-split for the purpose of subsection (c) shall be a majority or even-split in interest.

Section 12. List Of Stockholders. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not specified, at the place where the meeting is to be held. The list shall be produced and kept at the time and place of meeting during the whole time thereof and may be inspected by any stockholder who is present.

Section 13. Action Without Meeting.

(a) Unless otherwise provided in the Certificate of Incorporation,

any action required by statute to be taken at any annual or special meeting of the stockholders, or any action which may be taken at any annual or special meeting of the stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted.

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(b) Every written consent shall bear the date of signature of each stockholder who signs the consent, and no written consent shall be effective to take the corporate action referred to therein unless, within sixty (60) days of the earliest dated consent delivered to the corporation in the manner herein required, written consents signed by a sufficient number of stockholders to take action are delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a corporation's registered office shall be by hand or by certified or registered mail, return receipt requested.

(c) Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. If the action which is consented to is such as would have required the filing of a certificate under any section of the General Corporation Law of the State of Delaware if such action had been voted on by stockholders at a meeting thereof, then the certificate filed under such section shall state, in lieu of any statement required by such section concerning any vote of stockholders, that written consent has been given in accordance with Section 228 of the General Corporation Law of Delaware.

(d) Notwithstanding the foregoing, no such action by written consent may be taken following the closing of the initial public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "1933 Act"), covering the offer and sale of Common Stock of the corporation (the "Initial Public Offering").

#### Section 14. Organization.

(a) At every meeting of stockholders, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or, if the President is absent, a chairman of the meeting chosen by a majority in interest of the stockholders entitled to vote, present in person or by proxy, shall act as chairman. The Secretary, or, in his absence, an Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

(b) The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairman of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairman, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies and such other persons as the chairman shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. Unless and to the extent determined by the Board of Directors or the chairman of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

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#### ARTICLE IV

#### DIRECTORS

#### Section 15. Number And Term Of Office. The authorized number of directors

of the corporation shall be fixed in accordance with the Certificate of Incorporation. Directors need not be stockholders unless so required by the Certificate of Incorporation. If for any cause, the directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders called for that purpose in the manner provided in these Bylaws.

Section 16. Powers. The powers of the corporation shall be exercised, its business conducted and its property controlled by the Board of Directors, except as may be otherwise provided by statute or by the Certificate of Incorporation.

Section 17. Classes Of Directors. Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, following the closing of the Initial Public Offering, the directors shall be divided into three classes designated as Class I, Class II and Class III, respectively. Directors shall be assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. At the first annual meeting of stockholders following the closing of the Initial Public Offering, the term of office of the Class I directors shall expire and Class I directors shall be elected for a full term of three years. At the second annual meeting of stockholders following the Closing of the Initial Public Offering, the term of office of the Class II directors shall expire and Class II directors shall be elected for a full term of three years. At the third annual meeting of stockholders following the Closing of the Initial Public Offering, the term of office of the Class III directors shall expire and Class III directors shall be elected for a full term of three years. At each succeeding annual meeting of stockholders, directors shall be elected for a full term of three years to succeed the directors of the class whose terms expire at such annual meeting.

Notwithstanding the foregoing provisions of this Article, each director shall serve until his successor is duly elected and qualified or until his death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 18. Vacancies. Unless otherwise provided in the Certificate of Incorporation, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this Bylaw in the case of the death, removal or resignation of any director.

7.

(a) If at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Delaware Court of Chancery may, upon application of any stockholder or stockholders holding at least ten percent (10%) of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in offices as aforesaid, which election shall be governed by Section 211 of the Delaware General Corporation Law.

Section 19. Resignation. Any director may resign at any time by delivering his written resignation to the Secretary, such resignation to specify whether it will be effective at a particular time, upon receipt by the Secretary or at the pleasure of the Board of Directors. If no such specification is made, it shall be deemed effective at the pleasure of the Board of Directors. When one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each Director so chosen shall hold office for the unexpired portion of the term of the Director whose place shall be vacated and until his successor shall have

been duly elected and qualified.

Section 20. Removal.

Subject to the rights of the holders of any series of Preferred Stock, no director shall be removed without cause. Subject to any limitations imposed by law, the Board of Directors or any individual director may be removed from office at any time with cause by the affirmative vote of the holders of a majority of the voting power of all the then-outstanding shares of voting stock of the corporation, entitled to vote at an election of directors (the "Voting Stock").

Section 21. Meetings.

(a) Annual Meetings. The annual meeting of the Board of Directors shall be held immediately before or after the annual meeting of stockholders and at the place where such meeting is held. No notice of an annual meeting of the Board of Directors shall be necessary and such meeting shall be held for the purpose of electing officers and transacting such other business as may lawfully come before it.

(b) Regular Meetings. Except as hereinafter otherwise provided, regular meetings of the Board of Directors shall be held in the office of the corporation required to be maintained pursuant to Section 2 hereof. Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may also be held at any place within or without the State of Delaware which has been designated by resolution of the Board of Directors or the written consent of all directors.

(c) Special Meetings. Unless otherwise restricted by the Certificate of Incorporation, special meetings of the Board of Directors may be held at any time and place within or without the State of Delaware whenever called by the Chairman of the Board, the President or any two of the directors.

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(d) Telephone Meetings. Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(e) Notice Of Meetings. Notice of the time and place of all special meetings of the Board of Directors shall be orally or in writing, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means, during normal business hours, at least twenty-four (24) hours before the date and time of the meeting, or sent in writing to each director by first class mail, charges prepaid, at least three (3) days before the date of the meeting. Notice of any meeting may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

(f) Waiver Of Notice. The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present shall sign a written waiver of notice. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 22. Quorum And Voting.

(a) Unless the Certificate of Incorporation requires a greater number and except with respect to indemnification questions arising under Section 43 hereof, for which a quorum shall be one-third of the exact number of directors fixed from time to time in accordance with the Certificate of Incorporation, a quorum of the Board of Directors shall consist of a majority of the exact number of directors fixed from time to time by the Board of Directors in accordance with the Certificate of Incorporation; provided, however, at any meeting, whether a quorum be present or otherwise, a majority of the directors present may adjourn from time to time until the time fixed for the next regular meeting

of the Board of Directors, without notice other than by announcement at the meeting.

(b) At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by the affirmative vote of a majority of the directors present, unless a different vote be required by law, the Certificate of Incorporation or these Bylaws.

Section 23. Action Without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing, and such writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

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Section 24. Fees And Compensation. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, if so approved, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor.

Section 25. Committees.

(a) Executive Committee. The Board of Directors may appoint an Executive Committee to consist of one (1) or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and provided in the resolution of the Board of Directors shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to (i) approving or adopting, or recommending to the stockholders, any action or matter expressly required by the Delaware General Corporation Law to be submitted to stockholders for approval, or (ii) adopting, amending or repealing any bylaw of the corporation.

(b) Other Committees. The Board of Directors may, from time to time, appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one (1) or more members of the Board of Directors and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall any such committee have the powers denied to the Executive Committee in these Bylaws.

(c) Term. Each member of a committee of the Board of Directors shall serve a term on the committee coexistent with such member's term on the Board of Directors. The Board of Directors, subject to the provisions of subsections (a) or (b) of this Bylaw may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

(d) Meetings. Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 25 shall be held at such times and places as are determined by the Board of Directors, or



by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any director who is a member of such committee, upon written notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of written notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends such special meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. A majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee.

Section 26. Organization. At every meeting of the directors, the Chairman of the Board of Directors, or, if a Chairman has not been appointed or is absent, the President, or if the President is absent, the most senior Vice President, or, in the absence of any such officer, a chairman of the meeting chosen by a majority of the directors present, shall preside over the meeting. The Secretary, or in his absence, an Assistant Secretary directed to do so by the President, shall act as secretary of the meeting.

## ARTICLE V

### OFFICERS

Section 27. Officers Designated. The officers of the corporation shall include, if and when designated by the Board of Directors, the Chairman of the Board of Directors, the Chief Executive Officer, the President, one or more Vice Presidents, the Secretary, the Chief Financial Officer, the Treasurer and the Controller, all of whom shall be elected at the annual organizational meeting of the Board of Directors. The Board of Directors may also appoint one or more Assistant Secretaries, Assistant Treasurers, Assistant Controllers and such other officers and agents with such powers and duties as it shall deem necessary. The Board of Directors may assign such additional titles to one or more of the officers as it shall deem appropriate. Any one person may hold any number of offices of the corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the corporation shall be fixed by or in the manner designated by the Board of Directors.

#### Section 28. Tenure And Duties Of Officers.

(a) General. All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

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(b) Duties Of Chairman Of The Board Of Directors. The Chairman of the Board of Directors, when present, shall preside at all meetings of the stockholders and the Board of Directors. The Chairman of the Board of Directors shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. If there is no President, then the Chairman of the Board of Directors shall also serve as the Chief Executive Officer of the corporation and shall have the powers and duties prescribed in paragraph (c) of this Section 28.

(c) Duties Of President. The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors, unless the Chairman of the Board of Directors has been appointed and is present. Unless some other officer has been elected Chief Executive Officer of the corporation, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. The

President shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time.

(d) Duties Of Vice Presidents. The Vice Presidents may assume and perform the duties of the President in the absence or disability of the President or whenever the office of President is vacant. The Vice Presidents shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(e) Duties Of Secretary. The Secretary shall attend all meetings of the stockholders and of the Board of Directors and shall record all acts and proceedings thereof in the minute book of the corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties given him in these Bylaws and other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors shall designate from time to time. The President may direct any Assistant Secretary to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

(f) Duties Of Chief Financial Officer. The Chief Financial Officer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Chief Financial Officer shall perform other duties commonly incident to his office and shall also perform such other duties and have such other powers as the Board of Directors or the President shall designate from time to time. The President may direct the Treasurer or any Assistant Treasurer, or the Controller or any Assistant Controller to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Treasurer and Assistant Treasurer and each Controller and Assistant Controller shall perform other duties commonly incident to his office and shall also perform such

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other duties and have such other powers as the Board of Directors or the President shall designate from time to time.

Section 29. Delegation Of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

Section 30. Resignations. Any officer may resign at any time by giving written notice to the Board of Directors or to the President or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract with the resigning officer.

Section 31. Removal. Any officer may be removed from office at any time, either with or without cause, by the affirmative vote of a majority of the directors in office at the time, or by the unanimous written consent of the directors in office at the time, or by any committee or superior officers upon whom such power of removal may have been conferred by the Board of Directors.

## ARTICLE VI

### EXECUTION OF CORPORATE INSTRUMENTS AND VOTING OF SECURITIES OWNED BY THE CORPORATION

Section 32. Execution Of Corporate Instruments. The Board of Directors may,

in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the corporation any corporate instrument or document, or to sign on behalf of the corporation the corporate name without limitation, or to enter into contracts on behalf of the corporation, except where otherwise provided by law or these Bylaws, and such execution or signature shall be binding upon the corporation.

Unless otherwise specifically determined by the Board of Directors or otherwise required by law, promissory notes, deeds of trust, mortgages and other evidences of indebtedness of the corporation, and other corporate instruments or documents requiring the corporate seal, and certificates of shares of stock owned by the corporation, shall be executed, signed or endorsed by the Chairman of the Board of Directors, or the President or any Vice President, and by the Secretary or Treasurer or any Assistant Secretary or Assistant Treasurer. All other instruments and documents requiring the corporate signature, but not requiring the corporate seal, may be executed as aforesaid or in such other manner as may be directed by the Board of Directors.

All checks and drafts drawn on banks or other depositaries on funds to the credit of the corporation or in special accounts of the corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

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Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 33. Voting Of Securities Owned By The Corporation. All stock and other securities of other corporations owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairman of the Board of Directors, the Chief Executive Officer, the President, or any Vice President.

## ARTICLE VII

### SHARES OF STOCK

Section 34. Form And Execution Of Certificates. Certificates for the shares of stock of the corporation shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the corporation shall be entitled to have a certificate signed by or in the name of the corporation by the Chairman of the Board of Directors, or the President or any Vice President and by the Treasurer or Assistant Treasurer or the Secretary or Assistant Secretary, certifying the number of shares owned by him in the corporation. Any or all of the signatures on the certificate may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue. Each certificate shall state upon the face or back thereof, in full or in summary, all of the powers, designations, preferences, and rights, and the limitations or restrictions of the shares authorized to be issued or shall, except as otherwise required by law, set forth on the face or back a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative, participating, optional, or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Within a reasonable time after the issuance or transfer of uncertificated stock, the corporation shall send to the registered owner thereof a written notice containing the information required to be set forth or stated on certificates pursuant to this section or otherwise required by law or with respect to this section a statement that the corporation will furnish without charge to each stockholder who so requests the powers, designations, preferences and relative participating, optional or other special rights of each class of stock or series thereof and the qualifications, limitations or restrictions of such preferences and/or rights. Except as otherwise expressly provided by law, the rights and obligations of the holders of certificates representing stock of the same class and series shall be identical.

Section 35. Lost Certificates. A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen, or

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destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require or to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen, or destroyed.

Section 36. Transfers.

(a) Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and upon the surrender of a properly endorsed certificate or certificates for a like number of shares.

(b) The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the General Corporation Law of Delaware.

Section 37. Fixing Record Dates.

(a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) Prior to the Initial Public Offering, in order that the corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than ten (10) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. Any stockholder of record seeking to have the stockholders authorize or take corporate action by written consent shall, by written notice to the Secretary, request the Board of Directors to fix a record date. The Board of Directors shall promptly, but in all events within ten (10) days after the date on which such a request is received, adopt a resolution fixing the record date. If no record date has been fixed by the Board of Directors within ten (10) days of the date on which such a request is received, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting, when no prior action by the Board of Directors is required by applicable law, shall be the first date on which a signed written consent setting forth the action taken or proposed to be taken is delivered to the corporation by delivery to its registered office in the State of Delaware, its principal place of business or an officer or agent of the corporation having custody of the book in

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which proceedings of meetings of stockholders are recorded. Delivery made to the corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. If no record date has been fixed by the Board of

Directors and prior action by the Board of Directors is required by law, the record date for determining stockholders entitled to consent to corporate action in writing without a meeting shall be at the close of business on the day on which the Board of Directors adopts the resolution taking such prior action.

(c) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 38. Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

#### ARTICLE VIII

##### OTHER SECURITIES OF THE CORPORATION

Section 39. Execution Of Other Securities. All bonds, debentures and other corporate securities of the corporation, other than stock certificates (covered in Section 34), may be signed by the Chairman of the Board of Directors, the President or any Vice President, or such other person as may be authorized by the Board of Directors, and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Chief Financial Officer or Treasurer or an Assistant Treasurer; provided, however, that where any such bond, debenture or other corporate security shall be authenticated by the manual signature, or where permissible facsimile signature, of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Treasurer or an Assistant Treasurer of the corporation or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the person who signed the same

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or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

#### ARTICLE IX

##### DIVIDENDS

Section 40. Declaration Of Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation, if any, may be declared by the Board of Directors pursuant to law at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation.

Section 41. Dividend Reserve. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Board of Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet

contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the corporation, and the Board of Directors may modify or abolish any such reserve in the manner in which it was created.

#### ARTICLE X

##### FISCAL YEAR

Section 42. Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

#### ARTICLE XI

##### INDEMNIFICATION

Section 43. Indemnification Of Directors, Executive Officers, Other Officers, Employees And Other Agents.

(a) Directors and Executive Officers. The corporation shall indemnify its directors and executive officers (for the purposes of this Article XI, "executive officers" shall have the meaning defined in Rule 3b-7 promulgated under the 1934 Act) to the fullest extent not prohibited by the Delaware General Corporation Law; provided, however, that the corporation may modify the extent of such indemnification by individual contracts with its directors or executive officer; and, provided, further, that the corporation shall not be required to indemnify any director or executive officer in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the corporation, (iii) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the Delaware General Corporation Law or (iv) such indemnification is required to be made under subsection (d).

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(b) Other Officers, Employees and Other Agents. The corporation shall have power to indemnify its other officers, employees and other agents as set forth in the Delaware General Corporation Law.

(c) Expenses. The corporation shall advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or executive officer, of the corporation, or is or was serving at the request of the corporation as a director or executive officer of another corporation, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses incurred by any director or executive officer in connection with such proceeding upon receipt of an undertaking by or on behalf of such person to repay said amounts if it should be determined ultimately that such person is not entitled to be indemnified under this Bylaw or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (e) of this Bylaw, no advance shall be made by the corporation to an executive officer of the corporation (except by reason of the fact that such executive officer is or was a director of the corporation in which event this paragraph shall not apply) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made (i) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to the proceeding, or (ii) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation.

(d) Enforcement. Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and executive officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the director or executive officer. Any right to indemnification

or advances granted by this Bylaw to a director or executive officer shall be enforceable by or on behalf of the person holding such right in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. The claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting his claim. In connection with any claim for indemnification, the corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the Delaware General Corporation Law for the corporation to indemnify the claimant for the amount claimed. In connection with any claim by an executive officer of the corporation (except in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such executive officer is or was a director of the corporation) for advances, the corporation shall be entitled to raise a defense as to any such action clear and convincing evidence that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation, or with respect to any criminal action or proceeding that such person acted without reasonable cause to believe that his conduct was lawful. Neither the failure of the

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corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct. In any suit brought by a director or executive officer to enforce a right to indemnification or to an advancement of expenses hereunder, the burden of proving that the director or executive officer is not entitled to be indemnified, or to such advancement of expenses, under this Article XI or otherwise shall be on the corporation.

(e) Non-Exclusivity Of Rights. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the Delaware General Corporation Law.

(f) Survival Of Rights. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director, officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(g) Insurance. To the fullest extent permitted by the Delaware General Corporation Law, the corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this Bylaw.

(h) Amendments. Any repeal or modification of this Bylaw shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

(i) Saving Clause. If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director and executive officer to the full extent not prohibited by any applicable portion of this Bylaw that shall not have been invalidated, or by any other applicable law.

(j) Certain Definitions. For the purposes of this Bylaw, the following definitions shall apply:

(1) The term "proceeding" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in,

any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

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(2) The term "expenses" shall be broadly construed and shall include, without limitation, court costs, attorneys' fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

(3) The term the "corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Bylaw with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(4) References to a "director," "executive officer," "officer," "employee," or "agent" of the corporation shall include, without limitation, situations where such person is serving at the request of the corporation as, respectively, a director, executive officer, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise.

(5) References to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this Bylaw.

## ARTICLE XII

### NOTICES

#### Section 44. Notices.

(a) Notice To Stockholders. Whenever, under any provisions of these Bylaws, notice is required to be given to any stockholder, it shall be given in writing, timely and duly deposited in the United States mail, postage prepaid, and addressed to his last known post office address as shown by the stock record of the corporation or its transfer agent.

(b) Notice To Directors. Any notice required to be given to any director may be given by the method stated in subsection (a), or by facsimile, telex or telegram, except that such notice other than one which is delivered personally shall be sent to such address as such director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known post office address of such director.

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(c) Affidavit Of Mailing. An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected, specifying the name and address or the names and addresses of the stockholder or stockholders, or director or directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall in the absence of fraud, be prima facie evidence of the facts therein contained.

(d) Time Notices Deemed Given. All notices given by mail, as above provided, shall be deemed to have been given as at the time of mailing, and all notices given by facsimile, telex or telegram shall be deemed to have been given



as of the sending time recorded at time of transmission.

(e) Methods Of Notice. It shall not be necessary that the same method of giving notice be employed in respect of all directors, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.

(f) Failure To Receive Notice. The period or limitation of time within which any stockholder may exercise any option or right, or enjoy any privilege or benefit, or be required to act, or within which any director may exercise any power or right, or enjoy any privilege, pursuant to any notice sent him in the manner above provided, shall not be affected or extended in any manner by the failure of such stockholder or such director to receive such notice.

(g) Notice To Person With Whom Communication Is Unlawful. Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the Delaware General Corporation Law, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

(h) Notice To Person With Undeliverable Address. Whenever notice is required to be given, under any provision of law or the Certificate of Incorporation or Bylaws of the corporation, to any stockholder to whom (i) notice of two consecutive annual meetings, and all notices of meetings or of the taking of action by written consent without a meeting to such person during the period between such two consecutive annual meetings, or (ii) all, and at least two, payments (if sent by first class mail) of dividends or interest on securities during a twelve-month period, have been mailed addressed to such person at his address as shown on the records of the corporation and have been returned undeliverable, the giving of such notice to such person shall not be required. Any action or meeting which shall be taken or held without notice to such person shall have the same force and effect as if such notice had been duly given. If any such person shall deliver to the corporation a written notice setting forth his then current address, the requirement that notice be given to such person shall be reinstated. In the event that the action

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taken by the corporation is such as to require the filing of a certificate under any provision of the Delaware General Corporation Law, the certificate need not state that notice was not given to persons to whom notice was not required to be given pursuant to this paragraph.

#### ARTICLE XIII

##### AMENDMENTS

###### Section 45. Amendments.

Subject to paragraph (h) of Section 43 of the Bylaws, the Bylaws may be altered or amended or new Bylaws adopted by the affirmative vote of at least sixty-six and two-thirds percent (66-2/3%) of the voting power of all of the then-outstanding shares of the Voting Stock. The Board of Directors shall also have the power to adopt, amend, or repeal Bylaws.

#### ARTICLE XIV

##### LOANS TO OFFICERS

Section 46. Loans To Officers. The corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiaries, including any officer or employee who is a Director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as

the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in these Bylaws shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

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EXELIXIS, INC.

INDEMNITY AGREEMENT

This Agreement is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2000 by and between Exelixis, Inc. a Delaware corporation (the "Corporation"), and \_\_\_\_\_ ("Agent").

Recitals

Whereas, Agent performs a valuable service to the Corporation in his/her capacity as \_\_\_\_\_ of the Corporation;

Whereas, the stockholders of the Corporation have adopted bylaws (the "Bylaws") providing for the indemnification of the directors, officers, employees and other agents of the Corporation, including persons serving at the request of the Corporation in such capacities with other corporations or enterprises, as authorized by the Delaware General Corporation Law, as amended (the "Code");

Whereas, the Bylaws and the Code, by their non-exclusive nature, permit contracts between the Corporation and its agents, officers, employees and other agents with respect to indemnification of such persons; and

Whereas, in order to induce Agent to continue to serve as \_\_\_\_\_ of the Corporation, the Corporation has determined and agreed to enter into this Agreement with Agent;

Now, Therefore, in consideration of Agent's continued service as \_\_\_\_\_ after the date hereof, the parties hereto agree as follows:

Agreement

1. Services to the Corporation. Agent will serve, at the will of the Corporation or under separate contract, if any such contract exists, as \_\_\_\_\_ of the Corporation or as a director, officer or other fiduciary of an affiliate of the Corporation (including any employee benefit plan of the Corporation) faithfully and to the best of his ability so long as Agent is duly elected and qualified in accordance with the provisions of the Bylaws or other applicable charter documents of the Corporation or such affiliate; provided, however, that Agent may at any time and for any reason resign from such position (subject to any contractual obligation that Agent may have assumed apart from this Agreement) and that the Corporation or any affiliate shall have no obligation under this Agreement to continue Agent in any such position.

2. Indemnity of Agent. The Corporation hereby agrees to hold harmless and indemnify Agent to the fullest extent authorized or permitted by the provisions of the Bylaws and the Code, as the same may be amended from time to time (but, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than the Bylaws or the Code permitted prior to adoption of such amendment).

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3. Additional Indemnity. In addition to and not in limitation of the indemnification otherwise provided for herein, and subject only to the exclusions set forth in Section 4 hereof, the Corporation hereby further agrees to hold harmless and indemnify Agent:

(a) against any and all expenses (including attorneys' fees), witness fees, damages, judgments, fines and amounts paid in settlement and any other amounts that Agent becomes legally obligated to pay because of any claim or claims made against or by him in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, arbitrational, administrative or investigative (including an action by or in the right of the Corporation) to which Agent is, was or at any time becomes a party, or is threatened to be made a party, by reason of the fact that Agent is, was or at any time becomes a director, officer, employee or other agent of Corporation, or is or was serving or at any time serves at the request of the Corporation as a

director, officer, employee or other agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise; and

(b) otherwise to the fullest extent as may be provided to Agent by the Corporation under the non-exclusivity provisions of the Code and Section 43 of the Bylaws.

4. Limitations on Additional Indemnity. No indemnity pursuant to Section 3 hereof shall be paid by the Corporation:

(a) on account of any claim against Agent for an accounting of profits made from the purchase or sale by Agent of securities of the Corporation pursuant to the provisions of Section 16(b) of the Securities Exchange Act of 1934 and amendments thereto or similar provisions of any federal, state or local statutory law;

(b) on account of Agent's conduct that was knowingly fraudulent or deliberately dishonest or that constituted willful misconduct;

(c) on account of Agent's conduct that constituted a breach of Agent's duty of loyalty to the Corporation or resulted in any personal profit or advantage to which Agent was not legally entitled;

(d) for which payment is actually made to Agent under a valid and collectible insurance policy or under a valid and enforceable indemnity clause, bylaw or agreement, except in respect of any excess beyond payment under such insurance, clause, bylaw or agreement;

(e) if indemnification is not lawful (and, in this respect, both the Corporation and Agent have been advised that the Securities and Exchange Commission believes that indemnification for liabilities arising under the federal securities laws is against public policy and is, therefore, unenforceable and that claims for indemnification should be submitted to appropriate courts for adjudication); or

(f) in connection with any proceeding (or part thereof) initiated by Agent, or any proceeding by Agent against the Corporation or its directors, officers, employees or other agents, unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the Corporation, (iii) such indemnification is provided by the Corporation, in its sole discretion, pursuant to the powers

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vested in the Corporation under the Code, or (iv) the proceeding is initiated pursuant to Section 9 hereof.

5. Continuation of Indemnity. All agreements and obligations of the Corporation contained herein shall continue during the period Agent is a director, officer, employee or other agent of the Corporation (or is or was serving at the request of the Corporation as a director, officer, employee or other agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise) and shall continue thereafter so long as Agent shall be subject to any possible claim or threatened, pending or completed action, suit or proceeding, whether civil, criminal, arbitrational, administrative or investigative, by reason of the fact that Agent was serving in the capacity referred to herein.

6. Partial Indemnification. Agent shall be entitled under this Agreement to indemnification by the Corporation for a portion of the expenses (including attorneys' fees), witness fees, damages, judgments, fines and amounts paid in settlement and any other amounts that Agent becomes legally obligated to pay in connection with any action, suit or proceeding referred to in Section 3 hereof even if not entitled hereunder to indemnification for the total amount thereof, and the Corporation shall indemnify Agent for the portion thereof to which Agent is entitled.

7. Notification and Defense of Claim. Not later than thirty (30) days after receipt by Agent of notice of the commencement of any action, suit or proceeding, Agent will, if a claim in respect thereof is to be made against the Corporation under this Agreement, notify the Corporation of the commencement thereof; but the omission so to notify the Corporation will not relieve it from any liability which it may have to Agent otherwise than under this Agreement. With respect to any such action, suit or proceeding as to which Agent notifies

the Corporation of the commencement thereof:

(a) the Corporation will be entitled to participate therein at its own expense;

(b) except as otherwise provided below, the Corporation may, at its option and jointly with any other indemnifying party similarly notified and electing to assume such defense, assume the defense thereof, with counsel reasonably satisfactory to Agent. After notice from the Corporation to Agent of its election to assume the defense thereof, the Corporation will not be liable to Agent under this Agreement for any legal or other expenses subsequently incurred by Agent in connection with the defense thereof except for reasonable costs of investigation or otherwise as provided below. Agent shall have the right to employ separate counsel in such action, suit or proceeding but the fees and expenses of such counsel incurred after notice from the Corporation of its assumption of the defense thereof shall be at the expense of Agent unless (i) the employment of counsel by Agent has been authorized by the Corporation, (ii) Agent shall have reasonably concluded that there may be a conflict of interest between the Corporation and Agent in the conduct of the defense of such action or (iii) the Corporation shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and expenses of Agent's separate counsel shall be at the expense of the Corporation. The Corporation shall not be entitled to assume the defense of any action, suit or proceeding brought by or on behalf of the Corporation or as to which Agent shall have made the conclusion provided for in clause (ii) above; and

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(c) the Corporation shall not be liable to indemnify Agent under this Agreement for any amounts paid in settlement of any action or claim effected without its written consent, which shall not be unreasonably withheld. The Corporation shall be permitted to settle any action except that it shall not settle any action or claim in any manner which would impose any penalty or limitation on Agent without Agent's written consent, which may be given or withheld in Agent's sole discretion.

8. Expenses. The Corporation shall advance, prior to the final disposition of any proceeding, promptly following request therefor, all expenses incurred by Agent in connection with such proceeding upon receipt of an undertaking by or on behalf of Agent to repay said amounts if it shall be determined ultimately that Agent is not entitled to be indemnified under the provisions of this Agreement, the Bylaws, the Code or otherwise.

9. Enforcement. Any right to indemnification or advances granted by this Agreement to Agent shall be enforceable by or on behalf of Agent in any court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. Agent, in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting his claim. It shall be a defense to any action for which a claim for indemnification is made under Section 3 hereof (other than an action brought to enforce a claim for expenses pursuant to Section 8 hereof, provided that the required undertaking has been tendered to the Corporation) that Agent is not entitled to indemnification because of the limitations set forth in Section 4 hereof. Neither the failure of the Corporation (including its Board of Directors or its stockholders) to have made a determination prior to the commencement of such enforcement action that indemnification of Agent is proper in the circumstances, nor an actual determination by the Corporation (including its Board of Directors or its stockholders) that such indemnification is improper shall be a defense to the action or create a presumption that Agent is not entitled to indemnification under this Agreement or otherwise.

10. Subrogation. In the event of payment under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of Agent, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Corporation effectively to bring suit to enforce such rights.

11. Non-Exclusivity of Rights. The rights conferred on Agent by this Agreement shall not be exclusive of any other right which Agent may have or hereafter acquire under any statute, provision of the Corporation's Certificate of Incorporation or Bylaws, agreement, vote of stockholders or directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding office.

12. Survival of Rights.

(a) The rights conferred on Agent by this Agreement shall continue after Agent has ceased to be a director, officer, employee or other agent of the Corporation or to serve at the request of the Corporation as a director, officer, employee or other agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise and shall inure to the benefit of Agent's heirs, executors and administrators.

(b) The Corporation shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Corporation, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would be required to perform if no such succession had taken place.

13. Separability. Each of the provisions of this Agreement is a separate and distinct agreement and independent of the others, so that if any provision hereof shall be held to be invalid for any reason, such invalidity or unenforceability shall not affect the validity or enforceability of the other provisions hereof. Furthermore, if this Agreement shall be invalidated in its entirety on any ground, then the Corporation shall nevertheless indemnify Agent to the fullest extent provided by the Bylaws, the Code or any other applicable law.

14. Governing Law. This Agreement shall be interpreted and enforced in accordance with the laws of the State of Delaware.

15. Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by both parties hereto.

16. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute but one and the same Agreement. Only one such counterpart need be produced to evidence the existence of this Agreement.

17. Headings. The headings of the sections of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction hereof.

18. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (i) upon delivery if delivered by hand to the party to whom such communication was directed or (ii) upon the third business day after the date on which such communication was mailed if mailed by certified or registered mail with postage prepaid:

(a) If to Agent, at the address indicated on the signature page hereof.

(b) If to the Corporation, to

Exelixis, Inc.  
260 Littlefield Avenue  
South San Francisco, CA 94080

or to such other address as may have been furnished to Agent by the Corporation.

In Witness Whereof, the parties hereto have executed this Agreement on and as of the day and year first above written.

Exelixis, Inc.

By: \_\_\_\_\_

Title: \_\_\_\_\_

Agent

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Address:

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EXELIXIS PHARMACEUTICALS, INC.  
1994 EMPLOYEE, DIRECTOR AND CONSULTANT STOCK PLAN

1. Definitions.

Unless otherwise specified or unless the context otherwise requires, the following terms, as used in this Exelixis Pharmaceuticals, Inc. 1994 Employee, Director and Consultant Stock Plan, have the following meanings:

"Administrator" means the Board of Directors, unless it has delegated power to act on its behalf to a committee. (See Paragraph 4)

"Affiliate" means a corporation which, for purposes of Section 424 of the Code, is a parent or subsidiary of the Company, direct or indirect.

"Board of Directors" means the Board of Directors of the Company.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Committee" means the Committee to which the Board of Directors has delegated power to act under or pursuant to the provisions of the Plan.

"Common Stock" means shares of the Company's common stock, \$.001 par value.

"Company" means Exelixis Pharmaceuticals, Inc., a Delaware corporation.

"Disability" or "Disabled" means permanent and total disability as defined in Section 22(e) (3) of the Code.

"Fair Market Value of a Share of Common Stock" means:

1. If the Common Stock is listed on a national securities exchange or traded in the over-the-counter market and sales prices are regularly reported for the Common Stock, either (a) the average of the closing or last prices of the Common Stock on the Composite Tape or other comparable reporting system for the ten (10) consecutive trading days immediately preceding the applicable date or (b) the closing or last price of the Common Stock on the Composite Tape or other comparable reporting system for the trading day immediately preceding the applicable date, as the Administrator shall determine.

2. If the Common Stock is not traded on a national securities exchange but is traded on the over-the-counter market, if sales prices are not regularly reported for the Common Stock for the trading days or day referred to in clause (1), and if bid and asked prices for the Common Stock are regularly reported, either (a) the average of the mean between the bid and the asked price for the Common Stock at the close of trading in the over-the-counter market for the

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ten (10) trading days on which common Stock was traded immediately preceding the applicable date or (b) the mean between the bid and the asked price for the Common Stock at the close of trading in the over-the-counter market for the trading day on which Common Stock was traded immediately preceding the applicable date, as the Administrator shall determine; and

3. If the Common Stock is neither listed on a national securities exchange nor traded in the over-the-counter market, such value as the Administrator, in good faith, shall determine.

"ISO" means an option meant to qualify as an incentive stock option under Code Section 422.

"Key Employee" means an employee of the Company or of an Affiliate (including, without limitation, an employee who is also serving as an officer or director of the Company or of an Affiliate), designated by the Administrator to be eligible to be granted one or more Stock Rights under the Plan.

"Non-Qualified" Option means an option which is not intended to qualify as

an ISO.

"Option" means an ISO or Non-Qualified Option granted under the Plan.

"Option Agreement" means an agreement between the Company and a Participant delivered pursuant to the Plan.

"Participant" means a Key Employee, director, consultant or member of the Company's Scientific Advisory Board to whom one or more Stock Rights are granted under the Plan. As used herein, "Participant" shall include "Participant's Survivors" where the context requires.

"Participant's Survivors" means a deceased Participant's legal representatives and/or any person or persons who acquired the Participant's rights to a Stock Right by will or by the laws of descent and distribution.

"Plan" means this Exelixis Pharmaceuticals, Inc. 1994 Employee, Director and Consultant Stock Plan.

"Purchase Opportunity" means an opportunity to make a direct purchase of Shares of the Company granted under the Plan.

"Shares" means shares of the Common Stock as to which Stock Rights have been or may be granted under the Plan or any shares of capital stock into which the Shares are changed or for which they are exchanged within the provisions of Paragraph 3 of the Plan. The Shares issued upon exercise of Options granted under the Plan may be authorized and unissued shares or shares held by the Company in its treasury, or both.

"Stock Agreement" means an agreement between the Company and a Participant executed and delivered pursuant to the Plan, in such form as the Administrator shall approve.

## 2.

"Stock Right" means a right to Shares of the Company granted pursuant to the Plan - an ISO, a Non-Qualified Option or a Purchase Opportunity.

### 2. Purposes of the Plan.

The Plan is intended to encourage ownership of Shares by Key Employees, directors, members of the Company's Scientific Advisory Board and certain consultants to the Company in order to attract such people, to induce them to work for the benefit of the Company or of an Affiliate and to provide additional incentive for them to promote the success of the Company or of an Affiliate. The Plan provides for the granting of ISOs, Non-Qualified Options and Purchase Opportunities to Key Employees, directors, consultants and members of the Scientific Advisory Board of the Company.

### 3. Shares Subject to the Plan.

The number of Shares subject to this Plan as to which Stock Rights may be granted from time to time shall be 1,350,000, or the equivalent of such number of Shares after the Administrator, in its sole discretion, has interpreted the effect of any stock split, stock dividend, combination, recapitalization or similar transaction in accordance with Paragraph 17 of the Plan.

If an Option ceases to be "outstanding", in whole or in part, or if the Company shall reacquire any Shares issued pursuant to Purchase Opportunities, the Shares which were subject to such Option and any Shares so required by the Company shall be available for the granting of other Stock Rights under the Plan. Any Stock Right shall be treated as "outstanding" until such Stock Right is exercised in full, or terminates or expires under the provisions of the Plan, or by agreement of the parties to the pertinent Stock Agreement.

### 4. Administration of the Plan.

The Administrator of the Plan will be the Board of Directors, except to the extent the Board of Directors delegates its authority to a Committee of the Board of Directors. Following the date on which the Common Stock is registered under the Securities and Exchange Act of 1934, as amended (the "1934 Act"), the Plan is intended to comply in all respects with Rule 16b-3 or its successors, promulgated pursuant to Section 16 of the 1934 Act with respect to Participants who are subject to Section 16 of the 1934 Act, and any provision in this Plan

with respect to such persons contrary to Rule 16b-3 shall be deemed null and void to the extent permissible by law and deemed appropriate by the Administrator. Subject to the provisions of the Plan, the Administrator is authorized to:

(a) Interpret the provisions of the Plan or of any Option, Purchase Opportunity or Stock Agreement and to make all rules and determinations which it deems necessary or advisable for the administration of the Plan;

(b) Determine which employees of the Company or of an Affiliate shall be designated as Key Employees and which of the Key Employees, directors, consultants and members of the Company's Scientific Advisory Board shall be granted Stock Rights;

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(c) Determine the number of Shares for which a Stock Right or Stock Rights shall be granted; and

(d) Specify the terms and conditions upon which a Stock Right or Stock Rights may be granted;

provided, however, that all such interpretations, rules, determinations, terms and conditions shall be made and prescribed in the context of preserving the tax status under Code Section 422 of those Options which are designated as ISOs. Subject to the foregoing, the interpretation and construction by the Administrator of any provisions of the Plan or of any Stock Right granted under it shall be final, unless otherwise determined by the Board of Directors, if the Administrator is other than the Board of Directors.

#### 5. Eligibility for Participation.

The Administrator will, in its sole discretion, name the Participants in the Plan, provided, however, that each Participant must be a Key Employee, director, consultant or member of the Scientific Advisory Board of the Company or of an Affiliate at the time a Stock Right is granted. Notwithstanding any of the foregoing provisions, the Administrator may authorize the grant of a Stock Right to a person not then an employee, director, consultant or member of the Scientific Advisory Board of the Company or of an Affiliate. The actual grant of such Stock Right, however, shall be conditioned upon such person becoming eligible to become a Participant at or prior to the time of the execution of the Stock Agreement evidencing such Stock Right. ISOs may be granted only to Key Employees. Non-Qualified Options and Purchase Opportunities may be granted to any Key Employee, director, consultant or member of the of the Scientific Advisory Board of the Company or an Affiliate. The granting of any Option to any individual shall neither entitle that individual to, nor disqualify him or her from, participation in any other grant of Options.

#### 6. Terms and Conditions of Options.

Each Option shall be set forth in writing in an Option Agreement, duly executed by the Company and, to the extent required by law or requested by the Company, by the Participant. The Administrator may provide that Options be granted subject to such conditions as the Administrator may deem appropriate including, without limitation, subsequent approval by the shareholders of the Company of this Plan or any amendments thereto. The Option Agreements shall be subject to at least the following terms and conditions:

A. Non-Qualified Options: Each Option intended to be a Non-Qualified Option shall be subject to the terms and conditions which the Administrator determines to be appropriate and in the best interest of the Company, subject to the following minimum standards for any such Non-Qualified Option:

(a) Option Price: The option price (per share) of the Shares covered by each Option shall be determined by the Administrator but shall not be less than the par value per share of Common Stock.

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(b) Each Option Agreement shall state the number of Shares to which it pertains;

(c) Each Option Agreement shall state the date or dates on which it

first is exercisable and the date after which it may no longer be exercised, and may provide that the Option rights accrue or become exercisable in installments over a period of months or years, or upon the occurrence of certain conditions or the attainment of stated goals or events; and

(d) Exercise of any Option may be conditioned upon the Participant's execution of a Share purchase agreement in form satisfactory to the Administrator providing for certain protections for the Company and its other shareholders including requirements that:

(i) The Participant's or the Participant's Survivors' right to sell or transfer the Shares may be restricted; and

(ii) The Participant or the Participant's Survivors may be required to execute letters of investment intent and must also acknowledge that the Shares will bear legends noting any applicable restrictions.

B. ISOs: Each Option intended to be an ISO shall be issued only to a Key Employee and be subject to at least the following terms and conditions, with such additional restrictions or changes as the Administrator determines are appropriate but not in conflict with Code Section 422 and relevant regulations and rulings of the Internal Revenue Service:

(a) Minimum standards: The ISO shall meet the minimum standards required of Non-Qualified Options, as described above, except clause (a) thereunder.

(b) Option Price: Immediately before the Option is granted, if the Participant owns, directly or by reason of the applicable attribution rules in Code Section 424(d):

(i) Ten percent (10%) or less of the total combined voting power of all classes of share capital of the Company or an Affiliate, the Option price per share of the Shares covered by each Option shall not be less than one hundred percent (100%) of the Fair Market Value per share of the Shares on the date of the grant of the Option.

(ii) More than ten percent (10%) of the total combined voting power of all classes of share capital of the Company or an Affiliate, the Option price per share of the Shares covered by each Option shall not be less than one hundred ten percent (110%) of the said Fair Market Value on the date of grant.

(c) Term of Option: For Participants who own

(i) Ten percent (10%) or less of the total combined voting power of all classes of share capital of the Company or an Affiliate, each Option shall terminate not more than ten (10) years from the date of the grant or at such earlier time as the Option Agreement may provide.

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(ii) More than ten percent (10%) of the total combined voting power of all classes of share capital of the Company or an Affiliate, each Option shall terminate not more than five (5) years from the date of the grant or at such earlier time as the Option Agreement may provide.

(d) Limitation on Yearly Exercise: The Option Agreements shall restrict the amount of Options which may be exercisable in any calendar year (under this or any other ISO plan of the Company or an Affiliate) so that the aggregate Fair Market Value (determined at the time each ISO is granted) of the stock with respect to which ISOs are exercisable for the first time by the Participant in any calendar year does not exceed one hundred thousand dollars (\$100,000), provided that this subparagraph (e) shall have no force or effect if its inclusion in the Plan is not necessary for Options issued as ISOs to qualify as ISOs pursuant to Section 422(d) of the Code.

(e) Limitation on Grant of ISOs: No ISOs shall be granted after the date which is the earlier of ten (10) years from the date of the adoption of the Plan by the Company and the date of the approval of the Plan by the shareholders of the Company.

7. Terms and Conditions of Purchase Opportunities.

Each Purchase Opportunity shall be set forth in a Stock Agreement, duly

executed by the Company and, to the extent required by law or requested by the Company, by the Participant. The Stock Agreement shall be in the form approved by the Administrator, with such changes and modifications to such form as the Administrator, in its discretion, shall approve with respect to any particular Participant or Participants. The Stock Agreement shall contain terms and conditions which the Administrator determines to be appropriate and in the best interest of the Company, subject to the following minimum standards:

(a) The purchase price (per share) of the Shares covered by each Purchase Opportunity shall be determined by the Administrator but shall not be less than the par value per share of the Shares on the date of the grant of the Purchase Opportunity;

(b) Each Stock Agreement shall state the number of Shares to which the Purchase Opportunity pertains;

(c) Each Stock Agreement shall state the date prior to which the Purchase Opportunity must be exercised by the Participant; and

(d) Each Stock Agreement shall include the terms of any right of the Company to reacquire the Shares subject to the Purchase Opportunity, including the time and events upon which such rights shall accrue and the purchase price therefor.

#### 8. Exercise of Stock Right and Issue of Shares.

A Stock Right (or any part or installment thereof) shall be exercised by giving written notice to the Company at its principal office address, together with provision for payment of the full purchase price in accordance with this paragraph for the Shares as to which such Stock Right is being exercised, and upon compliance with any other condition(s) set forth in the Option or

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Stock Agreement. Such written notice shall be signed by the person exercising the Stock Right, shall state the number of Shares with respect to which the Stock Right is being exercised and shall contain any representation required by the Plan or the Option or Stock Agreement. Payment of the purchase price for the shares as to which such Stock Right is being exercised shall be made (a) in United States dollars in cash or by check, or (b) at the discretion of the Administrator, through delivery of shares of Common Stock having a fair market value equal as of the date of the exercise to the cash exercise price of the Stock Right determined in good faith by the Administrator, or (c) at the discretion of the Administrator, by delivery of the grantee's personal recourse note bearing interest payable not less than annually at no less than 100% of the applicable Federal rate, as defined in Section 1274(d) of the Code, or (d) at the discretion of the Administrator, in accordance with a cashless exercise program established with a securities brokerage firm, and approved by the Administrator or (e) at the discretion of the Administrator, by any combination of (a), (b), (c) and (d) above. Notwithstanding the foregoing, the Administrator shall accept only such payment on exercise of an ISO as is permitted by Section 422 of the Code.

The Company shall then reasonably promptly deliver the Shares as to which such Stock Right was exercised to the Participant (or to the Participant's Survivors, as the case may be). In determining what constitutes "reasonably promptly," it is expressly understood that the delivery of the Shares may be delayed by the Company in order to comply with any law or regulation which requires the Company to take any action with respect to the Shares prior to their issuance. The Shares shall, upon delivery, be evidenced by an appropriate certificate or certificates for fully paid, non-assessable Shares.

The Administrator shall have the right to accelerate the date of exercise of any installment of any Stock Right; provided that the Administrator shall not accelerate the exercise date of any installment of any Option granted to any Key Employee as an ISO (and not previously converted into a Non-Qualified Option pursuant to Paragraph 19) if such acceleration would violate the annual vesting limitation contained in Section 422(d) of the Code, as described in paragraph 6(e).

The Administrator may, in its discretion, amend any term or condition of an outstanding Stock Right provided (i) such term or condition as amended is permitted by the Plan, (ii) any such amendment shall be made only with the consent of the Participant to whom the Stock Right was granted, or in the event

of the death of the Participant, the Participant's Survivors, if the amendment is adverse to the Participant, (iii) any such amendment of any ISO shall be made only after the Administrator, after consulting the counsel for the Company, determines whether such amendment would constitute a "modification" of any Stock Right which is an ISO (as that term is defined in Section 424(h) of the Code) or would cause any adverse tax consequences for the holders of such ISO, and (iv) with respect to any Stock Right held by any Participant who is subject to the provisions of Section 16(a) of the 1934 Act, any such amendment shall be made only after the Administrator, after consulting with counsel for the Company, determines whether such amendment would constitute the grant of a new Stock Right.

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9. Rights as a Shareholder.

No Participant to whom a Stock Right has been granted shall have rights as a shareholder with respect to any Shares covered by such Stock Right, except after due exercise of the Option and tender of the full purchase price for the Shares being purchased pursuant to such exercise and registration of the Shares in the Company's share register in the name of the Participant.

10. Assignability and Transferability of Stock Rights.

By its terms, a Stock Right granted to a Participant shall not be transferable by the Participant other than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act or the rules thereunder, provided, however, that the designation of a beneficiary of a Stock Right by a Participant shall not be deemed a transfer prohibited by this Paragraph. Except as provided in the preceding sentence, a Stock Right shall be exercisable, during the Participant's lifetime, only by such Participant (or by his or her legal representative) and shall not be assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted transfer, assignment, pledge, hypothecation or other disposition of any Stock Right or of any rights granted thereunder contrary to the provisions of this Plan, or the levy of any attachment or similar process upon a Stock Right, shall be null and void.

11. Effect of Termination of Service Other Than "For Cause".

Except as otherwise provided in the pertinent Option or Stock Agreement, in the event of a termination of service (whether as an employee, director or consultant) with the Company or an Affiliate before the Participant has exercised all Stock Rights, the following rules apply:

(a) A Participant who ceases to be an employee, director, consultant or member of the Scientific Advisory Board of the Company or of an Affiliate (for any reason other than termination "for cause", Disability, or death for which events there are special rules in Paragraphs 12, 13, and 14, respectively), may exercise any Stock Right granted to him or her to the extent that the Stock Right is exercisable on the date of such termination of service, but only within such term as the Administrator has designated in the pertinent Option or Stock Agreement.

(b) In no event may an Option Agreement provide, if an Option is intended to De an ISO, that the time for exercise be later than three (3) months after the Participant's termination of employment.

(c) The provisions of this Paragraph, and not the provisions of Paragraph 13 or 14, shall apply to a Participant who subsequently becomes disabled or dies after the termination of employment, director status, consultancy or Scientific Advisory Board member status, provided, however, in the case of a Participant's death within three (3) months after the termination of employment, director status, consulting or Scientific Advisory Board member status, the Participant's Survivors may exercise the Stock Right within one (1) year after the date of the Participant's death, but in no event after the date of expiration of the term of the Stock Right.

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(d) Notwithstanding anything herein to the contrary, if subsequent to

a Participant's termination of employment, termination of director status, termination of consultancy, or termination of Scientific Advisory Board member status, but prior to the exercise of a Stock Right, the Board of Directors determines that, either prior or subsequent to the Participant's termination, the Participant engaged in conduct which would constitute "cause", then such Participant shall forthwith cease to have any right to exercise any Stock Right.

(e) A Participant to whom a Stock Right has been granted under the Plan who is absent from work with the Company or with an Affiliate because of temporary disability (any disability other than a permanent and total Disability as defined in Paragraph 1 hereof), or who is on leave of absence for any purpose, shall not, during the period of any such absence, be deemed, by virtue of such absence alone, to have terminated such Participant's employment, director status, consultancy or termination of Scientific Advisory Board member status with the Company or with an Affiliate, except as the Administrator may otherwise expressly provide.

(f) Stock Rights granted under the Plan shall not be affected by any change of employment or other service within or among the Company and any Affiliates, so long as the Participant continues to be an employee, director, consultant or member of the Scientific Advisory Board of the Company or any Affiliate, provided, however, if a Participant's employment by either the Company or an Affiliate should cease (other than to become an employee of an Affiliate or the Company), such termination shall affect the Participant's rights under any Stock Right granted to such Participant in accordance with the terms of the Plan and the pertinent Option or Stock Agreement.

#### 12. Effect of Termination of Service "For Cause".

Except as otherwise provided in the pertinent Option or Stock Agreement, the following rules apply if the Participant's service (whether as an employee, director, consultant or Scientific Advisory Board member) with the Company or an Affiliate is terminated "for cause" prior to the time that all of his or her outstanding Stock Rights have been exercised:

(a) All outstanding and unexercised Stock Rights as of the date the Participant is notified his or her service is terminated "for cause" will immediately be forfeited, unless the Option or Stock Agreement provides otherwise.

(b) For purposes of this Paragraph, "cause" shall include (and is not limited to) dishonesty with respect to the employer, insubordination, substantial malfeasance or non-feasance of duty, unauthorized disclosure of confidential information, and conduct substantially prejudicial to the business of the Company or any Affiliate. The determination of the Administrator as to the existence of cause will be conclusive on the Participant and the Company.

(c) "Cause" is not limited to events which have occurred prior to a Participant's termination of service, nor is it necessary that the Administrator's finding of "cause" occur prior to termination. If the Administrator determines, subsequent to a Participant's termination of service but prior to the exercise of a Stock Right, that either prior or

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subsequent to the Participant's termination the Participant engaged in conduct which would constitute "cause", then the right to exercise any Stock Right is forfeited.

(d) Any definition in an agreement between the Participant and the Company or an Affiliate, which contains a conflicting definition of "cause" for termination and which is in effect at the time of such termination, shall supersede the definition in this Plan with respect to such Participant.

#### 13. Effect of Termination of Service for Disability.

Except as otherwise provided in the pertinent Option or Stock Agreement, a Participant who ceases to be an employee, director, consultant or member of the Scientific Advisory Board of the Company or of an Affiliate by reason of Disability may exercise any Stock Right granted to such Participant:

(a) To the extent exercisable but not exercised on the date of Disability; and

(b) In the event rights to exercise the Stock Right accrue periodically, to the extent of a pro rata portion of any additional rights as would have accrued had the Participant not become Disabled prior to the end of the accrual period which next ends following the date of Disability. The proration shall be based upon the number of days of such accrual period prior to the date of Disability.

A Disabled Participant may exercise such rights only within a period of not more than one (1) year after the date that the Participant became Disabled, notwithstanding that the Participant might have been able to exercise the Stock Right as to some or all of the Shares on a later date if he or she had not become disabled and had continued to be an employee, director or consultant or, if earlier, within the originally prescribed term of the Stock Right.

The Administrator shall make the determination both of whether Disability has occurred and the date of its occurrence (unless a procedure for such determination is set forth in another agreement between the Company and such Participant, in which case such procedure shall be used for such determination). If requested, the Participant shall be examined by a physician selected or approved by the Administrator, the cost of which examination shall be paid for by the Company.

#### 14. Effect of Death While an Employee, Director Or Consultant.

Except as otherwise provided in the pertinent Option or Stock Agreement, in the event of the death of a Participant to whom a Stock Right has been granted while the Participant is an employee, director, consultant or member of the Scientific Advisory Board of the Company or of an Affiliate, such Stock Right may be exercised by the Participant's Survivors:

(a) To the extent exercisable but not exercised on the date of death; and

(b) In the event rights to exercise the Option accrue periodically, to the extent of a pro rata portion of any additional rights which would have accrued had the Participant not died prior to the end of the accrual period which next ends following the date of death. The

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proration shall be based upon the number of days of such accrual period prior to the Participant's death.

If the Participant's Survivors wish to exercise the Stock Right, they must take all necessary steps to exercise the Stock Right within one (1) year after the date of death of such Participant, notwithstanding that the decedent might have been able to exercise the Stock Right as to some or all of the Shares on a later date if he or she had not died and had continued to be an employee, director or consultant or, if earlier, within the originally prescribed term of the Stock Right.

#### 15. Purchase for Investment.

Unless the offering and sale of the Shares to be issued upon the particular exercise of a Stock Right shall have been effectively registered under the Securities Act of 1933, as now in force or hereafter amended (the "1933 Act"), the Company shall be under no obligation to issue the Shares covered by such exercise unless and until the following conditions have been fulfilled:

(a) The person(s) who exercise such Stock Right shall warrant to the Company, prior to the receipt of such Shares, that such person(s) are acquiring such Shares for their own respective accounts, for investment, and not with a view to, or for sale in connection with, the distribution of any such Shares, in which event the person(s) acquiring such Shares shall be bound by the provisions of the following legend which shall be endorsed upon the certificate(s) evidencing their Shares issued pursuant to such exercise or such grant:

The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all



applicable state securities laws.

(b) The Company shall have received an opinion of its counsel that the Shares may be issued upon such particular exercise in compliance with the 1933 Act without registration thereunder.

The Company may delay issuance of the Shares until completion of any action or obtaining of any consent which the Company deems necessary under any applicable law (including, without limitation, state securities or "blue sky" laws).

16. Adjustments Upon Changes in Stock.

(a) Capitalization Adjustments. If any change is made in the Common Stock subject to the Plan to any Stock Right, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the

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Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to subsection 4(a), and the outstanding Stock Rights will be appropriately adjusted in the class(es) and number of securities and price per share of Common Stock subject to such outstanding Stock Rights. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

(b) Change in Control--Dissolution or Liquidation. In the event of a dissolution or liquidation of the Company, then all outstanding Stock Rights shall terminate immediately prior to such event.

(c) Change in Control--Asset Sale, Merger, Consolidation or Reverse Merger. In the event of (i) a sale, lease or other disposition of all or substantially all of the assets of the Company, (ii) a merger or consolidation in which the Company is not the surviving corporation or (iii) a reverse merger in which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise, then any surviving corporation or acquiring corporation shall assume any Stock Rights outstanding under the Plan or shall substitute similar stock Rights (including an award to acquire the same consideration paid to the stockholders in the transaction described in this subsection 12(c) for those outstanding under the Plan). In the event any surviving corporation or acquiring corporation refuses to assume such Stock Awards or to substitute similar stock awards for those outstanding under the Plan, then with respect to Stock Rights held by Participants whose Continuous Status as an Employee, Director or Consultant has not terminated, the vesting of such Stock Awards and any shares of Common Stock acquired under such Stock Awards (and, if applicable, the time during which such Stock Rights may be exercised) shall be accelerated in full, and the Stock Rights shall terminate if not exercised (if applicable) at or prior to such event. With respect to any other Stock Rights outstanding under the Plan, such Stock Rights shall terminate if not exercised (if applicable) prior to such event.

(d) Change in Control--Securities Acquisition. In the event of an acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Exchange Act, or any comparable successor provisions (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or an Affiliate) of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of the Company representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of Directors and provided that such acquisition is not a result of, and does not constitute a transaction described in, subsection 12(c) hereof, then with respect to Stock Rights held by Participants whose Continuous Status as an Employee, Director or Consultant has not terminated, the vesting of such Stock Rights and any shares of Common Stock acquired under such Stock Rights (and,

if applicable, the time during which such Stock Rights may be exercised) shall be accelerated in full.

(e) Change in Control--Termination of Continuous Status as an Employee, Director or Consultant.

(i) In the event of a change in control as specified in subsection 12(c) or 12(d) (collectively, a "Change in Control") and Continuous Status as Employee, Director or Consultant of a Participant is either involuntarily terminated without Cause or is voluntarily terminated for Good Reason within one (1) month before or thirteen (13) months after the Change in Control, then the vesting of such Participant's Stock Rights and any shares of Common Stock acquired under such Stock Rights (and, if applicable, the time during which such Stock Rights may be exercised) shall be accelerated by one (1) year.

(ii) The Company or an Affiliate may not terminate the Continuous Status as an Employee, Director or Consultant of a Participant for Cause unless and until there shall have been delivered to such person a copy of a resolution duly adopted by the affirmative vote of at least a majority of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to such person and an opportunity for such person, together with such person's counsel, to be heard before the Board), finding that in the good faith opinion of the Board, such person was guilty of the conduct constituting "Cause" and specifying the particulars thereof in detail.

(iii) Any purported voluntarily termination of the Continuous Status as an Employee, Director or Consultant of a Participant for Good Reason shall be communicated by a notice of termination to the Company and shall state the specific termination provisions relied upon and set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination.

(iv) If any benefit received or to be received by such person pursuant to the acceleration of the vesting and/or exercisability of Stock Right would constitute an "excess parachute payment" subject to excise tax under Section 4999 of the Code (the "Excise Tax"), the amount or benefit to be received by such person shall be reduced if such reduction, taking into account all applicable federal, state and local income and employment taxes and the Excise Tax, results in a greater after-tax benefit for such person. The determination by the Company's independent auditors of any required reduction pursuant hereto shall be conclusive and binding upon such person.

(f) Definitions.

(i) "Good Reason" means, with respect to the voluntary termination of the Continuous Status as an Employee, Director or Consultant of a Participant in connection with a Change in Control, (i) reduction of such person's rate of compensation as in effect immediately prior to the Change in Control by greater than ten percent (10%), except to the extent the compensation of other similarly situated persons are accordingly reduced, (ii) failure to provide a package of welfare benefit plans that, taken as a whole, provide substantially similar benefits to those in which such person is entitled to participate immediately prior to the Change in Control (except that such person's contributions may be raised to the extent of any cost increases imposed by third parties) or any action by the Company that would adversely affect such person's participation or reduce such person's benefits under any of such plans, (iii) a change in such person's responsibilities, authority, titles or offices resulting in diminution of position, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Company promptly after notice thereof is given by such person, (iv) a request that such person relocate to a worksite that is more than fifty (50) miles from such person's prior worksite, unless such person accepts such relocation opportunity, (v) a material reduction in duties, (vi) a failure or refusal of any successor company to assume the obligations of the Company under an agreement with such person or (vii) a material breach by the Company of any of the material provisions of an agreement with such person. For purposes of this definition, "Company" shall include an Affiliate of the Company and a successor to the Company.

(ii) "Cause" means, with respect to the involuntary termination of the Continuous Status as an Employee, Director or Consultant of a Participant, misconduct, including: (i) conviction of any felony or any crime involving moral turpitude or dishonesty; (ii) participation in a fraud or act of dishonesty against the Company or an Affiliate; (iii) conduct that, based upon a good faith and reasonable factual investigation and determination by the

Company, demonstrates gross unfitness to serve; or (iv) intentional, material violation of any agreement with the Company, or of any statutory duty to the Company, that is not corrected within thirty (30) days after written notice thereof. Physical or mental disability shall not constitute "Cause." For purposes of this definition, "Company" shall include an Affiliate of the Company and a successor to the Company.

(g) Modification of Incentive Stock Options. Notwithstanding the foregoing, any adjustments made pursuant to Section 12 with respect to ISOs shall be made only after the Board, after consulting with counsel for the Company, determines whether such adjustments would constitute a "modification" of such ISO (as that term is defined in Section 424(h) of the Code) or would cause any adverse tax consequences for the holders of such ISOs. If the Board determines that such adjustments made with respect to ISOs would constitute a modification of such ISOs, it may refrain from making such adjustments, unless the holder of an ISO specifically requests in writing that such adjustment be made and such writing indicates that the holder has full knowledge of the consequences of such "modification" on his or her income tax treatment with respect to the ISOs.

(h) Definitions. For purposes of this Section 16, the terms "Exchange Act," "Continuous Status as an Employee, Director or Consultant," "Director" and "Board" shall have the same meanings as defined in the Company's 1997 Equity Incentive Plan.

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17. Issuances of Securities.

Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares subject to Stock Rights. Except as expressly provided herein, no adjustments shall be made for dividends paid in cash or in property (including without limitation, securities) of the Company.

18. Fractional Shares.

No fractional share shall be issued under the Plan and the person exercising such right shall receive from the Company cash in lieu of such fractional share equal to the Fair Market Value thereof.

19. Conversion of ISOs into Non-Qualified Options; Termination of ISOs.

The Administrator, at the written request of any Participant, may in its discretion take such actions as may be necessary to convert such Participant's ISOs (or any portions thereof) that have not been exercised on the date of conversion into Non-Qualified Options at any time prior to the expiration of such ISOs, regardless of whether the Participant is an employee of the Company or an Affiliate at the time of such conversion. Such actions may include, but not be limited to, extending the exercise period or reducing the exercise price of the appropriate installments of such Options. At the time of such conversion, the Administrator (with the consent of the Participant) may impose such conditions on the exercise of the resulting Non-Qualified Options as the Administrator in its discretion may determine, provided that such conditions shall not be inconsistent with this Plan. Nothing in the Plan shall be deemed to give any Participant the right to have such Participant's ISO's converted into Non-Qualified Options, and no such conversion shall occur until and unless the Administrator takes appropriate action. The Administrator, with the consent of the Participant, may also terminate any portion of any ISO that has not been exercised at the time of such termination.

20. Withholding.

In the event that any federal, state, or local income taxes, employment taxes, Federal Insurance Contributions Act ("F.I.C.A.") withholdings or other amounts are required by applicable law or governmental regulation to be withheld from the Option holder's salary, wages or other remuneration in connection with the exercise of a Stock Right or a Disqualifying Disposition (as defined in Paragraph 21), the Participant shall advance in cash to the Company, or to any Affiliate of the Company which employs or employed the Participant, the amount of such withholdings unless a different withholding arrangement, including the use of shares of the Company's Common Stock, is authorized by the Administrator (and permitted by law), provided, however, that with respect to persons subject

to Section 16 of the 1934 Act, any such

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withholding arrangement shall be in compliance with any applicable provisions of Rule 16b-3 promulgated under Section 16 of the 1934 Act. For purposes hereof, the fair market value of the shares withheld for purposes of payroll withholding shall be determined in the manner provided in Paragraph 1 above, as of the most recent practicable date prior to the date of exercise. If the fair market value of the shares withheld is less than the amount of payroll withholdings required, the Option holder may be required to advance the difference in cash to the Company or the Affiliate employer. The Administrator in its discretion may condition the exercise of an Option for less than the then Fair Market Value on the Participant's payment of such additional withholding.

21. Notice to Company of Disqualifying Disposition.

Each Key Employee who receives an ISO must agree to notify the Company in writing immediately after the Key Employee makes a Disqualifying Disposition of any shares acquired pursuant to the exercise of an ISO. A Disqualifying Disposition is any disposition (including any sale) of such shares before the later of (a) two years after the date the Key Employee was granted the ISO, or (b) one year after the date the Key Employee acquired shares by exercising the ISO. If the Key Employee has died before such stock is sold, these holding period requirements do not apply and no Disqualifying Disposition can occur thereafter.

22. Termination of the Plan.

The Plan will terminate on the date which is ten (10) years from the earlier of the date of its adoption and the date of its approval by the shareholders of the Company. The Plan may be terminated at an earlier date by vote of the shareholders of the Company; provided, however, that any such earlier termination will not affect any Stock Rights granted or Option or Stock Agreements executed prior to the effective date of such termination.

23. Amendment of the Plan and Agreements.

The Plan may be amended by the shareholders of the Company. The Plan may also be amended by the Administrator, including, without limitation, to the extent necessary to qualify any or all outstanding Stock Rights granted under the Plan or Stock Rights to be granted under the Plan for favorable federal income tax treatment (including deferral of taxation upon exercise) as may be afforded incentive stock options under Section 422 of the Code, to the extent necessary to ensure the qualification of the Plan under Rule 16b-3, at such time, if any, as the Company has a class of stock registered pursuant to Section 12 of the 1934 Act, and to the extent necessary to qualify the shares issuable upon exercise of any outstanding Stock Rights granted, or Stock Rights to be granted, under the Plan for listing on any national securities exchange or quotation in any national automated quotation system of securities dealers. Any amendment approved by the Administrator which is of a scope that requires shareholder approval in order to ensure favorable federal income tax treatment for any incentive stock options or requires shareholder approval in order to ensure the compliance of the Plan with Rule 16b-3 at such time, if any, as the Company has a class of stock registered pursuant to Section 12 of the 1934 Act, shall be subject to obtaining such shareholder approval. Any modification or amendment of the Plan shall not, without the consent of a Participant, adversely affect his or her rights under a Stock Right previously granted to him or her. With the consent of the Participant affected, the

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Administrator may amend outstanding Option or Stock Agreements in a manner which may be adverse to the Participant but which is not inconsistent with the Plan. In the discretion of the Administrator, outstanding Option or Stock Agreements may be amended by the Administrator in a manner which is not adverse to the Participant.

24. Employment or Other Relationship.

Nothing in this Plan or any Option or Stock Agreement shall be deemed to prevent the Company or an Affiliate from terminating the employment, consultancy, director or Scientific Advisory Board member status of a

Participant, nor to prevent a Participant from terminating his or her own employment, consultancy, director or Scientific Advisory Board member status or to give any Participant a right to be retained in employment or other service by the Company or any Affiliate for any period of time.

25. Governing Law.

This Plan shall be construed and enforced in accordance with the law of The Commonwealth of Massachusetts.

## EXELIXIS PHARMACEUTICALS, INC.

## 1997 EQUITY INCENTIVE PLAN

Adopted September, 1997

## 1. PURPOSES.

(a) The purpose of the Plan is to provide a means by which selected Employees and Directors of and Consultants to the Company, and its Affiliates, may be given an opportunity to benefit from increases in value of the stock of the Company through the granting of (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) stock bonuses, and (iv) rights to purchase restricted stock, all as defined below.

(b) The Company, by means of the Plan, seeks to retain the services of persons who are now Employees or Directors of or Consultants to the Company or its Affiliates, to secure and retain the services of new Employees, Directors and Consultants, and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

(c) The Company intends that the Stock Awards issued under the Plan shall, in the discretion of the Board or any Committee to which responsibility for administration of the Plan has been delegated pursuant to subsection 3(c), be either (i) Options granted pursuant to Section 6 hereof, including Incentive Stock Options and Nonstatutory Stock Options, or (ii) stock bonuses or rights to purchase restricted stock granted pursuant to Section 7 hereof. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and in such form as issued pursuant to Section 6, and a separate certificate or certificates will be issued for shares purchased on exercise of each type of Option.

## 2. DEFINITIONS.

(a) "Affiliate" means any parent corporation or subsidiary corporation, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f) respectively, of the Code.

(b) "Board" means the Board of Directors of the Company.

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

(d) "Committee" means a Committee appointed by the Board in accordance with subsection 3(c) of the Plan.

(e) "Company" means Exelixis Pharmaceuticals, Inc. a Delaware corporation.

(f) "Consultant" means any person, including an advisor, engaged by the Company or an Affiliate to render consulting services and who is compensated for such services, provided that the term "Consultant" shall not include Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors.

## 1.

(g) "Continuous Status as an Employee, Director or Consultant" means that the service of an individual to the Company, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Board may determine, in its sole discretion, whether Continuous Status as an Employee, Director or Consultant shall be considered interrupted in the case of: (i) any leave of absence approved by the Board, including sick leave, military leave, or any other personal leave; or (ii) transfers between the Company, Affiliates or their successors.

(h) "Director" means a member of the Board.

(i) "Employee" means any person, including officers and Directors, employed by the Company or any Affiliate of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to

constitute "employment" by the Company.

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

(k) "Fair Market Value" means the value of the common stock as determined in good faith by the Board and in a manner consistent with Section 260.140.50 of Title 10 of the California Code of Regulations.

(I) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(m) "Listing Date" means the first date upon which any security of the Company is listed (or approved for listing) upon notice of issuance on any securities exchange, or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system if such securities exchange or interdealer quotation system has been certified in accordance with the provisions of Section 25100(o) of the California Corporate Securities Law of 1968.

(n) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(o) "Option" means a stock option granted pursuant to the Plan.

(p) "Option Agreement" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(q) "Optionee" means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(r) "Plan" means this Exelixis Pharmaceuticals, Inc. 1997 Equity Incentive Plan.

(s) "Securities Act" means the Securities Act of 1933, as amended.

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(t) "Stock Award" means any right granted under the Plan, including any Option, any stock bonus, and any right to purchase restricted stock.

(u) "Stock Award Agreement" means a written agreement between the Company and a holder of a Stock Award evidencing the terms and conditions of an individual Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

### 3. ADMINISTRATION.

(a) The Plan shall be administered by the Board unless and until the Board delegates administration to a Committee, as provided in subsection 3(c).

(b) The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(1), To determine from time to time which of the persons eligible under the Plan shall be granted Stock Awards; when and how each Stock Award shall be granted; whether a Stock Award will be an Incentive Stock Option, a Nonstatutory Stock Option, a stock bonus, a right to purchase restricted stock, or a combination of the foregoing; the provisions of each Stock Award granted (which need not be identical), including the time or times when a person shall be permitted to receive stock pursuant to a Stock Award; and the number of shares with respect to which a Stock Award shall be granted to each such person.

(2) To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(3) To amend the Plan or a Stock Award as provided in Section 14.

(4) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company which are not in conflict with the provisions of the Plan.

(c) The Board may delegate administration of the Plan to a committee of the Board composed of one or more members (the "Committee"). If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or such a subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and re-vest in the Board the administration of the Plan.

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#### 4. SHARES SUBJECT TO THE PLAN.

(a) Subject to the provisions of Section 13 relating to adjustments upon changes in stock, the stock that may be issued pursuant to Stock Awards shall not exceed in the aggregate ( ) shares of the Company's common stock. If any Stock Award shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the stock not acquired under such Stock Award shall revert to and again become available for issuance under the Plan.

(b) The stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

#### 5. ELIGIBILITY.

(a) Incentive Stock Options may be granted only to Employees. Stock Awards other than Incentive Stock Options may be granted only to Employees, Directors or Consultants.

(b) No person shall be eligible for the grant of an Option or an award to purchase restricted stock if, at the time of grant, such person owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates unless (i) the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value of such stock at the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant, or (ii) for an award to purchase restricted stock, the purchase price of restricted stock is at least one hundred percent (100%) of the stock's Fair Market Value at the date of grant of the award.

#### 6. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) Term. No Option shall be exercisable after the expiration of ten (10) years from the date it was granted.

(b) Price. The exercise price of each Incentive Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the stock subject to the Option on the date the Option is granted; the exercise price of each Nonstatutory Stock Option shall be not less than eighty-five percent (85%) of the Fair Market Value of the stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(c) Consideration. The purchase price of stock acquired pursuant to an Option shall



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be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash at the time the Option is exercised, or (ii) at the discretion of the Board or the Committee, at the time of the grant of the Option, (A) by delivery to the Company of other common stock of the Company, (B) according to a deferred payment arrangement, except that payment of the common stock's "par value" (as defined in the Delaware General Corporate Law) shall not be made by deferred payment, or other arrangement (which may include, without limiting the generality of the foregoing, the use of other common stock of the Company) with the person to whom the Option is granted or to whom the Option is transferred pursuant to subsection 6(d), or (C) in any other form of legal consideration that may be acceptable to the Board.

In the case of any deferred payment arrangement, interest shall be compounded at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest under the deferred payment arrangement.

(d) Transferability. An Option shall not be transferable except by will or by the laws of descent and distribution, and shall be exercisable during the lifetime of the person to whom the Option is granted only by such person.

(e) Vesting. The total number of shares of stock subject to an Option may, but need not, be allotted in periodic installments (which may, but need not, be equal). The Option Agreement may provide that from time to time during each of such installment periods, the Option may become exercisable ("vest") with respect to some or all of the shares allotted to that period, and may be exercised with respect to some or all of the shares allotted to such period and/or any prior period as to which the Option became vested but was not fully exercised. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options may vary, but in each case will provide for vesting of at least twenty percent (20%) per year of the total number of shares subject to the Option; provided, however, that an Option granted to an officer, director or consultant (within the meaning of Section 260.140.41 of Title 10 of the California Code of Regulations) may become fully exercisable, subject to reasonable conditions such as continued employment, at any time or during any period established by the Company or of any of its Affiliates. The provisions of this subsection 6(e) are subject to any Option provisions governing the minimum number of shares as to which an Option may be exercised.

(f) Termination of Employment or Relationship as a Director or Consultant. In the event an Optionee's Continuous Status as an Employee, Director or Consultant terminates (other than upon the Optionee's death or disability), the Optionee may exercise his or her Option (to the extent that the Optionee was entitled to exercise it as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionee's Continuous Status as an Employee, Director or Consultant (or such longer or shorter period, which shall not be less than three (3) months (unless such termination is for cause, as specified in the Option Agreement)), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the shares covered by the unexercisable portion of the Option shall

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revert to and again become available for issuance under the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

(g) Disability of Optionee. In the event an Optionee's Continuous Status as an Employee, Director or Consultant terminates as a result of the Optionee's disability, the Optionee may exercise his or her Option (to the extent that the Optionee was entitled to exercise it as of the date of termination), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination (or such longer or shorter period, which in no

event shall be less than six (6) months, specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the shares covered by the unexercisable portion of the Option shall revert to and again become available for issuance under the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

(h) Death of Optionee. In the event of the death of an Optionee during, or within a period specified in the Option Agreement after the termination of, the Optionee's Continuous Status as an Employee, Director or Consultant, the Option may be exercised (to the extent the Optionee was entitled to exercise the Option as of the date of death) by the Optionee's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the option upon the Optionee's death pursuant to subsection 6(d), but only within the period ending on the earlier of (i) the date twelve (12) months following the date of death (or such longer or shorter period, which in no event shall be less than six (6) months, specified in the Option Agreement), or (ii) the expiration of the term of such Option as set forth in the Option Agreement. If, at the time of death, the Optionee was not entitled to exercise his or her entire Option, the shares covered by the unexercisable portion of the Option shall revert to and again become available for issuance under the Plan. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

(i) Early Exercise. The Option may, but need not, include a provision whereby the Optionee may elect at any time while an Employee, Director or Consultant to exercise the Option as to any part or all of the shares subject to the Option prior to the full vesting of the Option. Any unvested shares so purchased shall be subject to a repurchase right in favor of the Company, with the repurchase price to be equal to the original purchase price of the stock, or to any other restriction the Board determines to be appropriate; provided, however, that (i) the right to repurchase at the original purchase price shall lapse at a minimum rate of twenty percent (20%) per year over five (5) years from the date the Option was granted, and (ii) such right shall be exercisable only within (A) the ninety (90) day period following the termination of Continuous Status as an Employee, Director or Consultant, or (B) such longer period as may be agreed to by the Company and the Optionee (for example, for purposes of satisfying the requirements of Section 1202(c)(3) of the Code (regarding "qualified small business stock")), and (iii) such right shall be exercisable only for cash or cancellation of purchase money indebtedness for the shares. Should the right of repurchase be assigned by the Company, the assignee shall pay the Company cash equal to the difference between the original purchase price and the stock's Fair Market Value if the

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original purchase price is less than the stock's Fair Market Value.

(1) Right of Repurchase. The Option may, but need not, include a provision whereby the Company may elect, prior to the Listing Date, to repurchase all or any part of the vested shares exercised pursuant to the Option; provided, however, that (i) such repurchase right shall be exercisable only within (A) the ninety (90) day period following the termination of employment or the relationship as a Director or Consultant (or in the case of a post-termination exercise of the Option, the ninety (90) period following such exercise), or (B) such longer period as may be agreed to by the Company and the Optionee (for example, for purposes of satisfying the requirements of Section 1202(c)(3) of the Code (regarding "qualified small business stock")), (ii) such repurchase right shall be exercisable for less than all of the vested shares only with the Optionee's consent, and (iii) such right shall be exercisable only for cash or cancellation of purchase money indebtedness for the shares at a repurchase price equal to the stock's Fair Market Value at the time of such termination. Notwithstanding the foregoing, shares received on exercise of an Option by an officer, director or consultant (within the meaning of Section 260.140.41 of Title 10 of the California Code of Regulations) may be subject to additional or greater restrictions specified in the Option Agreement.

(2) Right of First Refusal. The Option may, but need not, include a provision whereby the Company may elect, prior to the Listing Date, to exercise a right of first refusal following receipt of notice from the Optionee of the

intent to transfer all or any part of the shares exercised pursuant to the Option. Such right of first refusal shall be exercised by the Company no more than thirty (30) days following receipt of notice of the Optionee's intent to transfer shares and must be exercised as to all the shares the Optionee intends to transfer unless the Optionee consents to exercise for less than all the shares offered. The purchase of the shares following exercise shall be completed within thirty (30) days of the Company's receipt of notice of the Optionee's intent to transfer shares, or such longer period of time as has been offered by the person to whom the Optionee intends to transfer the shares, or as may be agreed to by the Company and the Optionee (for example, for purposes of satisfying the requirements of Section 1202(c)(3) of the Code (regarding "qualified small business stock"). Except as expressly provided in this Subsection (k), such right of first refusal shall otherwise comply with the provisions of the Bylaws of the Company.

7. TERMS OF STOCK BONUSES AND PURCHASES OF RESTRICTED STOCK.

Each stock bonus or restricted stock purchase agreement shall be in such form and shall contain such terms and conditions as the Board or the Committee shall deem appropriate. The terms and conditions of stock bonus or restricted stock purchase agreements may change from time to time, and the terms and conditions of separate agreements need not be identical, but each stock bonus or restricted stock purchase agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions as appropriate:

(a) Purchase Price. The purchase price under each restricted stock purchase agreement shall be such amount as the Board or Committee shall determine and designate in such Stock Award Agreement, but in no event shall the purchase price be less than eighty-five percent (85%) of the stock's Fair Market Value on the date such award is made. Notwithstanding the foregoing, the Board or the Committee may determine that eligible participants in the Plan may be awarded stock pursuant to a stock

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bonus agreement in consideration for past services actually rendered to the Company or for its benefit.

(b) Transferability. Rights under a stock bonus or restricted stock purchase agreement shall not be transferable except by will or by the laws of descent and distribution, and shall be exercisable during the lifetime of the person to whom the Option is granted only by such person.

(c) Consideration. The purchase price of stock acquired pursuant to a stock purchase agreement shall be paid either: (i) in cash at the time of purchase; (ii) at the discretion of the Board or the Committee, according to a deferred payment or other arrangement with the person to whom the stock is sold, except that payment of the common stock's "par value" (as defined in the Delaware General Corporation Law) shall not be made by deferred payment; or (iii) in any other form of legal consideration that may be acceptable to the Board or the Committee in its discretion. Notwithstanding the foregoing, the Board or the Committee to which administration of the Plan has been delegated may award stock pursuant to a stock bonus agreement in consideration for past services actually rendered to the Company or for its benefit.

(d) Vesting. Shares of stock sold or awarded under the Plan may, but need not, be subject to a repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board or the Committee. The applicable agreement shall provide (i) that the right to repurchase at the original purchase price shall lapse at a minimum rate of twenty percent (20%) per year over five (5) years from the date the Stock Award was granted (except that a Stock Award granted to an officer, director or consultant (within the meaning of Section 260140.41 of Title 10 of the California Code of Regulations) may become fully vested, subject to reasonable conditions such as continued employment, at any time or during any period established by the Company or of any of its Affiliates), and (ii) such right shall be exercisable only (A) within the ninety (90) day period following the termination of employment or the relationship as a Director or Consultant, or (B) such longer period as may be agreed to by the Company and the holder of the Stock Award (for example, for purposes of satisfying the requirements of Section 1202(c)(3) of the Code (regarding "qualified small business stock")), and (iii) such right shall be exercisable only for cash or cancellation of purchase money indebtedness for the shares.

(e) Termination of Employment or Relationship as a Director or Consultant. In the event a Participant's Continuous Status as an Employee, Director or Consultant terminates, the Company may repurchase or otherwise reacquire, subject to the limitations described in subsection 7(d), any or all of the shares of stock held by that person which have not vested as of the date of termination under the terms of the stock bonus or restricted stock purchase agreement between the Company and such person.

#### 8. CANCELLATION AND RE-GRANT OF OPTIONS.

The Board or the Committee shall have the authority to effect, at any time and from time to time, (i) the repricing of any outstanding Options under the Plan and/or (ii) with the consent of the affected holders of Options, the cancellation of any outstanding Options under the Plan and the grant in substitution therefor of new Options under the Plan covering the same or different numbers of shares of stock, but having an exercise price per share not less than eighty-five percent (85%) of the Fair Market Value (one hundred percent (100%) of the Fair Market Value in the case of an Incentive Stock Option) or, in the case of a 10% stockholder (as described in subsection

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5(1)), not less than one hundred ten percent (110%) of the Fair Market Value) per share of stock on the new grant date. Notwithstanding the foregoing, the Board or the Committee may grant an Option with an exercise price lower than that set forth above if such Option is granted as part of a transaction to which section 424(a) of the Code applies.

#### 9. COVENANTS OF THE COMPANY.

(a) During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of stock required to satisfy such Stock Awards.

(b) The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to issue and sell shares of stock upon exercise of the Stock Award; provided, however, that this undertaking shall not require the Company to register under the Securities Act either the Plan, any Stock Award or any stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such Stock Awards unless and until such authority is obtained.

#### 10. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of stock pursuant to Stock Awards shall constitute general funds of the Company.

#### 11. MISCELLANEOUS.

(a) Subject to any applicable provisions of the California Corporate Securities Law of 1968 and related regulations relied upon as a condition of issuing securities pursuant to the Plan, the Board shall have the power to accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest pursuant to subsection 6(e) or 7(d), notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest.

(b) Neither an Employee, Director, or Consultant, nor any person to whom a Stock Award is transferred under subsection 6(d) or 7(b) shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to such Stock Award unless and until such person has satisfied all requirements for exercise of the Stock Award pursuant to its terms.

(c) Throughout the term of any Stock Award, the Company shall deliver to the holder of such Stock Award, not later than one hundred twenty (120) days after the close of each of the Company's fiscal years during the term of such Stock Award, a balance sheet and an income statement. This subsection shall not apply (i) after the Listing Date, or (ii) when issuance is limited to key employees whose duties in connection with the Company assure them access to

equivalent information.

(d) Nothing in the Plan or any instrument executed or Stock Award granted pursuant thereto

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shall confer upon any Employee, Director, Consultant, or other holder of Stock Awards any right to continue in the employ of the Company or any Affiliate (or to continue acting as a Director or Consultant) or shall affect the right of the Company or any Affiliate to terminate the employment of any Employee, with or without cause, the right of the Company's Board of Directors and/or the Company's stockholders to remove any Director as provided in the Company's Bylaws and the provisions of the General Corporation Law of the State of Delaware, or the right to terminate the relationship of any Consultant subject to the terms of such Consultant's agreement with the Company or Affiliate.

(e) To the extent that the aggregate Fair Market Value (determined at the time of grant) of stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year under all plans of the Company and its Affiliates exceeds one hundred thousand dollars (\$100,000), the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options.

(f) The Company may require any person to whom a Stock Award is granted, or any person to whom a Stock Award is transferred pursuant to subsection 6(d) or 7(b), as a condition of exercising or acquiring stock under any Stock Award, (1) to give written assurances satisfactory to the Company as to such person's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters, and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (2) to give written assurances satisfactory to the Company stating that such person is acquiring the stock subject to the Stock Award for such person's own account and not with any present intention of selling or otherwise distributing the stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (i) the issuance of the shares upon the exercise or acquisition of stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act, or (ii) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the stock.

(g) To the extent provided by the terms of a Stock Award Agreement, the person to whom a Stock Award is granted may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of stock under a Stock Award by any of the following means or by a combination of such means: (1) tendering a cash payment; (2) authorizing the Company to withhold shares from the shares of the common stock otherwise issuable to the participant as a result of the exercise or acquisition of stock under the Stock Award; or (3) delivering to the Company owned and unencumbered shares of the common stock of the Company.

## 12. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) Capitalization Adjustments. If any change is made in the Common Stock subject to the Plan to any Stock Award, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the

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Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to subsection 4(a), and the

outstanding Stock Awards will be appropriately adjusted in the class(es) and number of securities and price per share of Common Stock subject to such outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

(b) Change in Control--Dissolution or Liquidation. In the event of a dissolution or liquidation of the Company, then all outstanding Stock Awards shall terminate immediately prior to such event.

(c) Change in Control--Asset Sale, Merger, Consolidation or Reverse Merger. In the event of (i) a sale, lease or other disposition of all or substantially all of the assets of the Company, (ii) a merger or consolidation in which the Company is not the surviving corporation or (iii) a reverse merger in which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise, then any surviving corporation or acquiring corporation shall assume any Stock Awards outstanding under the Plan or shall substitute similar stock awards (including an award to acquire the same consideration paid to the stockholders in the transaction described in this subsection 12(c) for those outstanding under the Plan). In the event any surviving corporation or acquiring corporation refuses to assume such Stock Awards or to substitute similar stock awards for those outstanding under the Plan, then with respect to Stock Awards held by Participants whose Continuous Status as an Employee, Director or Consultant has not terminated, the vesting of such Stock Awards and any shares of Common Stock acquired under such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated in full, and the Stock Awards shall terminate if not exercised (if applicable) at or prior to such event. With respect to any other Stock Awards outstanding under the Plan, such Stock Awards shall terminate if not exercised (if applicable) prior to such event.

(d) Change in Control--Securities Acquisition. In the event of an acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Exchange Act, or any comparable successor provisions (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or an Affiliate) of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of the Company representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of Directors and provided that such acquisition is not a result of, and does not constitute a transaction described in, subsection 12(c) hereof, then with respect to Stock Awards held by Participants whose Continuous Status as an Employee, Director or Consultant has not terminated, the vesting of such Stock Awards and any shares of Common Stock acquired under such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated in full.

(e) Change in Control--Termination of Continuous Status as an Employee, Director or Consultant.

(i) In the event of a change in control as specified in subsection 12(c) or 12(d) (collectively, a "Change in Control") and Continuous Status as Employee, Director or Consultant of a Participant is either involuntarily terminated without Cause or is voluntarily terminated for Good Reason within one (1) month before or thirteen (13) months after the Change in Control, then the vesting of such Participant's Stock Award and any shares of Common Stock acquired under such Stock Award (and, if applicable, the time during which such Stock Award may be exercised) shall be accelerated by one (1) year.

(ii) The Company or an Affiliate may not terminate the Continuous Status as an Employee, Director or Consultant of a Participant for Cause unless and until there shall have been delivered to such person a copy of a resolution duly adopted by the affirmative vote of at least a majority of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to such person and an opportunity for such person, together with such person's counsel, to be heard before the Board), finding that in the good faith opinion of the Board, such person was guilty of the conduct constituting "Cause" and specifying the particulars thereof in detail.

(iii) Any purported voluntary termination of the Continuous Status as an Employee, Director or Consultant of a Participant for Good Reason shall be communicated by a notice of termination to the Company and shall

state the specific termination provisions relied upon and set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination.

(iv) If any benefit received or to be received by such person pursuant to the acceleration of the vesting and/or exercisability of Stock Award would constitute an "excess parachute payment" subject to excise tax under Section 4999 of the Code (the "Excise Tax"), the amount or benefit to be received by such person shall be reduced if such reduction, taking into account all applicable federal, state and local income and employment taxes and the Excise Tax, results in a greater after-tax benefit for such person. The determination by the Company's independent auditors of any required reduction pursuant hereto shall be conclusive and binding upon such person.

(f) Definitions.

(i) "Good Reason" means, with respect to the voluntary termination of the Continuous Status as an Employee, Director or Consultant of a Participant in connection with a Change in Control, (i) reduction of such person's rate of compensation as in effect immediately prior to the Change in Control by greater than ten percent (10%), except to the extent the compensation of other similarly situated persons are accordingly reduced, (ii) failure to provide a package of welfare benefit plans that, taken as a whole, provide substantially similar benefits to those in which such person is entitled to participate immediately prior to the Change in Control (except that such person's contributions may be raised to the extent of any cost increases imposed by third parties) or any action by the Company that would adversely affect such person's participation or reduce such person's benefits under any of such plans, (iii) a change in such person's responsibilities, authority, titles or offices resulting in diminution of position, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Company promptly after notice thereof is given by such person, (iv) a request that such person relocate to a worksite that is more than fifty (50) miles from such person's prior worksite, unless such person accepts such relocation opportunity, (v) a material reduction in duties, (vi) a failure or refusal of any successor company to assume the obligations of the Company under an agreement with such person or (vii) a material breach by the Company of any of the material provisions of an agreement with such person. For purposes of this definition, "Company" shall include an Affiliate of the Company and a successor to the Company.

(ii) "Cause" means, with respect to the involuntary termination of the Continuous Status as an Employee, Director or Consultant of a Participant, misconduct, including: (i) conviction of any felony or any crime involving moral turpitude or dishonesty; (ii) participation in a fraud or act of dishonesty against the Company or an Affiliate; (iii) conduct that, based upon a good faith and reasonable factual investigation and determination by the Company, demonstrates gross unfitness to serve; or (iv) intentional, material violation of any agreement with the Company, or of any statutory duty to the Company, that is not corrected within thirty (30) days after written notice thereof. Physical or mental disability shall not constitute "Cause." For purposes of this definition, "Company" shall include an Affiliate of the Company and a successor to the Company.

(g) Modification of Incentive Stock Options. Notwithstanding the foregoing, any adjustments made pursuant to Section 12 with respect to Incentive Stock Options shall be made only after the Board, after consulting with counsel for the Company, determines whether such adjustments would constitute a "modification" of such Incentive Stock Option (as that term is defined in Section 424(h) of the Code) or would cause any adverse tax consequences for the holders of such Incentive Stock Options. If the Board determines that such adjustments made with respect to Incentive Stock Options would constitute a modification of such Incentive Stock Options, it may refrain from making such adjustments, unless the holder of an Incentive Stock Option specifically requests in writing that such adjustment be made and such writing indicates that the holder has full knowledge of the consequences of such "modification" on his or her income tax treatment with respect to the Incentive Stock Option.

13. AMENDMENT OF THE PLAN AND STOCK AWARDS.

(a) The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 12 relating to adjustments upon changes in stock, no amendment shall be effective unless approved by the stockholders of

the Company to the extent such approval is necessary to satisfy the requirements of Section 422 of the Code or any NASDAQ or securities exchange listing requirements.

(b) To the extent required by applicable law, recipients of Stock Awards shall be provided with financial statements at least annually.

(c) It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under it into compliance therewith.

(d) Rights and obligations under any Stock Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the person to whom the Stock Award was granted and (ii) such person consents in writing.

(e) The Board at any time, and from time to time, may amend the terms of any one or more Stock Award; provided, however, that the rights and obligations under any Stock Award shall not be impaired by any such amendment unless (i) the Company requests the consent of the person to whom the

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Stock Award was granted and (ii) such person consents in writing.

#### 14. TERMINATION OR SUSPENSION OF THE PLAN.

(a) The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on the day before the tenth anniversary of the earlier of the date the Plan is adopted by the Board or approved by the stockholders of the Company, whichever is earlier. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) Rights and obligations under any Stock Award granted while the Plan is in effect shall not be impaired by suspension or termination of the Plan, except with the written consent of the person to whom the Stock Award was granted.

#### 15. EFFECTIVE DATE OF PLAN.

The Plan shall become effective as determined by the Board, but no Stock Awards granted under the Plan shall be exercised unless and until the Plan has been approved by the stockholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

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EXELIXIS, INC.

2000 EQUITY INCENTIVE PLAN

Adopted January 27, 2000  
Approved By Stockholders March 15, 2000  
Termination Date: January 26, 2010

1. PURPOSES.

(a) Eligible Stock Award Recipients. The persons eligible to receive Stock Awards are the Employees, Directors and Consultants of the Company and its Affiliates.

(b) Available Stock Awards. The purpose of the Plan is to provide a means by which eligible recipients of Stock Awards may be given an opportunity to benefit from increases in value of the Common Stock through the granting of the following Stock Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) stock bonuses and (iv) rights to acquire restricted stock.

(c) General Purpose. The Company, by means of the Plan, seeks to retain the services of the group of persons eligible to receive Stock Awards, to secure and retain the services of new members of this group and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

2. DEFINITIONS.

(a) "Affiliate" means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(b) "Board" means the Board of Directors of the Company.

(c) "Calculation Date" means the last day of each fiscal year of the Company.

(d) "Cause" means, with respect to the involuntary termination of the Continuous Service of a Participant, misconduct, including: (i) conviction of any felony or any crime involving moral turpitude or dishonesty; (ii) participation in a fraud or act of dishonesty against the Company or an Affiliate; (iii) conduct that, based upon a good faith and reasonable factual investigation and determination by the Company, demonstrates gross unfitness to serve; or (iv) intentional, material violation of any agreement with the Company, or of any statutory duty to the Company, that is not corrected within thirty (30) days after written notice thereof. Physical or mental disability shall not constitute "Cause." For purposes of this definition, "Company" shall include an Affiliate of the Company and a successor to the Company.

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

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(f) "Committee" means a committee of one or more members of the Board appointed by the Board in accordance with subsection 3(c).

(g) "Common Stock" means the common stock of the Company.

(h) "Company" means Exelixis, Inc., a Delaware corporation.

(i) "Consultant" means any person, including an advisor, (i) engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for such services or (ii) who is a member of the Board of Directors of an Affiliate. However, the term "Consultant" shall not include either Directors who are not compensated by the Company for their services as Directors or Directors who are merely paid a director's fee by the Company for their services as Directors.

(j) "Continuous Service" means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Participant's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's Continuous Service. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or a Director will not constitute an interruption of Continuous Service. The Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave.

(k) "Covered Employee" means the chief executive officer and the four (4) other highest compensated officers of the Company for whom total compensation is required to be reported to stockholders under the Exchange Act, as determined for purposes of Section 162(m) of the Code.

(l) "Diluted Shares Outstanding" means the number of outstanding shares of Common Stock on the Calculation Date, plus the number of shares of Common Stock issuable on the Calculation Date assuming the conversion of all outstanding preferred stock and convertible notes, and the additional number of dilutive Common Stock equivalent shares outstanding as the result of any options or warrants outstanding during the fiscal year, calculated using the treasury stock method.

(m) "Director" means a member of the Board of Directors of the Company.

(n) "Disability" means (i) before the Listing Date, the inability of a person, in the opinion of a qualified physician acceptable to the Company, to perform the major duties of that person's position with the Company or an Affiliate of the Company because of the sickness or injury of the person and (ii) after the Listing Date, the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

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(o) "Employee" means any person employed by the Company or an Affiliate. Mere service as a Director or payment of a director's fee by the Company or an Affiliate shall not be sufficient to constitute "employment" by the Company or an Affiliate.

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

(q) "Fair Market Value" means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on the Nasdaq National Market or the Nasdaq SmallCap Market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

(iii) Prior to the Listing Date, the value of the Common Stock shall be determined in a manner consistent with Section 260.140.50 of Title 10 of the California Code of Regulations.

(r) "Good Reason" means, with respect to the voluntary termination of the Continuous Service of a Participant in connection with a Change in Control, (i) reduction of such person's rate of compensation as in effect immediately prior to the Change in Control by greater than ten percent (10%), except to the extent the compensation of other similarly situated persons are accordingly reduced, (ii) failure to provide a package of welfare benefit plans that, taken as a whole, provide substantially similar benefits to those in which such person is entitled to participate immediately prior to the Change in Control (except that

such person's contributions may be raised to the extent of any cost increases imposed by third parties) or any action by the Company that would adversely affect such person's participation or reduce such person's benefits under any of such plans, (iii) a change in such person's responsibilities, authority, titles or offices resulting in diminution of position, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Company promptly after notice thereof is given by such person, (iv) a request that such person relocate to a worksite that is more than fifty (50) miles from such person's prior worksite, unless such person accepts such relocation opportunity, (v) a material reduction in duties, (vi) a failure or refusal of any successor company to assume the obligations of the Company under an agreement with such person or (vii) a material breach by the Company of any of the material provisions of an agreement with such person. For purposes of this definition, "Company" shall include an Affiliate of the Company and a successor to the Company.

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(s) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(t) "Listing Date" means the first date upon which any security of the Company is listed (or approved for listing) upon notice of issuance on any securities exchange or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system if such securities exchange or interdealer quotation system has been certified in accordance with the provisions of Section 25100(o) of the California Corporate Securities Law of 1968.

(u) "Non-Employee Director" means a Director who either (i) is not a current Employee or Officer of the Company or its parent or a subsidiary, does not receive compensation (directly or indirectly) from the Company or its parent or a subsidiary for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act ("Regulation S-K")), does not possess an interest in any other transaction as to which disclosure would be required under Item 404(a) of Regulation S-K and is not engaged in a business relationship as to which disclosure would be required under Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(v) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(w) "Officer" means (i) before the Listing Date, any person designated by the Company as an officer and (ii) on and after the Listing Date, a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(x) "Option" means an Incentive Stock Option or a Nonstatutory Stock Option granted pursuant to the Plan.

(y) "Option Agreement" means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(z) "Optionholder" means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(aa) "Outside Director" means a Director who either (i) is not a current employee of the Company or an "affiliated corporation" (within the meaning of Treasury Regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an "affiliated corporation" receiving compensation for prior services (other than benefits under a tax qualified pension plan), was not an officer of the Company or an "affiliated corporation" at any time and is not currently receiving direct or indirect remuneration from the Company or an

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"affiliated corporation" for services in any capacity other than as a Director or (ii) is otherwise considered an "outside director" for purposes of Section

162(m) of the Code.

(bb) "Participant" means a person to whom a Stock Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(cc) "Plan" means this Exelixis, Inc. 2000 Equity Incentive Plan.

(dd) "Rule 16b-3" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(ee) "Securities Act" means the Securities Act of 1933, as amended.

(ff) "Stock Award" means any right granted under the Plan, including an Option, a stock bonus and a right to acquire restricted stock.

(gg) "Stock Award Agreement" means a written agreement between the Company and a holder of a Stock Award evidencing the terms and conditions of an individual Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

(hh) "Ten Percent Stockholder" means a person who owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates.

### 3. ADMINISTRATION.

(a) Administration by Board. The Board shall administer the Plan unless and until the Board delegates administration to a Committee, as provided in subsection 3(c).

(b) Powers of Board. The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine from time to time which of the persons eligible under the Plan shall be granted Stock Awards; when and how each Stock Award shall be granted; what type or combination of types of Stock Award shall be granted; the provisions of each Stock Award granted (which need not be identical), including the time or times when a person shall be permitted to receive Common Stock pursuant to a Stock Award; and the number of shares of Common Stock with respect to which a Stock Award shall be granted to each such person.

(ii) To construe and interpret the Plan and Stock Awards granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Stock Award Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To amend the Plan or a Stock Award as provided in Section 12.

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(iv) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company which are not in conflict with the provisions of the Plan.

(c) Delegation to Committee.

(i) General. The Board may delegate administration of the Plan to a Committee or Committees of one (1) or more members of the Board, and the term "Committee" shall apply to any person or persons to whom such authority has been delegated. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revert in the Board the administration of the Plan.

(ii) Committee Composition when Common Stock is Publicly Traded. At

such time as the Common Stock is publicly traded, in the discretion of the Board, a Committee may consist solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, and/or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3. Within the scope of such authority, the Board or the Committee may (1) delegate to a committee of one or more members of the Board who are not Outside Directors the authority to grant Stock Awards to eligible persons who are either (a) not then Covered Employees and are not expected to be Covered Employees at the time of recognition of income resulting from such Stock Award or (b) not persons with respect to whom the Company wishes to comply with Section 162(m) of the Code and/or (2) delegate to a committee of one or more members of the Board who are not Non-Employee Directors the authority to grant Stock Awards to eligible persons who are not then subject to Section 16 of the Exchange Act.

(d) Effect of Board's Decision. All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

#### 4. SHARES SUBJECT TO THE PLAN.

(a) Share Reserve. Subject to the provisions of subsection 4(b) relating to automatic increases to the share reserve, the provisions of subsection 4(c) relating to reversion of shares of Common Stock to the share reserve and the provisions of Section 11 relating to adjustments upon changes in the Common Stock, the Common Stock that may be issued pursuant to Stock Awards shall not exceed in the aggregate three million (3,000,000) shares of Common Stock.

(b) Automatic Increase. For a period of ten (10) years, the share reserve specified in subsection 4(a) automatically shall be increased on the Calculation Date by the greater of that number of shares of Common Stock equal to five percent (5%) of the Diluted Shares

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Outstanding or that number of shares of Common Stock that have been made subject to Stock Awards granted under the Plan during the prior 12-month period; provided, however, that the Board may provide for a lesser number at any time prior to the Calculation Date and provided further that such automatic share reserve increases in the aggregate that are available for Incentive Stock Options shall not exceed thirty million (30,000,000) shares of Common Stock.

(c) Reversion of Shares to the Share Reserve. If any Stock Award shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the shares of Common Stock not acquired under such Stock Award shall revert to and again become available for issuance under the Plan. If the Company repurchases any unvested shares of Common Stock acquired under the Plan, the repurchased shares of Common Stock shall revert to and again become available for issuance under the Plan for all Stock Awards other than Incentive Stock Options.

(d) Source of Shares. The shares of Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

(e) Share Reserve Limitation. Prior to the Listing Date and to the extent then required by Section 260.140.45 of Title 10 of the California Code of Regulations, the total number of shares of Common Stock issuable upon exercise of all outstanding Options and the total number of shares of Common Stock provided for under any stock bonus or similar plan of the Company shall not exceed the applicable percentage as calculated in accordance with the conditions and exclusions of Section 260.140.45 of Title 10 of the California Code of Regulations, based on the shares of Common Stock of the Company that are outstanding at the time the calculation is made.1

#### 5. ELIGIBILITY.

(a) Eligibility for Specific Stock Awards. Incentive Stock Options may be granted only to Employees. Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants.

(b) Ten Percent Stockholders.

(i) A Ten Percent Stockholder shall not be granted an Incentive Stock Option unless the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value of the Common Stock at the date of grant

and the Option is not exercisable after the expiration of five (5) years from the date of grant.

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1 Section 260.140.45 generally provides that the total number of shares issuable upon exercise of all outstanding options (exclusive of certain rights) and the total number of shares called for under any stock bonus or similar plan shall not exceed a number of shares which is equal to 30% of the then outstanding shares of the issuer (convertible preferred or convertible senior common shares counted on an as if converted basis), exclusive of shares subject to promotional waivers under Section 260.141, unless a percentage higher than 30% is approved by at least two-thirds of the outstanding shares entitled to vote.

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(ii) Prior to the Listing Date, a Ten Percent Stockholder shall not be granted a Nonstatutory Stock Option unless the exercise price of such Option is at least (i) one hundred ten percent (110%) of the Fair Market Value of the Common Stock at the date of grant or (ii) such lower percentage of the Fair Market Value of the Common Stock at the date of grant as is permitted by Section 260.140.41 of Title 10 of the California Code of Regulations at the time of the grant of the Option.

(iii) Prior to the Listing Date, a Ten Percent Stockholder shall not be granted a restricted stock award unless the purchase price of the restricted stock is at least (i) one hundred percent (100%) of the Fair Market Value of the Common Stock at the date of grant or (ii) such lower percentage of the Fair Market Value of the Common Stock at the date of grant as is permitted by Section 260.140.41 of Title 10 of the California Code of Regulations at the time of the grant of the Option.

(c) Section 162(m) Limitation. Subject to the provisions of Section 11 relating to adjustments upon changes in the shares of Common Stock, no Employee shall be eligible to be granted Options covering more than one million (1,000,000) Shares of Common Stock during any calendar year. This subsection 5(c) shall not apply prior to the Listing Date and, following the Listing Date, this subsection 5(c) shall not apply until (i) the earliest of: (1) the first material modification of the Plan (including any increase in the number of shares of Common Stock reserved for issuance under the Plan in accordance with Section 4); (2) the issuance of all of the shares of Common Stock reserved for issuance under the Plan; (3) the expiration of the Plan; or (4) the first meeting of stockholders at which Directors are to be elected that occurs after the close of the third calendar year following the calendar year in which occurred the first registration of an equity security under Section 12 of the Exchange Act; or (ii) such other date required by Section 162(m) of the Code and the rules and regulations promulgated thereunder.

(d) Consultants.

(i) Prior to the Listing Date, a Consultant shall not be eligible for the grant of a Stock Award if, at the time of grant, either the offer or the sale of the Company's securities to such Consultant is not exempt under Rule 701 of the Securities Act ("Rule 701") because of the nature of the services that the Consultant is providing to the Company, or because the Consultant is not a natural person, or as otherwise provided by Rule 701, unless the Company determines that such grant need not comply with the requirements of Rule 701 and will satisfy another exemption under the Securities Act as well as comply with the securities laws of all other relevant jurisdictions.

(ii) From and after the Listing Date, a Consultant shall not be eligible for the grant of a Stock Award if, at the time of grant, a Form S-8 Registration Statement under the Securities Act ("Form S-8") is not available to register either the offer or the sale of the Company's securities to such Consultant because of the nature of the services that the Consultant is providing to the Company, or because the Consultant is not a natural person, or as otherwise provided by the rules governing the use of Form S-8, unless the Company determines both (1) that such grant (a) shall be registered in another manner under the Securities Act (e.g., on a Form

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S-3 Registration Statement) or (b) does not require registration under the Securities Act in order to comply with the requirements of the Securities Act,

if applicable, and (2) that such grant complies with the securities laws of all other relevant jurisdictions.

(iii) Rule 701 and Form S-8 generally are available to consultants and advisors only if (1) they are natural persons; (2) they provide bona fide services to the issuer, its parents, its majority-owned subsidiaries or majority-owned subsidiaries of the issuer's parent; and (3) the services are not in connection with the offer or sale of securities in a capital-raising transaction, and do not directly or indirectly promote or maintain a market for the issuer's securities.

## 6. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) Term. Subject to the provisions of subsection 5(b) regarding Ten Percent Stockholders, no Option granted prior to the Listing Date shall be exercisable after the expiration of ten (10) years from the date it was granted, and no Incentive Stock Option granted on or after the Listing Date shall be exercisable after the expiration of ten (10) years from the date it was granted.

(b) Exercise Price of an Incentive Stock Option. Subject to the provisions of subsection 5(b) regarding Ten Percent Stockholders, the exercise price of each Incentive Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Incentive Stock Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(c) Exercise Price of a Nonstatutory Stock Option. Subject to the provisions of subsection 5(b) regarding Ten Percent Stockholders, the exercise price of each Nonstatutory Stock Option granted prior to the Listing Date shall be not less than eighty-five percent (85%) of the Fair Market Value of the Common Stock subject to the Option on the date the Option is granted. The Board shall determine the exercise price of each Nonstatutory Stock Option granted on or after the Listing Date. Notwithstanding the foregoing, a Nonstatutory Stock Option may be granted with an exercise price lower than that set forth herein if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

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(d) Consideration. The purchase price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash at the time the Option is exercised or (ii) at the discretion of the Board at the time of the grant of the Option (or subsequently in the case of a Nonstatutory Stock Option) (1) by delivery to the Company of other Common Stock, (2) according to a deferred payment or other similar arrangement with the Optionholder or (3) in any other form of legal consideration that may be acceptable to the Board. Unless otherwise specifically provided in the Option, the purchase price of Common Stock acquired pursuant to an Option that is paid by delivery to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been held for more than six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes). At any time that the Company is incorporated in Delaware, payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

In the case of any deferred payment arrangement, interest shall be compounded at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest under the deferred payment arrangement.

(e) Transferability of an Incentive Stock Option. An Incentive Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(f) Transferability of a Nonstatutory Stock Option. A Nonstatutory Stock Option granted prior to the Listing Date shall not be transferable except by will or by the laws of descent and distribution and, to the extent provided in the Option Agreement, to such further extent as permitted by Section 260.140.41(d) of Title 10 of the California Code of Regulations at the time of the grant of the Option, and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. A Nonstatutory Stock Option granted on or after the Listing Date shall be transferable to the extent provided in the Option Agreement. If the Nonstatutory Stock Option does not provide for transferability, then the Nonstatutory Stock Option shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(g) Vesting Generally. The total number of shares of Common Stock subject to an Option may, but need not, vest and therefore become exercisable in periodic installments that may, but need not, be equal. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other

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criteria) as the Board may deem appropriate. The vesting provisions of individual Options may vary. The provisions of this subsection 6(g) are subject to any Option provisions governing the minimum number of shares of Common Stock as to which an Option may be exercised.

(h) Minimum Vesting Prior to the Listing Date. Notwithstanding the foregoing subsection 6(g), to the extent that the following restrictions on vesting are required by Section 260.140.41(f) of Title 10 of the California Code of Regulations at the time of the grant of the Option, then:

(i) Options granted prior to the Listing Date to an Employee who is not an Officer, Director or Consultant shall provide for vesting of the total number of shares of Common Stock at a rate of at least twenty percent (20%) per year over five (5) years from the date the Option was granted, subject to reasonable conditions such as continued employment; and

(ii) Options granted prior to the Listing Date to Officers, Directors or Consultants may be made fully exercisable, subject to reasonable conditions such as continued employment, at any time or during any period established by the Company.

(i) Termination of Continuous Service. In the event an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder's Continuous Service (or such longer or shorter period specified in the Option Agreement, which period shall not be less than thirty (30) days for Options granted prior to the Listing Date unless such termination is for cause), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate.

(j) Extension of Termination Date. An Optionholder's Option Agreement may also provide that if the exercise of the Option following the termination of the Optionholder's Continuous Service (other than upon the Optionholder's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option set forth in subsection 6(a) or (ii) the



expiration of a period of three (3) months after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

(k) Disability of Optionholder. In the event that an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise such Option as of the date of termination), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination (or such longer or shorter period specified in the Option Agreement, which period shall not be less than six (6) months for Options granted prior

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to the Listing Date) or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein, the Option shall terminate.

(l) Death of Optionholder. In the event (i) an Optionholder's Continuous Service terminates as a result of the Optionholder's death or (ii) the Optionholder dies within the period (if any) specified in the Option Agreement after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise such Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the option upon the Optionholder's death pursuant to subsection 6(e) or 6(f), but only within the period ending on the earlier of (1) the date eighteen (18) months following the date of death (or such longer or shorter period specified in the Option Agreement, which period shall not be less than six (6) months for Options granted prior to the Listing Date) or (2) the expiration of the term of such Option as set forth in the Option Agreement. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate.

(m) Early Exercise. The Option may, but need not, include a provision whereby the Optionholder may elect at any time before the Optionholder's Continuous Service terminates to exercise the Option as to any part or all of the shares of Common Stock subject to the Option prior to the full vesting of the Option. Subject to the "Repurchase Limitation" in subsection 10(h), any unvested shares of Common Stock so purchased may be subject to a repurchase option in favor of the Company or to any other restriction the Board determines to be appropriate. Provided that the "Repurchase Limitation" in subsection 10(h) is not violated, the Company will not exercise its repurchase option until at least six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes) have elapsed following exercise of the Option unless the Board otherwise specifically provides in the Option.

(n) Right of Repurchase. Subject to the "Repurchase Limitation" in subsection 10(h), the Option may, but need not, include a provision whereby the Company may elect, prior to the Listing Date, to repurchase all or any part of the vested shares of Common Stock acquired by the Optionholder pursuant to the exercise of the Option. Provided that the "Repurchase Limitation" in subsection 10(h) is not violated, the Company will not exercise its repurchase option until at least six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes) have elapsed following exercise of the Option unless the Board otherwise specifically provides in the Option.

(o) Right of First Refusal. The Option may, but need not, include a provision whereby the Company may elect, prior to the Listing Date, to exercise a right of first refusal following receipt of notice from the Optionholder of the intent to transfer all or any part of the shares of Common Stock received upon the exercise of the Option. Except as expressly provided in this subsection 6(o), such right of first refusal shall otherwise comply with any applicable provisions of the Bylaws of the Company.

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(p) Re-Load Options.

(i) Without in any way limiting the authority of the Board to make or not to make grants of Options hereunder, the Board shall have the authority (but not an obligation) to include as part of any Option Agreement a provision entitling the Optionholder to a further Option (a "Re-Load Option") in the event the Optionholder exercises the Option evidenced by the Option Agreement, in whole or in part, by surrendering other shares of Common Stock in accordance with this Plan and the terms and conditions of the Option Agreement. Unless otherwise specifically provided in the Option, the Optionholder shall not surrender shares of Common Stock acquired, directly or indirectly from the Company, unless such shares have been held for more than six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes).

(ii) Any such Re-Load Option shall (1) provide for a number of shares of Common Stock equal to the number of shares of Common Stock surrendered as part or all of the exercise price of such Option; (2) have an expiration date which is the same as the expiration date of the Option the exercise of which gave rise to such Re-Load Option; and (3) have an exercise price which is equal to one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the Re-Load Option on the date of exercise of the original Option. Notwithstanding the foregoing, a Re-Load Option shall be subject to the same exercise price and term provisions heretofore described for Options under the Plan.

(iii) Any such Re-Load Option may be an Incentive Stock Option or a Nonstatutory Stock Option, as the Board may designate at the time of the grant of the original Option; provided, however, that the designation of any Re-Load Option as an Incentive Stock Option shall be subject to the one hundred thousand dollar (\$100,000) annual limitation on the exercisability of Incentive Stock Options described in subsection 10(d) and in Section 422(d) of the Code. There shall be no Re-Load Options on a Re-Load Option. Any such Re-Load Option shall be subject to the availability of sufficient shares of Common Stock under subsection 4(a) and the "Section 162(m) Limitation" on the grants of Options under subsection 5(c) and shall be subject to such other terms and conditions as the Board may determine which are not inconsistent with the express provisions of the Plan regarding the terms of Options.

#### 7. PROVISIONS OF STOCK AWARDS OTHER THAN OPTIONS.

(a) Stock Bonus Awards. Each stock bonus agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of stock bonus agreements may change from time to time, and the terms and conditions of separate stock bonus agreements need not be identical, but each stock bonus agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. A stock bonus may be awarded in consideration for past services actually rendered to the Company or an Affiliate for its benefit.

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(ii) Vesting. Subject to the "Repurchase Limitation" in subsection 10(h), shares of Common Stock awarded under the stock bonus agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(iii) Termination of Participant's Continuous Service. Subject to the "Repurchase Limitation" in subsection 10(h), in the event a Participant's Continuous Service terminates, the Company may reacquire any or all of the shares of Common Stock held by the Participant which have not vested as of the date of termination under the terms of the stock bonus agreement.

(iv) Transferability. For a stock bonus award made before the Listing Date, rights to acquire shares of Common Stock under the stock bonus agreement shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Participant only by the Participant. For a stock bonus award made on or after the Listing Date, rights to acquire shares of Common Stock under the stock bonus agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the stock bonus agreement, as the Board shall determine in its discretion, so long as Common Stock awarded under the stock bonus agreement remains subject to the terms of the stock bonus agreement.

(b) Restricted Stock Awards. Each restricted stock purchase agreement shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The terms and conditions of the restricted stock purchase agreements may change from time to time, and the terms and conditions of separate restricted stock purchase agreements need not be identical, but each restricted stock purchase agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Purchase Price. Subject to the provisions of subsection 5(b) regarding Ten Percent Stockholders, the purchase price under each restricted stock purchase agreement shall be such amount as the Board shall determine and designate in such restricted stock purchase agreement. For restricted stock awards made prior to the Listing Date, the purchase price shall not be less than eighty-five percent (85%) of the Common Stock's Fair Market Value on the date such award is made or at the time the purchase is consummated. For restricted stock awards made on or after the Listing Date, the Board shall determine the purchase price.

(ii) Consideration. The purchase price of Common Stock acquired pursuant to the restricted stock purchase agreement shall be paid either: (i) in cash at the time of purchase; (ii) at the discretion of the Board, according to a deferred payment or other similar arrangement with the Participant; or (iii) in any other form of legal consideration that may be acceptable to the Board in its discretion; provided, however, that at any time that the Company is incorporated in Delaware, then payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

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(iii) Vesting. Subject to the "Repurchase Limitation" in subsection 10(h), shares of Common Stock acquired under the restricted stock purchase agreement may, but need not, be subject to a share repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board.

(iv) Termination of Participant's Continuous Service. Subject to the "Repurchase Limitation" in subsection 10(h), in the event a Participant's Continuous Service terminates, the Company may repurchase or otherwise reacquire any or all of the shares of Common Stock held by the Participant which have not vested as of the date of termination under the terms of the restricted stock purchase agreement.

(v) Transferability. For a restricted stock award made before the Listing Date, rights to acquire shares of Common Stock under the restricted stock purchase agreement shall not be transferable except by will or by the laws of descent and distribution and shall be exercisable during the lifetime of the Participant only by the Participant. For a restricted stock award made on or after the Listing Date, rights to acquire shares of Common Stock under the restricted stock purchase agreement shall be transferable by the Participant only upon such terms and conditions as are set forth in the restricted stock purchase agreement, as the Board shall determine in its discretion, so long as Common Stock awarded under the restricted stock purchase agreement remains subject to the terms of the restricted stock purchase agreement.

#### 8. COVENANTS OF THE COMPANY.

(a) Availability of Shares. During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Stock Awards.

(b) Securities Law Compliance. The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained.

9. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of Common Stock pursuant to Stock Awards shall constitute general funds of the Company.

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10. MISCELLANEOUS.

(a) Acceleration of Exercisability and Vesting. The Board shall have the power to accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest in accordance with the Plan, notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest.

(b) Stockholder Rights. No Participant shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to such Stock Award unless and until such Participant has satisfied all requirements for exercise of the Stock Award pursuant to its terms.

(c) No Employment or other Service Rights. Nothing in the Plan or any instrument executed or Stock Award granted pursuant thereto shall confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Stock Award was granted or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(d) Incentive Stock Option \$100,000 Limitation. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and its Affiliates) exceeds one hundred thousand dollars (\$100,000), the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options.

(e) Investment Assurances. The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Stock Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Stock Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (1) the issuance of the shares of Common Stock upon the exercise or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act or (2) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates

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issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(f) Withholding Obligations. To the extent provided by the terms of a Stock Award Agreement, the Participant may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of Common Stock under a Stock Award by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Participant by the Company)

or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares of Common Stock from the shares of Common Stock otherwise issuable to the Participant as a result of the exercise or acquisition of Common Stock under the Stock Award, provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law; or (iii) delivering to the Company owned and unencumbered shares of Common Stock.

(g) Information Obligation. Prior to the Listing Date, to the extent required by Section 260.140.46 of Title 10 of the California Code of Regulations, the Company shall deliver financial statements to Participants at least annually. This subsection 10(g) shall not apply to key Employees whose duties in connection with the Company assure them access to equivalent information.

(h) Repurchase Limitation. The terms of any repurchase option shall be specified in the Stock Award and may be either at Fair Market Value at the time of repurchase or at not less than the original purchase price. To the extent required by Section 260.140.41 and Section 260.140.42 of Title 10 of the California Code of Regulations at the time a Stock Award is made, any repurchase option contained in a Stock Award granted prior to the Listing Date to a person who is not an Officer, Director or Consultant shall be upon the terms described below:

(i) Fair Market Value. If the repurchase option gives the Company the right to repurchase the shares of Common Stock upon termination of employment at not less than the Fair Market Value of the shares of Common Stock to be purchased on the date of termination of Continuous Service, then (i) the right to repurchase shall be exercised for cash or cancellation of purchase money indebtedness for the shares of Common Stock within ninety (90) days of termination of Continuous Service (or in the case of shares of Common Stock issued upon exercise of Stock Awards after such date of termination, within ninety (90) days after the date of the exercise) or such longer period as may be agreed to by the Company and the Participant (for example, for purposes of satisfying the requirements of Section 1202(c)(3) of the Code regarding "qualified small business stock") and (ii) the right terminates when the shares of Common Stock become publicly traded.

(ii) Original Purchase Price. If the repurchase option gives the Company the right to repurchase the shares of Common Stock upon termination of Continuous Service at the original purchase price, then (i) the right to repurchase at the original purchase price shall lapse at the rate of at least twenty percent (20%) of the shares of Common Stock per year over five (5) years from the date the Stock Award is granted (without respect to the date the Stock Award was exercised or became exercisable) and (ii) the right to repurchase shall be exercised for cash or

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cancellation of purchase money indebtedness for the shares of Common Stock within ninety (90) days of termination of Continuous Service (or in the case of shares of Common Stock issued upon exercise of Options after such date of termination, within ninety (90) days after the date of the exercise) or such longer period as may be agreed to by the Company and the Participant (for example, for purposes of satisfying the requirements of Section 1202(c)(3) of the Code regarding "qualified small business stock").

#### 11. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) Capitalization Adjustments. If any change is made in the Common Stock subject to the Plan, or subject to any Stock Award, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to subsection 4(a) and the maximum number of securities subject to award to any person pursuant to subsection 5(c), and the outstanding Stock Awards will be appropriately adjusted in the class(es) and number of securities and price per share of Common Stock subject to such outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration"

by the Company.)

(b) Change in Control--Dissolution or Liquidation. In the event of a dissolution or liquidation of the Company, then all outstanding Stock Awards shall terminate immediately prior to such event.

(c) Change in Control--Asset Sale, Merger, Consolidation or Reverse Merger. In the event of (i) a sale, lease or other disposition of all or substantially all of the assets of the Company, (ii) a merger or consolidation in which the Company is not the surviving corporation or (iii) a reverse merger in which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise, then any surviving corporation or acquiring corporation shall assume any Stock Awards outstanding under the Plan or shall substitute similar stock awards (including an award to acquire the same consideration paid to the stockholders in the transaction described in this subsection 11(c) for those outstanding under the Plan). In the event any surviving corporation or acquiring corporation refuses to assume such Stock Awards or to substitute similar stock awards for those outstanding under the Plan, then with respect to Stock Awards held by Participants whose Continuous Service has not terminated, the vesting of such Stock Awards and any shares of Common Stock acquired under such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated in full, and the Stock Awards shall terminate if not exercised (if applicable) at or prior to such event. With respect to any other Stock Awards outstanding under the Plan, such Stock Awards shall terminate if not exercised (if applicable) prior to such event.

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(d) Change in Control--Securities Acquisition. In the event of an acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Exchange Act, or any comparable successor provisions (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or an Affiliate) of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of the Company representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of Directors and provided that such acquisition is not a result of, and does not constitute a transaction described in, subsection 11(c) hereof, then with respect to Stock Awards held by Participants whose Continuous Service has not terminated, the vesting of such Stock Awards and any shares of Common Stock acquired under such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated in full.

(e) Change in Control--Termination of Continuous Service.

(i) In the event of a change in control as specified in subsection 11(c) or 11(d) (collectively, a "Change in Control") and the Continuous Service of a Participant is either involuntarily terminated without Cause or is voluntarily terminated for Good Reason within one (1) month before or thirteen (13) months after the Change in Control, then the vesting of such Participant's Stock Award and any shares of Common Stock acquired under such Stock Award (and, if applicable, the time during which such Stock Award may be exercised) shall be accelerated by one (1) year.

(ii) The Company or an Affiliate may not terminate the Continuous Service of a Participant for Cause unless and until there shall have been delivered to such person a copy of a resolution duly adopted by the affirmative vote of at least a majority of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to such person and an opportunity for such person, together with such person's counsel, to be heard before the Board), finding that in the good faith opinion of the Board, such person was guilty of the conduct constituting "Cause" and specifying the particulars thereof in detail.

(iii) Any purported voluntarily termination of the Continuous Service of a Participant for Good Reason shall be communicated by a notice of termination to the Company and shall state the specific termination provisions relied upon and set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination.

(iv) If any benefit received or to be received by such person pursuant to the acceleration of the vesting and/or exercisability of an Award would

constitute an "excess parachute payment" subject to excise tax under Section 4999 of the Code (the "Excise Tax"), the amount or benefit to be received by such person shall be reduced if such reduction, taking into account all applicable federal, state and local income and employment taxes and the Excise Tax, results in a greater after-tax benefit for such person. The determination by the Company's independent auditors of any required reduction pursuant hereto shall be conclusive and binding upon such person.

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#### 12. AMENDMENT OF THE PLAN AND STOCK AWARDS.

(a) Amendment of Plan. The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 11 relating to adjustments upon changes in Common Stock, no amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary to satisfy the requirements of Section 422 of the Code, Rule 16b-3 or any Nasdaq or securities exchange listing requirements.

(b) Stockholder Approval. The Board may, in its sole discretion, submit any other amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of Section 162(m) of the Code and the regulations thereunder regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to certain executive officers.

(c) Contemplated Amendments. It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under it into compliance therewith.

(d) No Impairment of Rights. Rights under any Stock Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

(e) Amendment of Stock Awards. The Board at any time, and from time to time, may amend the terms of any one or more Stock Awards; provided, however, that the rights under any Stock Award shall not be impaired by any such amendment unless (i) the Company requests the consent of the Participant and (ii) the Participant consents in writing.

#### 13. TERMINATION OR SUSPENSION OF THE PLAN.

(a) Plan Term. The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on the day before the tenth (10th) anniversary of the date the Plan is adopted by the Board or approved by the stockholders of the Company, whichever is earlier. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) No Impairment of Rights. Suspension or termination of the Plan shall not impair rights and obligations under any Stock Award granted while the Plan is in effect except with the written consent of the Participant.

#### 14. EFFECTIVE DATE OF PLAN.

The Plan shall become effective upon adoption by the Board, but no Stock Award shall be exercised (or, in the case of a stock bonus, shall be granted) unless and until the Plan has been

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approved by the stockholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

#### 15. CHOICE OF LAW.

The law of the State of Delaware shall govern all questions concerning the construction, validity and interpretation of this Plan, without regard to such state's conflict of laws rules.





EXELIXIS, INC.

2000 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN

Adopted January 27, 2000

Approved By Stockholders March 15, 2000

Effective Date: Initial Public Offering

Termination Date: None

1. PURPOSES.

(a) Eligible Option Recipients. The persons eligible to receive Options are the Non-Employee Directors of the Company.

(b) Available Options. The purpose of the Plan is to provide a means by which Non-Employee Directors may be given an opportunity to benefit from increases in value of the Common Stock through the granting of Nonstatutory Stock Options.

(c) General Purpose. The Company, by means of the Plan, seeks to retain the services of its Non-Employee Directors, to secure and retain the services of new Non-Employee Directors and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

2. DEFINITIONS.

(a) "Affiliate" means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(b) "Annual Grant" means an Option granted annually to all Non-Employee Directors who meet the specified criteria pursuant to subsection 6(b) of the Plan.

(c) "Annual Meeting" means the annual meeting of the stockholders of the Company.

(d) "Board" means the Board of Directors of the Company.

(e) "Calculation Date" means the last day of each fiscal year of the Company.

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

(g) "Committee" means a committee of one or more members of the Board appointed by the Board in accordance with subsection 3(c).

(h) "Common Stock" means the common stock of the Company.

(i) "Company" means Exelixis, Inc., a Delaware corporation.

(j) "Consultant" means any person, including an advisor, (i) engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for such services or (ii) who is a member of the Board of Directors of an Affiliate. However, the term "Consultant" shall not include either Directors of the Company who are not compensated by the Company for their services as Directors or Directors of the Company who are merely paid a director's fee by the Company for their services as Directors.

(k) "Continuous Service" means that the Optionholder's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Optionholder's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Optionholder renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Optionholder renders such service, provided that there is no interruption or termination of the Optionholder's Continuous Service. For example, a change in status from a

Non-Employee Director of the Company to a Consultant of an Affiliate or an Employee of the Company will not constitute an interruption of Continuous Service. The Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave.

(l) "Diluted Shares Outstanding" means the number of outstanding shares of Common Stock on the Calculation Date, plus the number of shares of Common Stock issuable on the Calculation Date assuming the conversion of all outstanding preferred stock and convertible notes, and the additional number of dilutive Common Stock equivalent shares outstanding as the result of any options or warrants outstanding during the fiscal year, calculated using the treasury stock method.

(m) "Director" means a member of the Board of Directors of the Company.

(n) "Disability" means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

(o) "Employee" means any person employed by the Company or an Affiliate. Mere service as a Director or payment of a director's fee by the Company or an Affiliate shall not be sufficient to constitute "employment" by the Company or an Affiliate.

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

(q) "Fair Market Value" means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on the Nasdaq National Market or the Nasdaq SmallCap Market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no

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sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

(r) "Initial Grant" means an Option granted to a Non-Employee Director who meets the specified criteria pursuant to subsection 6(a) of the Plan.

(s) "IPO Date" means the effective date of the initial public offering of the Common Stock.

(t) "Non-Employee Director" means a Director who is not an Employee.

(u) "Nonstatutory Stock Option" means an Option not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(v) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(w) "Option" means a Nonstatutory Stock Option granted pursuant to the Plan.

(x) "Option Agreement" means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

(y) "Optionholder" means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(z) "Plan" means this Exelixis, Inc. 2000 Non-Employee Directors' Stock Option Plan.

(aa) "Rule 16b-3" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(bb) "Securities Act" means the Securities Act of 1933, as amended.

### 3. ADMINISTRATION.

(a) Administration by Board. The Board shall administer the Plan unless and until the Board delegates administration to a Committee, as provided in subsection 3(c).

(b) Powers of Board. The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

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(i) To determine the provisions of each Option to the extent not specified in the Plan.

(ii) To construe and interpret the Plan and Options granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan or in any Option Agreement, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iii) To amend the Plan or an Option as provided in Section 12.

(iv) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company that are not in conflict with the provisions of the Plan.

(c) Delegation to Committee. The Board may delegate administration of the Plan to a Committee or Committees of one (1) or more members of the Board, and the term "Committee" shall apply to any person or persons to whom such authority has been delegated. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revert in the Board the administration of the Plan.

(d) Effect of Board's Decision. All determinations, interpretations and constructions made by the Board in good faith shall not be subject to review by any person and shall be final, binding and conclusive on all persons.

### 4. SHARES SUBJECT TO THE PLAN.

(a) Share Reserve. Subject to the provisions of subsection 4(b) relating to automatic increases to the share reserve, the provisions of subsection 4(c) relating to reversion of shares of Common Stock to the share reserve and the provisions of Section 11 relating to adjustments upon changes in the Common Stock, the Common Stock that may be issued pursuant to Stock Awards shall not exceed in the aggregate Five Hundred Thousand (500,000) shares of Common Stock.

(b) Automatic Increase. For a period of ten (10) years, the share reserve specified in subsection 4(a) automatically shall be increased on the Calculation Date by the greater of that number of shares of Common Stock equal to 0.75% of the Diluted Shares Outstanding or that number of shares of Common Stock that have been made subject to Options granted under the Plan during the prior 12-month period; provided, however, that the Board may provide for a lesser number at any time prior to the Calculation Date.

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(c) Reversion of Shares to the Share Reserve. If any Option shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the shares of Common Stock not acquired under such Option shall revert to and again become available for issuance under the Plan. If the Company repurchases any unvested shares of Common Stock acquired under the Plan, the repurchased shares of Common Stock shall revert to and again become

available for issuance under the Plan.

(d) Source of Shares. The shares of Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

#### 5. ELIGIBILITY.

The Options as set forth in section 6 automatically shall be granted under the Plan to all Non-Employee Directors.

#### 6. NON-DISCRETIONARY GRANTS.

(a) Initial Grants. Without any further action of the Board, each Non-Employee Director shall be granted the following Options:

(i) On the IPO Date, each person who is then a Non-Employee Director automatically shall be granted an Initial Grant to purchase Twenty-five Thousand (25,000) shares of Common Stock on the terms and conditions set forth herein.

(ii) After the IPO Date, each person who is elected or appointed for the first time to be a Non-Employee Director automatically shall, upon the date of his or her initial election or appointment to be a Non-Employee Director by the Board or stockholders of the Company, be granted an Initial Grant to purchase Twenty-five Thousand (25,000) shares of Common Stock on the terms and conditions set forth herein.

(b) Annual Grants. On the day following each Annual Meeting each person who is then a Non-Employee Director automatically shall be granted an Annual Grant to purchase Five Thousand (5,000) shares of Common Stock on the terms and conditions set forth herein.

#### 7. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as required by the Plan. Each Option shall contain such additional terms and conditions, not inconsistent with the Plan, as the Board shall deem appropriate. Each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) Term. No Option shall be exercisable after the expiration of ten (10) years from the date it was granted.

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(b) Exercise Price. The exercise price of each Option shall be one hundred percent (100%) of the Fair Market Value of the stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(c) Consideration. The purchase price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash at the time the Option is exercised or (ii) at the discretion of the Board at the time of the grant of the Option or subsequently (1) by delivery to the Company of other Common Stock, (2) according to a deferred payment or other similar arrangement with the Optionholder or (3) in any other form of legal consideration that may be acceptable to the Board. Unless otherwise specifically provided in the Option, the purchase price of Common Stock acquired pursuant to an Option that is paid by delivery to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been held for more than six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes). At any time that the Company is incorporated in Delaware, payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

In the case of any deferred payment arrangement, interest shall be compounded at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest

under the deferred payment arrangement.

(d) Transferability. An Option shall not be transferable except by will or by the laws of descent and distribution and to such further extent as permitted by the Rule as to Use of Form S-8 specified in the General Instructions of the Form S-8 Registration Statement under the Securities Act, and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

(e) Exercise and Vesting. Options shall be exercisable immediately upon grant. Options shall vest as follows:

(i) Initial Grants shall provide for vesting of 1/4th of the shares 12 months after the date of the grant and 1/48th of the shares each month thereafter.

(ii) Annual Grants shall provide for vesting of 1/12th of the shares each month after the date of the grant.

(f) Termination of Continuous Service. In the event an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise it as

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of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder's Continuous Service, or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate.

(g) Extension of Termination Date. If the exercise of the Option following the termination of the Optionholder's Continuous Service (other than upon the Optionholder's death or Disability) would be prohibited at any time solely because the issuance of shares would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option set forth in subsection 7(a) or (ii) the expiration of a period of three (3) months after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

(h) Disability of Optionholder. In the event an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise it as of the date of termination), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein, the Option shall terminate.

(i) Death of Optionholder. In the event (i) an Optionholder's Continuous Service terminates as a result of the Optionholder's death or (ii) the Optionholder dies within the three-month period after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise the Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the Option upon the Optionholder's death, but only within the period ending on the earlier of (1) the date eighteen (18) months following the date of death or (2) the expiration of the term of such Option as set forth in the Option Agreement. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate.

#### 8. COVENANTS OF THE COMPANY.

(a) Availability of Shares. During the terms of the Options, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Options.

(b) Securities Law Compliance. The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Options and to issue and sell shares of Common Stock upon exercise of the Options; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Option or any stock issued or issuable pursuant to any such Option. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary

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for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such Options unless and until such authority is obtained.

#### 9. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of stock pursuant to Options shall constitute general funds of the Company.

#### 10. MISCELLANEOUS.

(a) Stockholder Rights. No Optionholder shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to such Option unless and until such Optionholder has satisfied all requirements for exercise of the Option pursuant to its terms.

(b) No Service Rights. Nothing in the Plan or any instrument executed or Option granted pursuant thereto shall confer upon any Optionholder any right to continue to serve the Company as a Non-Employee Director or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate or (iii) the service of a Director pursuant to the Bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(c) Investment Assurances. The Company may require an Optionholder, as a condition of exercising or acquiring stock under any Option, (i) to give written assurances satisfactory to the Company as to the Optionholder's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Option; and (ii) to give written assurances satisfactory to the Company stating that the Optionholder is acquiring the stock subject to the Option for the Optionholder's own account and not with any present intention of selling or otherwise distributing the stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (iii) the issuance of the shares upon the exercise or acquisition of stock under the Option has been registered under a then currently effective registration statement under the Securities Act or (iv) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the stock.

(d) Withholding Obligations. The Optionholder may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of stock under an Option

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by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Optionholder by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares from the shares of the Common Stock otherwise issuable to the Optionholder as a result of the exercise or acquisition of stock under the Option, provided, however, that no shares of Common Stock are withheld

with a value exceeding the minimum amount of tax required to be withheld by law; or (iii) delivering to the Company owned and unencumbered shares of the Common Stock.

#### 11. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) Capitalization Adjustments. If any change is made in the stock subject to the Plan, or subject to any Option, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject both to the Plan pursuant to subsection 4(a) and to the nondiscretionary Options specified in Section 5, and the outstanding Options will be appropriately adjusted in the class(es) and number of securities and price per share of stock subject to such outstanding Options. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

(b) Change in Control--Dissolution or Liquidation. In the event of a dissolution or liquidation of the Company, then all outstanding Options shall terminate immediately prior to such event.

(c) Change in Control--Asset Sale, Merger, Consolidation or Reverse Merger. In the event of (i) a sale, lease or other disposition of all or substantially all of the assets of the Company, (ii) a merger or consolidation in which the Company is not the surviving corporation or (iii) a reverse merger in which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise, then any surviving corporation or acquiring corporation shall assume any Options outstanding under the Plan or shall substitute similar options (including an option to acquire the same consideration paid to the stockholders in the transaction described in this subsection 11(c) for those outstanding under the Plan). In the event any surviving corporation or acquiring corporation refuses to assume such Options or to substitute similar options for those outstanding under the Plan, then with respect to Options held by Optionholders whose Continuous Service has not terminated, the vesting of such Options and any shares of Common Stock acquired under such Options (and, if applicable, the time during which such Options may be exercised) shall be accelerated in full, and the Options shall terminate if not exercised at or prior to such event. With respect to any other Options outstanding under the Plan, such Options shall terminate if not exercised prior to such event.

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(d) Change in Control--Securities Acquisition. In the event of an acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Exchange Act, or any comparable successor provisions (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or an Affiliate) of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of the Company representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of Directors and provided that such acquisition is not a result of, and does not constitute a transaction described in, subsection 11(c) hereof, then with respect to Options held by Optionholders whose Continuous Service has not terminated, the vesting of such Options and any shares of Common Stock acquired under such Options (and, if applicable, the time during which such Options may be exercised) shall be accelerated in full.

#### 12. AMENDMENT OF THE PLAN AND OPTIONS.

(a) Amendment of Plan. The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 11 relating to adjustments upon changes in stock, no amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary to satisfy the requirements of Rule 16b-3 or any Nasdaq or securities exchange listing requirements.

(b) Stockholder Approval. The Board may, in its sole discretion, submit any

other amendment to the Plan for stockholder approval.

(c) No Impairment of Rights. Rights under any Option granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the Optionholder and (ii) the Optionholder consents in writing.

(d) Amendment of Options. The Board at any time, and from time to time, may amend the terms of any one or more Options; provided, however, that the rights under any Option shall not be impaired by any such amendment unless (i) the Company requests the consent of the Optionholder and (ii) the Optionholder consents in writing.

13. TERMINATION OR SUSPENSION OF THE PLAN.

(a) Plan Term. The Board may suspend or terminate the Plan at any time. No Options may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) No Impairment of Rights. Suspension or termination of the Plan shall not impair rights and obligations under any Option granted while the Plan is in effect except with the written consent of the Optionholder.

14. EFFECTIVE DATE OF PLAN.

The Plan shall become effective on the IPO Date, but no Option shall be exercised unless and until the Plan has been approved by the stockholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

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15. CHOICE OF LAW.

All questions concerning the construction, validity and interpretation of this Plan shall be governed by the law of the State of Delaware, without regard to such state's conflict of laws rules.

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EXELIXIS, INC.  
2000 EMPLOYEE STOCK PURCHASE PLAN

ADOPTED BY BOARD OF DIRECTORS January 27, 2000  
APPROVED BY STOCKHOLDERS March 15, 2000  
TERMINATION DATE: NONE

1. PURPOSE.

(a) The purpose of the Plan is to provide a means by which Employees of the Company and certain designated Affiliates may be given an opportunity to purchase Shares of the Company.

(b) The Company, by means of the Plan, seeks to retain the services of such Employees, to secure and retain the services of new Employees and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

(c) The Company intends that the Rights to purchase Shares granted under the Plan be considered options issued under an "employee stock purchase plan," as that term is defined in Section 423(b) of the Code.

2. DEFINITIONS.

(a) "Affiliate" means any parent corporation or subsidiary corporation, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.

(b) "Board" means the Board of Directors of the Company.

(c) "Calculation Date" means the last day of each fiscal year of the Company.

(d) "Code" means the United States Internal Revenue Code of 1986, as amended.

(e) "Committee" means a Committee appointed by the Board in accordance with subsection 3(c) of the Plan.

(f) "Company" means Exelixis, Inc., a Delaware corporation.

(g) "Diluted Shares Outstanding" means the number of outstanding shares of Common Stock on the Calculation Date, plus the number of shares of Common Stock issuable on the Calculation Date assuming the conversion of all outstanding preferred stock and convertible notes, and the additional number of dilutive Common Stock equivalent shares outstanding as the result of any options or warrants outstanding during the fiscal year, calculated using the treasury stock method.

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(h) "Director" means a member of the Board.

(i) "Eligible Employee" means an Employee who meets the requirements set forth in the Offering for eligibility to participate in the Offering.

(j) "Employee" means any person, including Officers and Directors, employed by the Company or an Affiliate of the Company. Neither service as a Director nor payment of a director's fee shall be sufficient to constitute "employment" by the Company or the Affiliate.

(k) "Employee Stock Purchase Plan" means a plan that grants rights intended to be options issued under an "employee stock purchase plan," as that term is defined in Section 423(b) of the Code.

(l) "Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

(m) "Fair Market Value" means the value of a security, as determined in good faith by the Board. If the security is listed on any established stock exchange or traded on the Nasdaq National Market or the Nasdaq SmallCap Market, then, except as otherwise provided in the Offering, the Fair Market Value of the security shall be the closing sales price (rounded up where necessary to the nearest whole cent) for such security (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the relevant security of the Company) on the trading day prior to the relevant determination date, as reported in The Wall Street Journal or such other source as the Board deems reliable.

(n) "Non-Employee Director" means a Director who either (i) is not a current Employee or Officer of the Company or its parent or subsidiary, does not receive compensation (directly or indirectly) from the Company or its parent or subsidiary for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act ("Regulation S-K")), does not possess an interest in any other transaction as to which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship as to which disclosure would be required under Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(o) "Offering" means the grant of Rights to purchase Shares under the Plan to Eligible Employees.

(p) "Offering Date" means a date selected by the Board for an Offering to commence.

(q) "Outside Director" means a Director who either (i) is not a current employee of the Company or an "affiliated corporation" (within the meaning of the Treasury regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an "affiliated corporation" receiving compensation for prior services (other than benefits under a tax

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qualified pension plan), was not an officer of the Company or an "affiliated corporation" at any time, and is not currently receiving direct or indirect remuneration from the Company or an "affiliated corporation" for services in any capacity other than as a Director, or (ii) is otherwise considered an "outside director" for purposes of Section 162(m) of the Code .

(r) "Participant" means an Eligible Employee who holds an outstanding Right granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Right granted under the Plan.

(s) "Plan" means this 2000 Employee Stock Purchase Plan.

(t) "Purchase Date" means one or more dates established by the Board during an Offering on which Rights granted under the Plan shall be exercised and purchases of Shares carried out in accordance with such Offering.

(u) "Right" means an option to purchase Shares granted pursuant to the Plan.

(v) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3 as in effect with respect to the Company at the time discretion is being exercised regarding the Plan.

(w) "Securities Act" means the United States Securities Act of 1933, as amended.

(x) "Share" means a share of the common stock of the Company.

### 3. ADMINISTRATION.

(a) The Board shall administer the Plan unless and until the Board delegates administration to a Committee, as provided in subsection 3(c). Whether or not the Board has delegated administration, the Board shall have the final power to determine all questions of policy and expediency that may arise in the administration of the Plan.

(b) The Board (or the Committee) shall have the power, subject to, and

within the limitations of, the express provisions of the Plan:

(i) To determine when and how Rights to purchase Shares shall be granted and the provisions of each Offering of such Rights (which need not be identical).

(ii) To designate from time to time which Affiliates of the Company shall be eligible to participate in the Plan.

(iii) To construe and interpret the Plan and Rights granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

(iv) To amend the Plan as provided in Section 14.

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(v) Generally, to exercise such powers and to perform such acts as it deems necessary or expedient to promote the best interests of the Company and its Affiliates and to carry out the intent that the Plan be treated as an Employee Stock Purchase Plan.

(c) The Board may delegate administration of the Plan to a Committee of the Board composed of two (2) or more members, all of the members of which Committee may be, in the discretion of the Board, Non-Employee Directors and/or Outside Directors. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee of two (2) or more Outside Directors any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or such a subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and re-vest in the Board the administration of the Plan.

#### 4. SHARES SUBJECT TO THE PLAN.

(a) Subject to the provisions of subsection 4(b) relating to automatic increases to the share reserve and the provisions of Section 13 relating to adjustments upon changes in securities, the Shares that may be sold pursuant to Rights granted under the Plan shall not exceed in the aggregate three hundred thousand (300,000) Shares. If any Right granted under the Plan shall for any reason terminate without having been exercised, the Shares not purchased under such Right shall again become available for the Plan.

(b) For a period of ten (10) years, the share reserve specified in subsection 4(a) automatically shall be increased on the Calculation Date by the greater of that number of shares of Common Stock equal to 0.75% of the Diluted Shares Outstanding or that number of shares of Common Stock that have been issued under the Plan during the prior 12-month period; provided, however, that the Board may provide for a lesser number at any time prior to the Calculation Date, and provided further that such automatic share reserve increases in the aggregate shall not exceed one million five hundred thousand (1,500,000) Shares.

(c) The Shares subject to the Plan may be unissued Shares or Shares that have been bought on the open market at prevailing market prices or otherwise.

#### 5. GRANT OF RIGHTS; OFFERING.

(a) The Board may from time to time grant or provide for the grant of Rights to purchase Shares of the Company under the Plan to Eligible Employees in an Offering on an Offering Date or Dates selected by the Board. Each Offering shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate, which shall comply with the requirements of Section 423(b)(5) of the Code that all Employees granted Rights to purchase Shares under the Plan shall have the same rights and privileges. The terms and conditions of an Offering shall be incorporated by reference into the Plan and treated as part of the Plan. The provisions of separate Offerings need not be identical, but each Offering shall include (through

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incorporation of the provisions of this Plan by reference in the document comprising the Offering or otherwise) the period during which the Offering shall be effective, which period shall not exceed twenty-seven (27) months beginning with the Offering Date, and the substance of the provisions contained in Sections 6 through 9, inclusive.

(b) If a Participant has more than one Right outstanding under the Plan, unless he or she otherwise indicates in agreements or notices delivered hereunder: (i) each agreement or notice delivered by that Participant will be deemed to apply to all of his or her Rights under the Plan, and (ii) an earlier-granted Right (or a Right with a lower exercise price, if two Rights have identical grant dates) will be exercised to the fullest possible extent before a later-granted Right (or a Right with a higher exercise price if two Rights have identical grant dates) will be exercised.

#### 6. ELIGIBILITY.

(a) Rights may be granted only to Employees of the Company or, as the Board may designate as provided in subsection 3(b), to Employees of an Affiliate.

(i) Except as provided in subsection 6(b), an Employee shall not be eligible to be granted Rights under the Plan unless, on the Offering Date, such Employee has been in the employ of the Company or the Affiliate, as the case may be, for such continuous period preceding such grant as the Board may require in the Offering, but in no event shall the required period of continuous employment be equal to or greater than two (2) years.

(ii) The Board may provide in an Offering that Employees whose customary employment is twenty (20) hours or less per week shall not be eligible to participate.

(iii) The Board may provide in an Offering that Employees whose customary employment is for not more than five (5) months in any calendar year shall not be eligible to participate.

(iv) The Board may provide in an Offering that Employees who are highly compensated Employees within the meaning of Section 423(b)(4)(D) of the Code shall not be eligible to participate.

(b) The Board may provide that each person who, during the course of an Offering, first becomes an Eligible Employee will, on a date or dates specified in the Offering which coincides with the day on which such person becomes an Eligible Employee or which occurs thereafter, receive a Right under that Offering, which Right shall thereafter be deemed to be a part of that Offering. Such Right shall have the same characteristics as any Rights originally granted under that Offering, as described herein, except that:

(i) the date on which such Right is granted shall be the "Offering Date" of such Right for all purposes, including determination of the exercise price of such Right;

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(ii) the period of the Offering with respect to such Right shall begin on its Offering Date and end coincident with the end of such Offering; and

(iii) the Board may provide that if such person first becomes an Eligible Employee within a specified period of time before the end of the Offering, he or she will not receive any Right under that Offering.

(c) No Employee shall be eligible for the grant of any Rights under the Plan if, immediately after any such Rights are granted, such Employee owns stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Affiliate. For purposes of this subsection 6(c), the rules of Section 424(d) of the Code shall apply in determining the stock ownership of any Employee, and stock which such Employee may purchase under all outstanding rights and options shall be treated as stock owned by such Employee.

(d) An Eligible Employee may be granted Rights under the Plan only if such Rights, together with any other Rights granted under all Employee Stock Purchase Plans of the Company and any Affiliates, as specified by Section 423(b)(8) of the Code, do not permit such Eligible Employee's rights to purchase Shares of

the Company or any Affiliate to accrue at a rate which exceeds twenty five thousand dollars (\$25,000) of the fair market value of such Shares (determined at the time such Rights are granted) for each calendar year in which such Rights are outstanding at any time.

#### 7. RIGHTS; PURCHASE PRICE.

(a) On each Offering Date, each Eligible Employee, pursuant to an Offering made under the Plan, shall be granted the Right to purchase up to the number of Shares purchasable either:

(i) with a percentage designated by the Board not exceeding fifteen percent (15%) of such Employee's Earnings (as defined by the Board in each Offering) during the period which begins on the Offering Date (or such later date as the Board determines for a particular Offering) and ends on the date stated in the Offering, which date shall be no later than the end of the Offering; or

(ii) with a maximum dollar amount designated by the Board that, as the Board determines for a particular Offering, (1) shall be withheld, in whole or in part, from such Employee's Earnings (as defined by the Board in each Offering) during the period which begins on the Offering Date (or such later date as the Board determines for a particular Offering) and ends on the date stated in the Offering, which date shall be no later than the end of the Offering and/or (2) shall be contributed, in whole or in part, by such Employee during such period.

(b) The Board shall establish one or more Purchase Dates during an Offering on which Rights granted under the Plan shall be exercised and purchases of Shares carried out in accordance with such Offering.

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(c) In connection with each Offering made under the Plan, the Board may specify a maximum amount of Shares that may be purchased by any Participant as well as a maximum aggregate amount of Shares that may be purchased by all Participants pursuant to such Offering. In addition, in connection with each Offering that contains more than one Purchase Date, the Board may specify a maximum aggregate amount of Shares which may be purchased by all Participants on any given Purchase Date under the Offering. If the aggregate purchase of Shares upon exercise of Rights granted under the Offering would exceed any such maximum aggregate amount, the Board shall make a pro rata allocation of the Shares available in as nearly a uniform manner as shall be practicable and as it shall deem to be equitable.

(d) The purchase price of Shares acquired pursuant to Rights granted under the Plan shall be not less than the lesser of:

(i) an amount equal to eighty-five percent (85%) of the fair market value of the Shares on the Offering Date; or

(ii) an amount equal to eighty-five percent (85%) of the fair market value of the Shares on the Purchase Date.

#### 8. PARTICIPATION; WITHDRAWAL; TERMINATION.

(a) An Eligible Employee may become a Participant in the Plan pursuant to an Offering by delivering a participation agreement to the Company within the time specified in the Offering, in such form as the Company provides. Each such agreement shall authorize payroll deductions of up to the maximum percentage specified by the Board of such Employee's Earnings during the Offering (as defined in each Offering). The payroll deductions made for each Participant shall be credited to a bookkeeping account for such Participant under the Plan and either may be deposited with the general funds of the Company or may be deposited in a separate account in the name of, and for the benefit of, such Participant with a financial institution designated by the Company. To the extent provided in the Offering, a Participant may reduce (including to zero) or increase such payroll deductions. To the extent provided in the Offering, a Participant may begin such payroll deductions after the beginning of the Offering. A Participant may make additional payments into his or her account only if specifically provided for in the Offering and only if the Participant has not already had the maximum permitted amount withheld during the Offering.

(b) At any time during an Offering, a Participant may terminate his or her

payroll deductions under the Plan and withdraw from the Offering by delivering to the Company a notice of withdrawal in such form as the Company provides. Such withdrawal may be elected at any time prior to the end of the Offering except as provided by the Board in the Offering. Upon such withdrawal from the Offering by a Participant, the Company shall distribute to such Participant all of his or her accumulated payroll deductions (reduced to the extent, if any, such deductions have been used to acquire Shares for the Participant) under the Offering, without interest unless otherwise specified in the Offering, and such Participant's interest in that Offering shall be automatically terminated. A Participant's withdrawal from an Offering will have no effect upon such Participant's eligibility to participate in any other Offerings under the Plan but

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such Participant will be required to deliver a new participation agreement in order to participate in subsequent Offerings under the Plan.

(c) Rights granted pursuant to any Offering under the Plan shall terminate immediately upon cessation of any participating Employee's employment with the Company or a designated Affiliate for any reason (subject to any post-employment participation period required by law) or other lack of eligibility. The Company shall distribute to such terminated Employee all of his or her accumulated payroll deductions (reduced to the extent, if any, such deductions have been used to acquire Shares for the terminated Employee) under the Offering, without interest unless otherwise specified in the Offering. If the accumulated payroll deductions have been deposited with the Company's general funds, then the distribution shall be made from the general funds of the Company, without interest. If the accumulated payroll deductions have been deposited in a separate account with a financial institution as provided in subsection 8(a), then the distribution shall be made from the separate account, without interest unless otherwise specified in the Offering.

(d) Rights granted under the Plan shall not be transferable by a Participant otherwise than by will or the laws of descent and distribution, or by a beneficiary designation as provided in Section 15 and, otherwise during his or her lifetime, shall be exercisable only by the person to whom such Rights are granted.

#### 9. EXERCISE.

(a) On each Purchase Date specified therefor in the relevant Offering, each Participant's accumulated payroll deductions and other additional payments specifically provided for in the Offering (without any increase for interest) will be applied to the purchase of Shares up to the maximum amount of Shares permitted pursuant to the terms of the Plan and the applicable Offering, at the purchase price specified in the Offering. No fractional Shares shall be issued upon the exercise of Rights granted under the Plan unless specifically provided for in the Offering.

(b) Unless otherwise specifically provided in the Offering, the amount, if any, of accumulated payroll deductions remaining in any Participant's account after the purchase of Shares that is equal to the amount required to purchase one or more whole Shares on the final Purchase Date of the Offering shall be distributed in full to the Participant at the end of the Offering, without interest. If the accumulated payroll deductions have been deposited with the Company's general funds, then the distribution shall be made from the general funds of the Company, without interest. If the accumulated payroll deductions have been deposited in a separate account with a financial institution as provided in subsection 8(a), then the distribution shall be made from the separate account, without interest unless otherwise specified in the Offering.

(c) No Rights granted under the Plan may be exercised to any extent unless the Shares to be issued upon such exercise under the Plan (including Rights granted thereunder) are covered by an effective registration statement pursuant to the Securities Act and the Plan is in material compliance with all applicable state, foreign and other securities and other laws

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applicable to the Plan. If on a Purchase Date in any Offering hereunder the Plan is not so registered or in such compliance, no Rights granted under the Plan or any Offering shall be exercised on such Purchase Date, and the Purchase Date

shall be delayed until the Plan is subject to such an effective registration statement and such compliance, except that the Purchase Date shall not be delayed more than twelve (12) months and the Purchase Date shall in no event be more than twenty-seven (27) months from the Offering Date. If, on the Purchase Date of any Offering hereunder, as delayed to the maximum extent permissible, the Plan is not registered and in such compliance, no Rights granted under the Plan or any Offering shall be exercised and all payroll deductions accumulated during the Offering (reduced to the extent, if any, such deductions have been used to acquire Shares) shall be distributed to the Participants, without interest unless otherwise specified in the Offering. If the accumulated payroll deductions have been deposited with the Company's general funds, then the distribution shall be made from the general funds of the Company, without interest. If the accumulated payroll deductions have been deposited in a separate account with a financial institution as provided in subsection 8(a), then the distribution shall be made from the separate account, without interest unless otherwise specified in the Offering.

#### 10. COVENANTS OF THE COMPANY.

(a) During the terms of the Rights granted under the Plan, the Company shall ensure that the amount of Shares required to satisfy such Rights are available.

(b) The Company shall seek to obtain from each federal, state, foreign or other regulatory commission or agency having jurisdiction over the Plan such authority as may be required to issue and sell Shares upon exercise of the Rights granted under the Plan. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of Shares under the Plan, the Company shall be relieved from any liability for failure to issue and sell Shares upon exercise of such Rights unless and until such authority is obtained.

#### 11. USE OF PROCEEDS FROM SHARES.

Proceeds from the sale of Shares pursuant to Rights granted under the Plan shall constitute general funds of the Company.

#### 12. RIGHTS AS A STOCKHOLDER.

A Participant shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, Shares subject to Rights granted under the Plan unless and until the Participant's Shares acquired upon exercise of Rights under the Plan are recorded in the books of the Company.

#### 13. ADJUSTMENTS UPON CHANGES IN SECURITIES.

(a) If any change is made in the Shares subject to the Plan, or subject to any Right, without the receipt of consideration by the Company (through merger, consolidation,

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reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the class(es) and maximum number of Shares subject to the Plan pursuant to subsection 4(a), and the outstanding Rights will be appropriately adjusted in the class(es), number of Shares and purchase limits of such outstanding Rights. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction that does not involve the receipt of consideration by the Company.)

(b) In the event of: (i) a dissolution, liquidation, or sale of all or substantially all of the assets of the Company; (ii) a merger or consolidation in which the Company is not the surviving corporation; or (iii) a reverse merger in which the Company is the surviving corporation but the Shares outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise, then: (1) any surviving or acquiring corporation shall assume Rights outstanding under the Plan or shall substitute similar rights (including a right to acquire the same consideration paid to Stockholders in the transaction described in this

subsection 13(b)) for those outstanding under the Plan, or (2) in the event any surviving or acquiring corporation refuses to assume such Rights or to substitute similar rights for those outstanding under the Plan, then, as determined by the Board in its sole discretion such Rights may continue in full force and effect or the Participants' accumulated payroll deductions (exclusive of any accumulated interest which cannot be applied toward the purchase of Shares under the terms of the Offering) may be used to purchase Shares immediately prior to the transaction described above under the ongoing Offering and the Participants' Rights under the ongoing Offering thereafter terminated.

#### 14. AMENDMENT OF THE PLAN.

(a) The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 13 relating to adjustments upon changes in securities and except as to minor amendments to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favorable tax, exchange control or regulatory treatment for Participants or the Company or any Affiliate, no amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary for the Plan to satisfy the requirements of Section 423 of the Code, Rule 16b-3 under the Exchange Act and any Nasdaq or other securities exchange listing requirements. Currently under the Code, stockholder approval within twelve (12) months before or after the adoption of the amendment is required where the amendment will:

(i) Increase the amount of Shares reserved for Rights under the Plan;

(ii) Modify the provisions as to eligibility for participation in the Plan to the extent such modification requires stockholder approval in order for the Plan to obtain employee stock purchase plan treatment under Section 423 of the Code or to comply with the requirements of Rule 16b-3; or

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(iii) Modify the Plan in any other way if such modification requires stockholder approval in order for the Plan to obtain employee stock purchase plan treatment under Section 423 of the Code or to comply with the requirements of Rule 16b-3.

(b) It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide Employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Employee Stock Purchase Plans and/or to bring the Plan and/or Rights granted under it into compliance therewith.

(c) Rights and obligations under any Rights granted before amendment of the Plan shall not be impaired by any amendment of the Plan, except with the consent of the person to whom such Rights were granted, or except as necessary to comply with any laws or governmental regulations, or except as necessary to ensure that the Plan and/or Rights granted under the Plan comply with the requirements of Section 423 of the Code.

#### 15. DESIGNATION OF BENEFICIARY.

(a) A Participant may file a written designation of a beneficiary who is to receive any Shares and/or cash, if any, from the Participant's account under the Plan in the event of such Participant's death subsequent to the end of an Offering but prior to delivery to the Participant of such Shares and cash. In addition, a Participant may file a written designation of a beneficiary who is to receive any cash from the Participant's account under the Plan in the event of such Participant's death during an Offering.

(b) The Participant may change such designation of beneficiary at any time by written notice. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company shall deliver such Shares and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its sole discretion, may deliver such Shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.



16. TERMINATION OR SUSPENSION OF THE PLAN.

(a) The Board in its discretion may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate at the time that all of the Shares subject to the Plan's reserve, as increased and/or adjusted from time to time, have been issued under the terms of the Plan. No Rights may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) Rights and obligations under any Rights granted while the Plan is in effect shall not be impaired by suspension or termination of the Plan, except as expressly provided in the Plan or with the consent of the person to whom such Rights were granted, or except as necessary

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to comply with any laws or governmental regulation, or except as necessary to ensure that the Plan and/or Rights granted under the Plan comply with the requirements of Section 423 of the Code.

17. EFFECTIVE DATE OF PLAN.

The Plan shall become effective as determined by the Board, but no Rights granted under the Plan shall be exercised unless and until the Plan has been approved by the stockholders of the Company within twelve (12) months before or after the date the Plan is adopted by the Board, which date may be prior to the effective date set by the Board.

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CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated January 31, 2000, except as to the sixth paragraph of Note 1 which is as of April , 2000, relating to the financial statements of Exelixis, Inc., which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

San Jose, California

April , 2000

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated February 10, 1999, relating to the financial statements of MetaXen, LLC, which appears in the Exelixis, Inc. Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

San Jose, California

March 16, 2000