Table of Contents

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

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended July 3, 2015

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** For the transition period from to

Commission File Number: 000-30235

EXELIXIS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**04-3257395**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

210 East Grand Ave.
South San Francisco, CA 94080
(650) 837-7000

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

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

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

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

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

As of August 3, 2015, there were 225,431,074 shares of the registrant's common stock outstanding.

EXELIXIS, INC.
QUARTERLY REPORT ON FORM 10-Q
INDEX

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

EXELIXIS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	June 30, 2015 (unaudited)	December 31, 2014*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 61,949	$ 80,395
Short-term investments	14,648	63,890
Short-term restricted cash and investments	6,109	12,212
Trade and other receivables	3,758	4,882
Inventory	2,608	2,381
Prepaid expenses and other current assets	2,731	3,481
Total current assets	91,803	167,241
Long-term investments	81,598	81,579
Long-term restricted cash and investments	2,684	4,684
Property and equipment, net	1,812	2,432
Goodwill	63,684	63,684
Other assets	7,197	8,340
Total assets	$ 248,778	$ 327,960
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 3,398	$ 6,413
Accrued clinical trial liabilities	32,572	41,545
Accrued compensation and benefits	3,249	3,350
Other accrued liabilities	15,803	12,282
Current portion of convertible notes	—	98,880
Current portion of loans payable	—	381
Current portion of restructuring	5,294	6,426
Deferred revenue	—	2,583
Total current liabilities	60,316	171,860
Long-term portion of convertible notes	291,225	182,395
Long-term portion of loans payable	80,000	80,000
Long-term portion of restructuring	3,080	4,365
Other long-term liabilities	2,345	4,169
Total liabilities	436,966	442,789
Commitments		
Stockholders' deficit:		
Preferred stock	—	—
Common stock, $0.001 par value; 400,000,000 shares authorized; issued and outstanding: 196,381,220 and 195,895,769 shares at June 30, 2015 and December 31, 2014, respectively	196	196
Additional paid-in capital	1,657,626	1,652,400
Accumulated other comprehensive loss	(174)	(121)
Accumulated deficit	(1,845,836)	(1,767,304)
Total stockholders' deficit	(188,188)	(114,829)
Total liabilities and stockholders' deficit	$ 248,778	$ 327,960

* The condensed consolidated balance sheet as of December 31, 2014 has been derived from the audited financial statements as of that date.

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

EXELIXIS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues:				
Net product revenues	$ 7,992	$ 6,562	$ 17,380	$ 11,467
Operating expenses:				
Cost of goods sold	686	477	1,452	786
Research and development	24,506	50,976	46,788	105,823
Selling, general and administrative	12,789	16,466	22,320	31,157
Restructuring charge	1,291	331	860	377
Total operating expenses	39,272	68,250	71,420	138,143
Loss from operations	(31,280)	(61,688)	(54,040)	(126,676)
Other income (expense), net:				
Interest income and other, net	(123)	359	(130)	2,490
Interest expense	(11,959)	(12,081)	(24,362)	(23,843)
Total other income (expense), net	(12,082)	(11,722)	(24,492)	(21,353)
Net loss	$ (43,362)	$ (73,410)	$ (78,532)	$ (148,029)
Net loss per share, basic and diluted	$ (0.22)	$ (0.38)	$ (0.40)	$ (0.77)
Shares used in computing basic and diluted net loss per share	196,201	194,929	196,052	193,323

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

EXELIXIS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net loss	$ (43,362)	$ (73,410)	$ (78,532)	$ (148,029)
Other comprehensive (loss) income (1)	(113)	24	(53)	31
Comprehensive loss	$ (43,475)	$ (73,386)	$ (78,585)	$ (147,998)

(1) Other comprehensive (loss) income consisted solely of unrealized losses or gains, net on available for sale securities arising during the periods presented. There were no reclassification adjustments to net loss resulting from realized losses or gains on the sale of securities and there was no income tax expense related to other comprehensive (loss) income during those periods.

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

EXELIXIS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2015	2014
Cash flows from operating activities:		
Net loss	$ (78,532)	$ (148,029)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	684	1,093
Stock-based compensation expense	3,394	7,740
Accretion of debt discount	14,891	14,316
Gain on sale of equity investment	(95)	—
Change in the fair value of warrants	549	(1,854)
Other	1,093	2,615
Changes in assets and liabilities:		
Trade and other receivables	746	(1,093)
Inventory	(227)	(136)
Prepaid expenses and other assets	953	226
Accounts payable, accrued compensation, and other accrued liabilities	405	(4,905)
Clinical trial liabilities	(8,973)	6,409
Restructuring liability	(3,321)	(3,003)
Other long-term liabilities	(903)	(479)
Deferred revenue	(2,583)	(323)
Net cash used in operating activities	(71,919)	(127,423)
Cash flows from investing activities:		
Purchases of property and equipment	(94)	(344)
Proceeds from sale of property and equipment	1,295	281
Proceeds from sale of equity investment	95	—
Proceeds from maturities of restricted cash and investments	12,247	10,777
Purchase of restricted cash and investments	(4,184)	(4,643)
Proceeds from maturities of investments	94,438	181,258
Purchases of investments	(46,217)	(82,280)
Net cash provided by investing activities	57,580	105,049
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	—	75,646
Proceeds from exercise of stock options and warrants	—	120
Proceeds from employee stock purchase plan	274	928
Principal payments on debt	(4,381)	(10,958)
Net cash (used in) provided by financing activities	(4,107)	65,736
Net (decrease) increase in cash and cash equivalents	(18,446)	43,362
Cash and cash equivalents at beginning of period	80,395	103,978
Cash and cash equivalents at end of period	$ 61,949	$ 147,340

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

EXELIXIS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Exelixis, Inc. ("Exelixis," "we," "our" or "us") is a biopharmaceutical company committed to developing small molecule therapies for the treatment of cancer. Our two most advanced assets are cabozantinib, our wholly-owned inhibitor of multiple receptor tyrosine kinases, and cobimetinib (GDC-0973/XL518), a selective inhibitor of MEK, a dual-specificity kinase, which we out-licensed to Genentech, Inc. (a member of the Roche Group), ("Genentech").

Our development and commercialization efforts are focused primarily on cabozantinib. Cabozantinib was approved by the United States Food and Drug Administration ("FDA") on November 29, 2012, for the treatment of progressive, metastatic medullary thyroid cancer ("MTC"), in the United States under the brand name COMETRIQ®. COMETRIQ became commercially available in the United States in January 2013. In March 2014, the European Commission granted cabozantinib conditional marketing authorization for the treatment of adult patients with progressive, unresectable locally advanced or metastatic MTC, also under the brand name COMETRIQ. We are evaluating cabozantinib in a broad development program comprising over forty-five clinical trials across multiple indications, including two ongoing phase 3 pivotal trials focusing on advanced renal cell carcinoma ("RCC"), and advanced hepatocellular carcinoma ("HCC"). On July 20, 2015, we announced positive top-line results from the primary analysis of METEOR, the phase 3 pivotal trial comparing cabozantinib to everolimus in 658 patients who experienced disease progression following treatment with a VEGF receptor tyrosine kinase inhibitor. Based on the data from the trial, we expect to complete U.S. and EU regulatory filings in early 2016.

Our second most advanced oncology asset, cobimetinib, is being evaluated by Genentech in a broad development program, including coBRIM, a phase 3 pivotal trial evaluating cobimetinib in combination with vemurafenib versus vemurafenib alone in previously untreated patients with unresectable locally advanced melanoma harboring a BRAF V600 mutation. On September 29, 2014, positive results from this trial were reported at the European Society for Medical Oncology ("ESMO") 2014 Congress. The trial met its primary endpoint of demonstrating a statistically significant increase in investigator-determined progression free survival for cobimetinib in combination with vemurafenib versus vemurafenib alone. Roche has completed the Marketing Authorization Application for cobimetinib in combination with vemurafenib in the European Union. In the United States, Genentech submitted its New Drug Application ("NDA") in December 2014, and the FDA granted the NDA priority review with a projected action date of August 11, 2015. On June 30, 2015, Genentech informed us that, in order to accommodate its review of a supplemental data submission, the FDA extended the projected action date for its review of the cobimetinib NDA by the standard extension period of three months, to November 11, 2015.

Basis of Consolidation

The consolidated financial statements include the accounts of Exelixis and those of our wholly-owned subsidiaries. These entities' functional currency is the U.S. dollar. All intercompany balances and transactions have been eliminated.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and pursuant to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In our opinion, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the results of operations and cash flows for the period presented have been included.

Exelixis adopted a 52- or 53-week fiscal year that generally ends on the Friday closest to December 31st. Fiscal year 2015, a 52-week year, will end on January 1, 2016, and fiscal year 2014, a 53-week year, ended on January 2, 2015. For convenience, references in this report as of and for the fiscal periods ended July 3, 2015 and June 27, 2014, and as of and for the fiscal years ended January 1, 2016 and January 2, 2015, are indicated as being as of and for the periods ended June 30, 2015, June 30, 2014, December 31, 2015, and December 31, 2014, respectively.

Operating results for the six months ended June 30, 2015 are not necessarily indicative of the results that may be expected for the fiscal year ending January 1, 2016 or for any future period. These financial statements and notes should be

read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2014, included in our Annual Report on Form 10-K filed with the SEC on March 2, 2015.

Segment Information

We operate as a single reportable segment.

Use of Estimates

The preparation of our consolidated financial statements is in conformity with accounting principles generally accepted in the United States which requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. On an ongoing basis, management evaluates its estimates including, but not limited to, those related to inventory, revenue recognition, valuation of long-lived assets, certain accrued liabilities including clinical trial accruals and restructuring liability, valuation of warrants, share-based compensation and the valuation of the debt and equity components of our convertible debt at issuance. We base our estimates on historical experience and on various other market-specific and other relevant assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ materially from those estimates.

Need to Access Additional Capital

We have incurred net losses since inception through June 30, 2015, with the exception of the 2011 fiscal year. We anticipate net losses and negative operating cash flow for the foreseeable future. For the six months ended June 30, 2015, we incurred a net loss of $78.5 million and as of June 30, 2015, we had an accumulated deficit of $1.8 billion. These losses have had, and will continue to have, an adverse effect on our stockholders' deficit and working capital. Because of the numerous risks and uncertainties associated with developing drugs, we are unable to predict the extent of any future losses or whether or when we will become profitable, if at all. Our research and development expenditures and selling, general and administrative expenses have exceeded our revenues for each fiscal year other than the 2011 fiscal year, and we expect to spend significant additional amounts to fund the continued development and commercialization of cabozantinib. As a result, we expect to continue to incur substantial operating expenses and, consequently, we will need to generate significant additional revenues to achieve future profitability.

We commercially launched COMETRIQ for the treatment of progressive, metastatic MTC in the United States in late January 2013, and from the commercial launch through June 30, 2015 we have generated $57.5 million in net revenues from the sale of COMETRIQ. Other than revenues from COMETRIQ, we have derived substantially all of our revenues since inception from collaborative research and development agreements, which depend on research funding, the achievement of milestones, and royalties we earn from any future products developed from the collaborative research.

The amount of our net losses will depend, in part, on the rate of growth, if any, in our sales of COMETRIQ; our share of the net profits and losses for the commercialization for cobimetinib in the U.S., if any; the receipt of royalties from cobimetinib sales outside the U.S., if any; partnering activities for cabozantinib; other license and contract revenues; and, the level of expenses primarily with respect to development and commercialization activities for cabozantinib.

As of June 30, 2015, we had $167.0 million in cash and investments, which included $76.6 million available for operations, $6.1 million of short-term restricted investments available for public debt service obligations, $81.6 million of compensating balance investments that we are required to maintain on deposit with Silicon Valley Bank, and $2.7 million of long-term restricted investments. We anticipate that our current cash and cash equivalents, and short-term investments available for operations, and product revenues, together with the proceeds from our July 2015 public offering, will enable us to maintain our operations for a period of at least 12 months following the end of the second quarter of 2015. See "Note 11 - Subsequent Events" for more information on our July 2015 sale of shares of common stock. While a forecast of future events is inherently uncertain, our ability to sustain our business operations for this time period is highly dependent on the commercial success of COMETRIQ and the revenues we generate, as well as the commercial success of cobimetinib and our share of related net profits and losses, and royalties under our collaboration with Genentech. Consistent with the actions we have taken in the past, we will prioritize necessary and appropriate steps to ensure the continued operation of our business and preservation of the value of our assets. However, our future capital requirements will be substantial, and we may need to raise additional capital in the future. Our capital requirements will depend on many factors, and we may need to use available capital resources and raise additional capital significantly earlier than we currently anticipate.

Revenue Recognition

We recognize revenue from the sale of COMETRIQ and have historically recognized revenue from license fees and

milestones earned on research and collaboration arrangements. See “Note 1 - Organization and Summary of Significant Accounting Policies” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 for a description of our policies for revenue recognition on research and collaboration agreements. We did not enter into any new collaboration agreements during the six months ended June 30, 2015. See “Note 2 - Research and Collaboration Agreements” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 for a description of our existing collaboration agreements.

Net Product Revenues

We recognize revenue when it is both realized or realizable and earned, meaning persuasive evidence of an arrangement exists, delivery has occurred, title has transferred, the price is fixed or determinable, there are no remaining customer acceptance requirements, and collectability of the resulting receivable is reasonably assured. For product sales in the United States, this generally occurs upon delivery of the product at the specialty pharmacy. For product sales in Europe, this generally occurs when our European distribution partner has accepted the product, at which time they are no longer able to return the product.

We sell our product, COMETRIQ, in the United States to a specialty pharmacy that benefits from customer incentives and has a right of return. Prior to 2015, COMETRIQ had limited sales history and we could not reliably estimate expected future returns, discounts and rebates of the product at the time the product was sold to the specialty pharmacy, therefore we recognized revenue when the specialty pharmacy provided the product to a patient based on the fulfillment of a prescription, frequently referred to as the “sell-through” revenue recognition model. Recently we have established sufficient historical experience and data to reasonably estimate expected future returns of the product and the discounts and rebates due to payors at the time of shipment to the specialty pharmacy. Accordingly, beginning in January 2015 we began to recognize revenue upon delivery to our U.S. specialty pharmacy. This approach is frequently referred to as the “sell-in” revenue recognition model. In connection with the change in the timing of recognition of U.S. COMETRIQ sales, we recorded a one-time adjustment to recognize revenue and related costs that had previously been deferred at December 31, 2014, resulting in additional gross product revenues of $2.6 million and a nominal amount of cost of goods sold for the six months ended June 30, 2015; there were no such adjustments recorded for the three months ended June 30, 2015.

We also utilize the “sell-in” revenue recognition model for sales to our European distribution partner for all periods presented. Once the European distributer has accepted the product, the product is no longer subject to return; therefore, we record revenue at the time our European distribution partner has accepted the product.

Product Sales Discounts and Allowances

We calculate gross product revenues based on the price that we charge our United States specialty pharmacy and our European distribution partner. We estimate our domestic net product revenues by deducting from our gross product revenues (a) trade allowances, such as discounts for prompt payment, (b) estimated government rebates and chargebacks, and (c) estimated costs of patient assistance programs. We estimate our European net product revenues by deducting from our gross product revenues an estimated credit for product originally delivered with expiry of 18 months or less. European net product revenues for the six months ended June 30, 2015 also included the remaining $0.1 million of the $2.4 million project management fee payable to our European distributor upon their achievement of a cumulative revenue goal; no such fees or credits were recognized during the three months ended June 30, 2015 or the comparable periods in 2014. We first determined that the achievement of the revenue goal was probable in the third quarter of 2014 and therefore we recorded project management fees beginning in that period.

We initially record estimates for these deductions at the time we recognize the gross revenue. We update our estimates on a recurring basis as new information becomes available. See “Note 1 - Organization and Summary of Significant Accounting Policies” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 for a further description of our discounts and allowances.

Cost of Goods Sold

Cost of goods sold is related to our product revenues and consists primarily of a 3% royalty on net sales of any product incorporating cabozantinib payable to GlaxoSmithKline, and to a lesser extent, indirect labor costs, the cost of manufacturing and other third party logistics costs of our product. A portion of the manufacturing costs for product sales were incurred prior to regulatory approval of COMETRIQ for the treatment of progressive, metastatic MTC and, therefore, were expensed as research and development costs when those costs were incurred, rather than capitalized as inventory. See “Note 2 - Research and Collaboration Agreements” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 for additional information related to the 3% royalty payable to GlaxoSmithKline.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). ASU 2014-09 supersedes the revenue recognition requirements of FASB Accounting Standards Codification ("ASC") Topic 605, *Revenue Recognition* and most industry-specific guidance throughout the Accounting Standards Codification, resulting in the creation of FASB ASC Topic 606, *Revenue from Contracts with Customers*. ASU 2014-09 requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. On July 9, 2015, the FASB deferred the effective date by one year for public entities for annual and interim reporting periods beginning after December 15, 2017. Early adoption is permitted for periods after December 15, 2016. We are currently evaluating the impact of adopting ASU 2014-09, inclusive of available transitional methods on our consolidated financial statements and related disclosures.

In August 2014, the FASB issued ASU No. 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (*"ASU 2014-15"). ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date the financial statements are issued and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016 and earlier application is permitted. The adoption of this guidance will not have any impact on the Company's financial position and results of operations and, at this time, we do not expect any impact on its disclosures.

In April 2015, the FASB issued Accounting Standards Update No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs which Changes the Presentation of Debt Issuance Costs in Financial Statements* ("ASU 2015-03"), which requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. ASU 2015-03 will be effective for annual reporting periods beginning after December 15, 2015 and interim periods within fiscal years beginning after December 15, 2016, with early adoption permitted. The new guidance will be applied retrospectively to each prior period presented. If we had adopted ASU 2015-03, as of June 30, 2015, it would have resulted in a reduction of Other assets and total debt by $3.8 million and $4.7 million as June 30, 2015 and December 31, 2014, respectively.

In April 2015, the FASB issued Accounting Standards Update No. 2015-05, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* ("ASU 2015-05"), which provide that if a cloud computing arrangement includes a software license, then the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses, and if a cloud computing arrangement does not include a software license, the customer should account for the arrangement as a service contract. ASU 2015-05 will be effective for annual reporting periods, including interim periods within those annual periods, beginning after December 15, 2015, with early adoption permitted. An entity can elect to adopt the amendments either (1) prospectively to all arrangements entered into or materially modified after the effective date or (2) retrospectively. We are currently evaluating the impact of adopting ASU 2015-05, inclusive of available transitional methods on our consolidated financial statements and related disclosures.

NOTE 2: RESTRUCTURINGS

The restructuring charges that we expect to incur in connection with our restructurings are subject to a number of assumptions, including facility exit activity, sublease activity, the results of asset sales and the timing of employee terminations, and actual results may materially differ. We may also incur other material charges not currently contemplated due to events that may occur as a result of, or associated with, the restructurings.

2014 Restructuring

On September 2, 2014, as a consequence of the failure of COMET-1, one of our two phase 3 pivotal trials of cabozantinib in metastatic castration-resistant prostate cancer, we initiated the 2014 Restructuring to reduce our workforce. Personnel reductions were initiated across our entire organization that resulted in an aggregate reduction in headcount of 143 full-time employees as of June 30, 2015. The principal objective of the 2014 Restructuring was to enable us to focus our financial resources on the phase 3 pivotal trials of cabozantinib in advanced RCC and advanced HCC.

For the six months ended June 30, 2015, we recorded restructuring charges of $0.3 million for the 2014 Restructurings. The restructuring charge included $1.2 million in additional charges due to the partial termination of one of our building leases and additional facility-related charges related to the decommissioning and exit of certain buildings. The restructuring charge was partially offset by $0.9 million in recoveries recorded in connection with the sale of excess equipment

and other assets. Employee severance and other benefits are recognized ratably during the period from the implementation date of the 2014 Restructuring through the employees' termination dates.

The restructuring liability related to the 2014 Restructuring is included in the current and long-term portion of restructuring on the accompanying Consolidated Balance Sheets. The components of and changes to these liabilities during the six months ended June 30, 2015 are summarized in the following table (in thousands):

	Employee Severance and Other Benefits	Facility Charges	Asset Sales	Legal and Other Fees	Total
Restructuring liability as of December 31, 2014	$ 1,290	$ —	$ —	$ 47	$ 1,337
Restructuring charge (recovery)	(28)	1,220	(905)	—	287
Cash (payments) receipts, net	(1,022)	(207)	1,284	—	55
Other non-cash items	—	278	(379)	3	(98)
Restructuring liability as of June 30, 2015	$ 240	$ 1,291	$ —	$ 50	$ 1,581

We expect to pay the accrued facility charges of $1.3 million through April 2017.

2010 Restructurings

Between March 2010 and May 2013, we implemented five restructurings (referred to collectively as the "2010 Restructurings") to manage costs and as a consequence of our decision in 2010 to focus our proprietary resources and development efforts on the development and commercialization of cabozantinib. The aggregate reduction in headcount from the 2010 Restructurings was 429 employees. Charges and recoveries related to the 2010 Restructurings were recorded in periods other than those in which the 2010 Restructurings were implemented as a result of sublease activities for certain of our buildings in South San Francisco, California, changes in assumptions regarding anticipated sublease activities, the effect of the passage of time on our discounted cash flow computations, previously planned employee terminations, and sales of excess equipment and other assets.

For the six months ended June 30, 2015 and 2014, we recorded restructuring charges of $0.6 million and $0.4 million, respectively, for the 2010 Restructurings. The charges for both periods presented were related to the effect of the passage of time on our discounted cash flow computations ("accretion expense") for the exit, in prior periods, of certain of our South San Francisco buildings. During the six months ended June 30, 2015, the restructuring charge also included the impact of a new sublease executed in June 2015 and additional changes in assumptions regarding anticipated sublease activities. During the six months ended June 30, 2014 restructuring charges were partially offset by $0.1 million in recoveries recorded in connection with the sale of excess equipment and other assets.

The total outstanding restructuring liability related to the 2010 Restructurings is included in the current and long-term portion of restructuring on the accompanying Consolidated Balance Sheets. The changes to this liability during the six months ended June 30, 2015 is summarized in the following table (in thousands):

	Facility Charges
Restructuring liability as of December 31, 2014	$ 9,454
Restructuring charge	573
Cash payments	(3,559)
Adjustments or non-cash credits	325
Restructuring liability as of June 30, 2015	$ 6,793

We expect to pay accrued facility charges of $6.8 million, net of cash received from our subtenants, through the end of our lease terms of the buildings, the last of which ends in 2017. We expect to incur additional restructuring charges of approximately $0.5 million relating to the effect of accretion expense through to the end of the building lease terms.

NOTE 3: CASH AND INVESTMENTS

The following tables summarize cash and cash equivalents, investments, and restricted cash and investments by balance sheet line item as of June 30, 2015 and December 31, 2014 (in thousands):

	June 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash and cash equivalents	$ 61,949	$ —	$ —	$ 61,949
Short-term investments	14,780	8	(140)	14,648
Short-term restricted cash and investments	6,041	68	—	6,109
Long-term investments	81,600	—	(2)	81,598
Long-term restricted cash and investments	2,684	—		2,684
Total cash and investments	$ 167,054	$ 76	$ (142)	$ 166,988

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash and cash equivalents	$ 80,395	$ —	$ —	$ 80,395
Short-term investments	63,988	37	(135)	63,890
Short-term restricted cash and investments	12,105	107	—	12,212
Long-term investments	81,600	1	(22)	81,579
Long-term restricted cash and investments	4,684	—	—	4,684
Total cash and investments	$ 242,772	$ 145	$ (157)	$ 242,760

Under our loan and security agreement with Silicon Valley Bank, we are required to maintain compensating balances on deposit in one or more investment accounts with Silicon Valley Bank or one of its affiliates. The total collateral balances as of June 30, 2015 and December 31, 2014 were $81.6 million and $82.0 million, respectively, and are reflected in our Consolidated Balance Sheets in short- and long-term investments. See “Note 8 - Debt” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2014, for more information regarding the collateral balance requirements under our Silicon Valley Bank loan and security agreement.

All of our cash equivalents and investments are classified as available-for-sale. The following tables summarize our cash equivalents and investments by security type as of June 30, 2015 and December 31, 2014. The amounts presented exclude cash, but include investments classified as cash equivalents (in thousands):

	June 30, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 67,922	$ —	$ —	$ 67,922
Commercial paper	30,354	—	—	30,354
Corporate bonds	60,646	8	(142)	60,512
U.S. Treasury and government sponsored enterprises	6,041	68	—	6,109
Total investments	$ 164,963	$ 76	$ (142)	$ 164,897

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 23,376	$ —	$ —	$ 23,376
Commercial paper	56,714	—	—	56,714
Corporate bonds	143,444	35	(157)	143,322
U.S. Treasury and government sponsored enterprises	12,105	107	—	12,212
Municipal bonds	2,659	3	—	2,662
Total investments	$ 238,298	$ 145	$ (157)	$ 238,286

There were no sales of investments during the six months ended June 30, 2015 and 2014.

All of our investments are subject to a quarterly impairment review. During the six months ended June 30, 2015 and 2014, we did not record any other-than-temporary impairment charges on our available-for-sale securities. As of June 30, 2015, there were 23 investments in an unrealized loss position with an aggregate fair value $43.4 million. Investments in an unrealized loss position are all corporate bonds. All of our investments in an unrealized loss position have been so for less than one year and the unrealized losses were not attributed to credit risk, but rather associated with the changes in interest rates. Based on the scheduled maturities of our investments, we concluded that the unrealized losses in our investment securities are not other-than-temporary, as it is more likely than not that we will hold these investments for a period of time sufficient for a recovery of our cost basis.

The following table summarizes the fair value of securities classified as available-for-sale by contractual maturity as of June 30, 2015 (in thousands):

	Mature within One Year	After One Year through Two Years	Fair Value
Money market funds	$ 67,922	$ —	$ 67,922
Commercial paper	30,354	—	30,354
Corporate bonds	59,190	1,322	60,512
U.S. Treasury and government sponsored enterprises	6,109	—	6,109
Total investments	$ 163,575	$ 1,322	$ 164,897

Cash is excluded from the table above. The classification of certain compensating balances and restricted investments are dependent upon the term of the underlying restriction on the asset and not the maturity date of the investment. Therefore, certain long-term investments and long-term restricted cash and investments have contractual maturities within one year.

NOTE 4. INVENTORY

Inventory consists of the following (in thousands):

	June 30, 2015	December 31, 2014
Raw materials	$ 1,030	$ 1,118
Work in process	2,605	2,845
Finished goods	890	559
Total	4,525	4,522
Less: non-current portion included in Other assets	(1,917)	(2,141)
Inventory	$ 2,608	$ 2,381

We generally relieve inventory on a first-expiry, first-out basis. Write-downs related to expiring inventory are charged to cost of goods sold. Such write-downs were $0.2 million for the six months ended June 30, 2015 and were nominal for the six months ended June 30, 2014. The non-current portion of inventory is recorded within Other assets on the accompanying Condensed Consolidated Balance Sheets and is comprised of a portion of the active pharmaceutical ingredient that is included in raw materials and work in process inventories. There were no other write-downs for obsolete or excess inventory.

NOTE 5. DEBT

The amortized carrying amount of our debt consists of the following (in thousands):

	June 30, 2015	December 31, 2014
Convertible Senior Subordinated Notes due 2019	$ 191,597	$ 182,395
Secured Convertible Notes due 2018	99,627	98,880
Silicon Valley Bank term loan	80,000	80,000
Silicon Valley Bank line of credit	—	381
Total debt	371,224	361,656
Less: current portion	—	(99,261)
Long-term debt	$ 371,224	$ 262,395

See “Note 8 - Debt” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2014, for additional information on the terms of our debt, including a description of the conversion features of the of 4.25% Convertible Senior Subordinated Notes due 2019 (the “2019 Notes”) and our Secured Convertible Notes due June 2018 (the “Deerfield Notes”).

Convertible Senior Subordinated Notes due 2019

In August 2012, we issued and sold $287.5 million aggregate principal amount of the 2019 Notes. As of June 30, 2015, the entire principal balance remains outstanding. The following is a summary of the liability component of the 2019 Notes (in thousands):

	June 30, 2015	December 31, 2014
Net carrying amount of the liability component	$ 191,597	$ 182,395
Unamortized discount of the liability component	95,903	105,105
Face amount of the 2019 Notes	$ 287,500	$ 287,500

The debt discount and debt issuance costs will be amortized as interest expense through August 2019. The following is a summary of interest expense for the 2019 Notes (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Stated coupon interest	$ 3,055	$ 3,054	$ 6,110	$ 6,143
Amortization of debt discount and debt issuance costs	4,833	4,397	9,554	8,692
Total interest expense	$ 7,888	$ 7,451	$ 15,664	$ 14,835

The balance of unamortized fees and costs was $2.9 million and $3.3 million as of June 30, 2015 and December 31, 2014, respectively, which is included in Other assets on the accompanying Condensed Consolidated Balance Sheets.

Secured Convertible Notes due June 2018

In June 2010, we entered into a note purchase agreement with Deerfield Private Design Fund, L.P. and Deerfield Private Design International, L.P., (the “Original Deerfield Purchasers”), pursuant to which, on July 1, 2010, we sold to the Original Deerfield Purchasers an aggregate of $124.0 million principal amount of our Secured Convertible Notes due July 1, 2015, which we refer to as the Original Deerfield Notes, for an aggregate purchase price of $80.0 million, less closing fees and expenses of approximately $2.0 million. On July 1, 2015, we made a $4.0 million principal payment and then extended the maturity date of the Original Deerfield Notes from July 1, 2015 to July 1, 2018. In connection with the extension, Deerfield Partners, L.P. and Deerfield International Master Fund, L.P. (the “New Deerfield Purchasers”) acquired the $100.0 million principal amount of the Original Deerfield Notes and we entered into the Restated Deerfield Notes with each of the New Deerfield Purchasers, representing the $100.0 million principal amount. We refer to the Original Deerfield Purchasers and the New Deerfield Purchasers collectively as “Deerfield”, and to the Original Deerfield Notes and Restated Deerfield Notes, collectively as the “Deerfield Notes”.

As of June 30, 2015 and December 31, 2014, the outstanding principal balance on the Deerfield Notes was $100.0 million and $104.0 million, respectively, which, subject to certain limitations, is payable in cash or in stock at our discretion. Beginning on July 2, 2015, the outstanding principal amount of the Deerfield Notes bears interest at the rate of 7.5% per annum to be paid in cash, quarterly in arrears, and 7.5% per annum to be paid in kind, quarterly in arrears, for a total interest rate of 15% per annum. Through July 1, 2015, the outstanding principal amount of the Deerfield Notes bore interest in the annual amount of $6.0 million, payable quarterly in arrears.

The following is a summary of interest expense for the Deerfield Notes (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Stated coupon interest	$ 1,496	$ 1,495	$ 2,975	$ 2,975
Amortization of debt discount and debt issuance costs	2,373	2,931	5,320	5,626
Total interest expense	$ 3,869	$ 4,426	$ 8,295	$ 8,601

The balance of unamortized fees and costs was $0.9 million and $1.4 million as of June 30, 2015 and December 31, 2014, respectively, which is included in Other assets on the accompanying Condensed Consolidated Balance Sheets. Prior to March 4, 2015, the unamortized discount, fees and costs were amortized into interest expense as a yield adjustment through July 1, 2015. Effective March 4, 2015, upon notification of our election to require the New Deerfield Purchasers to acquire the Deerfield Notes and extend the maturity date to July 1, 2018, we began to amortize the remaining unamortized discount, fees and costs through July 1, 2018 using the effective interest method and an effective interest rate of 15.26%.

In connection with the amendment to the note purchase agreement, on January 22, 2014 we issued to the New Deerfield Purchasers two-year warrants (the “2014 Deerfield Warrants”) to purchase an aggregate of 1,000,000 shares of our common stock at an exercise price of $9.70 per share. Upon the March 4, 2015 notification of our election to extend the maturity date of the Deerfield Notes, the exercise price of the 2014 Deerfield Warrants was reset to $3.445 per share and the term was extended by two years to January 22, 2018. See “Note 6 - Common Stock and Warrants” for further information on the 2014 Deerfield Warrants.

NOTE 6. COMMON STOCK AND WARRANTS

Sale of Shares of Common Stock

On July 29, 2015 we completed a registered underwritten public offering of 28,750,000 shares of our common stock, including 3,750,000 shares issued under the underwriters’ 30-day option to buy shares, at a price of $5.40 per share. We received $145.5 million in net proceeds from the offering after deducting the underwriting discount and other estimated expenses. See “Note 11 - Subsequent Events” for more information on our July 2015 sale of shares of common stock.

Warrants

On January 22, 2014, in connection with the amendment to the note purchase agreement to provide us with the Extension Option, we issued to the New Deerfield Purchasers the 2014 Deerfield Warrants to purchase an aggregate of 1,000,000 shares of our common stock at an exercise price of $9.70 per share. Under the terms of the Extension Option, the term of the 2014 Deerfield Warrants would be extended by two years and the exercise price would be reset to the lower of (i) the existing exercise price and (ii) 120% of the volume weighted average price of our common stock for the ten trading days immediately following the date of such extension election. Due to the potential increase in term and decrease of the exercise price, the 2014 Deerfield Warrants were recorded as a liability upon issuance which was included in Other long-term liabilities. The 2014 Deerfield Warrants were recorded at their estimated fair value, on a recurring basis, which was $1.5 million and $0.9 million as of March 18, 2015 and December 31, 2014, respectively. Upon our election to extend the maturity date of the Deerfield Notes, the exercise price of the 2014 Deerfield Warrants was reset to $3.445 per share and the term was extended by two years to January 22, 2018. Subsequent to our notification of our election to require the New Deerfield Purchasers to acquire the Deerfield Notes and extend the maturity date to July 1, 2018, the terms of the 2014 Deerfield Warrants became fixed on March 18, 2015. The 2014 Deerfield Warrants were transferred to Additional paid-in capital as of that date at their then estimated fair value of $1.5 million. We recorded an unrealized loss of $0.5 million and an unrealized gain of $1.9 million on the 2014 Deerfield Warrants during the six months ended June 30, 2015 and June 30, 2014, respectively, which is included in Interest income and other, net. See “Note 7 - Fair Value Measurements” for more information on the valuation of the 2014 Deerfield Warrants. The 2014 Deerfield Warrants are participating securities. The warrant holders do not have a contractual obligation to share in our losses.

NOTE 7. FAIR VALUE MEASUREMENTS

The following table sets forth the fair value of our financial assets and liabilities that were measured and recorded on a recurring basis as of June 30, 2015 and December 31, 2014. We did not have any financial liabilities that were measured and recorded on a recurring basis or Level 3 investments as of June 30, 2015. The amounts presented exclude cash, but include investments classified as cash equivalents (in thousands):

	June 30, 2015		
	Level 1	Level 2	Total
Money market funds	$ 67,922	$ —	$ 67,922
Commercial paper	—	30,354	30,354
Corporate bonds	—	60,512	60,512
U.S. Treasury and government sponsored enterprises	—	6,109	6,109
Total financial assets	$ 67,922	$ 96,975	$ 164,897

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Money market funds	$ 23,376	$ —	$ —	$ 23,376
Commercial paper	—	56,714	—	56,714
Corporate bonds	—	143,322	—	143,322
U.S. Treasury and government sponsored enterprises	—	12,212	—	12,212
Municipal bonds	—	2,662	—	2,662
Total financial assets	$ 23,376	$ 214,910	$ —	$ 238,286
Financial liabilities:				
Warrants	$ —	$ —	$ 921	$ 921
Total financial liabilities	$ —	$ —	$ 921	$ 921

The following is a reconciliation of changes in the fair value of warrants which are classified as Level 3 in the fair value hierarchy (in thousands):

Balance at December 31, 2014	$ 921
Unrealized loss at final re-measurement of warrants on March 18, 2015, included in Interest income and other, net	549
Transfer of warrant from Other long-term liabilities to Additional paid-in capital at their estimated fair value upon warrant repricing on March 18, 2015	(1,470)
Balance at June 30, 2015	$ —

The estimated fair value of our financial instruments that are carried at amortized cost for which it is practicable to determine a fair value was as follows (in thousands):

	June 30, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
2019 Notes	$ 191,597	$ 245,180	$ 182,395	$ 156,889
Silicon Valley Bank term loan	$ 80,000	$ 79,926	$ 80,000	$ 79,943
Silicon Valley Bank line of credit	$ —	$ —	$ 381	$ 381

As of June 30, 2015, we estimated fair value of our Deerfield Notes as $95.2 million. As of December 31, 2014, we had determined that it was not practicable to determine the fair value of the Deerfield Notes due to the unique structure of the instrument, including the Extension Option, which was exercised in March 2015, and was financed by entities affiliated with Deerfield.

The carrying amounts of cash, trade and other receivables, accounts payable, accrued clinical trial liabilities, accrued compensation and benefits, and other accrued liabilities approximate their fair values and are excluded from the tables above.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate a value:

- When available, we value investments based on quoted prices for those financial instruments, which is a Level 1 input. Our remaining investments are valued using third-party pricing sources, which use observable market prices, interest rates and yield curves observable at commonly quoted intervals of similar assets as observable inputs for pricing, which is a Level 2 input.
- The 2019 Notes are valued using a third-party pricing model that is based in part on average trading prices, which is a Level 2 input. The 2019 Notes are not marked-to-market and are shown at their initial fair value less the unamortized discount; the portion of the value allocated to the conversion option is included in Stockholders' deficit on the accompanying Condensed Consolidated Balance Sheets.
- We estimate the fair value of our other debt instruments, where possible, using the net present value of the payments. For the Silicon Valley Bank term loan and line of credit, we use an interest rate that is consistent with money-market rates that would have been earned on our non-interest-bearing compensating balances as our discount rate, which is a Level 2 input. For the Deerfield Notes, we used a discount rate of 18%, which we estimate as our current borrowing rate for similar debt, which is a Level 3 input.
- The 2014 Deerfield Warrants were valued using a Monte Carlo simulation model until December 31, 2014 and the Black-Scholes Merton option pricing model on March 18, 2015. The expected life is based on the contractual terms of the 2014 Deerfield Warrants, and in certain simulations, assumes the two year extension that would result from our exercise of the Extension Option; as of and subsequent to September 30, 2014, we estimated that it was probable that we would exercise this two-year extension. We consider implied volatility as well as our historical volatility in developing our estimate of expected volatility. The fair value of the 2014 Deerfield Warrants was estimated using the following assumptions, which, except for risk-free interest rate, are Level 3 inputs (dollars in thousands):

	March 18, 2015	December 31, 2014	January 22, 2014 (issuance date)
Risk-free interest rate	0.87%	1.07%	0.95%
Dividend yield	—%	—%	—%
Volatility	95%	96%	57%
Average expected life	2.8 years	3.1 years	3.2 years

NOTE 8. STOCK-BASED COMPENSATION

We recorded and allocated employee stock-based compensation expense for our equity incentive plans and our 2000 Employee Stock Purchase Plan ("ESPP") as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Research and development expense	$ 746	$ 1,471	$ 1,373	$ 3,036
Selling, general and administrative expense	988	2,511	2,021	4,704
Total employee stock-based compensation expense	$ 1,734	$ 3,982	$ 3,394	$ 7,740

We use the Black-Scholes Merton option pricing model to value our stock options. The expected life computation is based on historical, exercise patterns and post-vesting termination behavior. We considered implied volatility as well as our historical volatility in developing our estimate of expected volatility. The fair value of employee stock option awards and ESPP purchases was estimated using the following assumptions and resulted in the following weighted average fair values:

	Stock Options			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Weighted average grant-date fair values	$ 2.41	$ 2.33	$ 1.28	$ 3.65
Assumptions:				
Risk-free interest rate	1.27%	1.75%	1.20%	1.66%
Dividend yield	—%	—%	—%	—%
Volatility	106%	80%	89%	81%
Expected life	4.5 years	5.8 years	4.5 years	5.6 years

	Employee Stock Purchase Plan			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Weighted average grant-date fair values	$ 1.11	$ 1.32	$ 0.85	$ 1.44
Assumptions:				
Risk-free interest rate	0.07%	0.06%	0.10%	0.07%
Dividend yield	—%	—%	—%	—%
Volatility	104%	67%	99%	64%
Expected life	6 months	6 months	6 months	6 months

A summary of all stock option activity for the six months ended June 30, 2015 is presented below (dollars in thousands**,** except per share amounts):

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding at December 31, 2014	27,811,992	$ 5.00		
Granted	4,940,850	$ 2.11		
Forfeited	(510,043)	$ 4.72		
Expired	(3,692,827)	$ 6.08		
Options outstanding at June 30, 2015	28,549,972	$ 4.37	4.70 years	$ 21,476
Exercisable June 30, 2015	12,605,226	$ 6.83	2.75 years	$ 31

As of June 30, 2015, a total of 10,063,358 shares were available for grant under our stock option plans.

As of June 30, 2015, $20.9 million of total unrecognized compensation expense related to employee stock options was expected to be recognized over a weighted-average period of 2.41 years.

Of the stock options outstanding as of June 30, 2015, 13,255,165 were granted subject to performance objectives tied to the achievement of clinical goals set by the Compensation Committee of our Board of Directors and will vest in full or part based on achievement of such goals. As of June 30, 2015, we did not consider achievement of those performance objectives to be probable and therefore we did not include any stock-based compensation expense for those stock options. As of June 30, 2015, the grant date fair value of awards outstanding for which we determined that it was not probable that we will achieve the goals was $17.3 million. On July 20, 2015, as a result of positive top-line results from the primary analysis of METEOR, the Compensation Committee of the Board of Directors of Exelixis convened to determine we had met certain of the performance objectives for those performance-based stock options. See “Note 11 - Subsequent Events” for additional information on our achievement of those performance goals.

A summary of all restricted stock unit ("RSU") activity for the six months ended June 30, 2015 is presented below (dollars in thousands, except per share amounts):

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Awards outstanding at December 31, 2014	961,469	$ 3.82		
Awarded	205,253	$ 3.08		
Released	(268,400)	$ 2.11		
Forfeited	(89,773)	$ 5.29		
Awards outstanding at June 30, 2015	808,549	$ 4.04	1.79 years	$ 2,781

As of June 30, 2015, $2.1 million of total unrecognized compensation expense related to employee RSUs was expected to be recognized over a weighted-average period of 1.79 years.

NOTE 9. NET LOSS PER SHARE

The following table sets forth a reconciliation of basic and diluted net loss per share (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Numerator:				
Net loss	$ (43,362)	$ (73,410)	$ (78,532)	$ (148,029)
Denominator:				
Shares used in computing basic and diluted net loss per share	196,201	194,929	196,052	193,323
Net loss per share, basic and diluted	$ (0.22)	$ (0.38)	$ (0.40)	$ (0.77)

The 28,750,000 shares of our common stock that were issued July 29, 2015 pursuant to a registered underwritten public offering were not included in the computation of diluted net loss per share for the periods presented. See "Note 6 - Common Stock and Warrants" for more information on our July 2015 sale of shares of common stock. The following table sets forth outstanding potentially dilutive shares of common stock that are not included in the computation of diluted net loss per share because, to do so would be anti-dilutive (in thousands):

	June 30	
	2015	2014
Convertible debt	88,008	54,123
Outstanding stock options, unvested RSUs and ESPP contributions	29,049	26,308
Warrants	1,000	1,000
Total potentially dilutive shares	118,057	81,431

NOTE 10. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject us to concentrations of credit risk are primarily trade and other receivables and investments. Investments consist of money market funds, taxable commercial paper, corporate bonds with high credit quality, U.S. Treasury and government sponsored enterprises, and municipal bonds. All investments are maintained with financial institutions that management believes are creditworthy.

Trade and other receivables are unsecured and are concentrated in the pharmaceutical and biotechnology industries. Accordingly, we may be exposed to credit risk generally associated with pharmaceutical and biotechnology companies. We have incurred no bad debt expense since inception. As of June 30, 2015, 85% of our trade and other receivables are with the specialty pharmacy that sells COMETRIQ in the United States and 8% are with our European distribution partner. Both of these customers pay promptly and within their respective payment terms. All of our long-lived assets are located in the United States.

We have operations primarily in the United States, while some of our collaboration partners have headquarters outside of the United States and some of our clinical trials for cabozantinib are also conducted outside of the United States. During the second quarter of 2013, we initiated a Named Patient Use program through our distribution partner, Swedish Orphan Biovitrum ("Sobi"), to support the distribution and commercialization of COMETRIQ for metastatic MTC primarily in the European Union and potentially other countries. In March 2014, the European Commission approved cabozantinib for the treatment of adult patients with progressive, unresectable locally advanced or metastatic MTC, also under the brand name COMETRIQ. In June 2014, we began selling COMETRIQ to Sobi in preparation for commercial sales in certain countries in the European Union. The following table shows the percentage of revenues earned in the United States and the European Union.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Percentage of revenues earned in the United States	88%	93%	87%	96%
Percentage of revenues earned in the European Union	12%	7%	13%	4%

We recorded a $54 thousand gain and a $34 thousand loss relating to foreign exchange fluctuations for the six months ended June 30, 2015 and 2014, respectively.

The following table sets forth the percentage of revenues recognized to the specialty pharmacies that represent 10% or more of total revenues:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Diplomat Specialty Pharmacy	88%	93%	87%	96%
Swedish Orphan Biovitrum	12%	7%	13%	4%

NOTE 11. SUBSEQUENT EVENTS

Positive Top-Line Results from METEOR Trial and Vesting of Performance-Based Stock Options

On July 20, 2015, we announced positive top-line results from the primary analysis of METEOR, our phase 3 pivotal trial comparing cabozantinib to everolimus in patients with advanced RCC who have experienced disease progression following treatment with at least one prior VEGF receptor tyrosine kinase inhibitor. On July 20, 2015, the Compensation Committee of the Board of Directors of Exelixis convened to determine that top-line efficacy data received from METEOR met its primary endpoint at the level specified and within the time period permitted by the performance goals set by the Compensation Committee for performance-based stock options granted to employees in 2013, 2014 and 2015. As a result of this determination, 6,982,603 performance-based stock options granted to Exelixis employees, including executive officers, vested on July 20, 2015 and we will therefore record $9.7 million in employee stock-based compensation expense related to those options in the third quarter of 2015.

Sale of Shares of Common Stock

On July 29, 2015 we completed a registered underwritten public offering of 28,750,000 shares of our common stock, including 3,750,000 shares issued under the underwriters' 30-day option to buy shares, at a price of $5.40 per share pursuant to a shelf registration statement previously filed with the SEC, which was filed and automatically became effective on July 1, 2015. We received $145.5 million in net proceeds from the offering after deducting the underwriting discount and other estimated expenses. We estimate that the expenses of the offering, excluding underwriting discount, will be approximately $0.4 million, and are payable by us. The shares of common stock were listed on The NASDAQ Global Select Market. All of the shares in the offering were sold by the Company.

The Underwriting Agreement contains customary representations, warranties and agreements by the Company, indemnification obligations of the Company and the Underwriter, including for liabilities under the Securities Act of 1933, as amended, other obligations of the parties and termination provisions. The representations, warranties and covenants contained in the Underwriting Agreement were made only for purposes of such agreement and as of specific dates, were solely for the benefit of the parties to such agreement and may be subject to limitations agreed upon by the contracting parties.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis contains forward-looking statements. These statements are based on Exelixis, Inc.'s ("Exelixis," "we," "our" or "us") current expectations, assumptions, estimates and projections about our business and our industry, and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied in, or contemplated by, the forward-looking statements. Words such as "believe," "anticipate," "expect," "intend," "planned," "focus," "objective," "will," "may," "could," "would," "estimate," "potential," "continue," or the negative of such terms or other similar expressions identify forward-looking statements. Our actual results and the timing of events may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such a difference include those discussed in Part II, Item 1A of this Form 10-Q, as well as those discussed elsewhere in this report.

This discussion and analysis should be read in conjunction with our financial statements and accompanying notes included in this report and the financial statements and accompanying notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, filed with the Securities and Exchange Commission, or SEC, on March 2, 2015. Operating results are not necessarily indicative of results that may occur in future periods. We undertake no obligation to update any forward-looking statement to reflect events after the date of this report.

Overview

We are a biopharmaceutical company committed to developing small molecule therapies for the treatment of cancer. Our two most advanced assets are cabozantinib, our wholly-owned inhibitor of multiple receptor tyrosine kinases, and cobimetinib (GDC-0973/XL518), a selective inhibitor of MEK, a dual-specificity kinase, which we out-licensed to Genentech, Inc. (a member of the Roche Group), or Genentech.

Our development and commercialization efforts are focused primarily on cabozantinib. We are evaluating cabozantinib in a broad development program comprising over forty-five clinical trials across multiple indications, including two ongoing phase 3 pivotal trials focusing on advanced renal cell carcinoma, or RCC, and advanced hepatocellular carcinoma, or HCC.

On April 8, 2015, the United States Food and Drug Administration, or FDA, granted Fast Track designation to cabozantinib for the treatment of patients with advanced RCC, who have received one prior therapy. On July 20, 2015, we announced positive top-line results from the primary analysis of METEOR, the phase 3 pivotal trial comparing cabozantinib to everolimus in 658 patients who experienced disease progression following treatment with a VEGF receptor tyrosine kinase inhibitor, or TKI. The trial demonstrated a statistically significant increase in progression free survival, or PFS, for cabozantinib, reduced the risk of disease progression or death by 42 percent compared to everolimus, and showed a positive trend for a secondary endpoint of overall survival, or OS. The trial will continue to the final analysis of OS, anticipated in 2016. A review of serious adverse event, or SAE, data demonstrated that the frequency of SAEs of any Grade regardless of causality was approximately balanced between study arms, and the rate of treatment discontinuation due to adverse events was low (10%) in both study arms. Detailed results will be submitted for presentation at an upcoming medical conference. Based on the data from the trial, we expect to complete U.S. and EU regulatory filings in early 2016.

Enrollment continues in CELESTIAL, our phase 3 pivotal trial in advanced HCC, from which we expect top-line results in 2017.

Cabozantinib was approved by the FDA on November 29, 2012, for the treatment of progressive, metastatic medullary thyroid cancer, or MTC, in the United States under the brand name COMETRIQ®. COMETRIQ became commercially available in the United States in January 2013. In March 2014, the European Commission granted cabozantinib conditional marketing authorization for the treatment of adult patients with progressive, unresectable locally advanced or metastatic MTC, also under the brand name COMETRIQ.

Our second most advanced oncology asset, cobimetinib, is being evaluated by Genentech in a broad development program, including coBRIM, a phase 3 pivotal trial evaluating cobimetinib in combination with vemurafenib versus vemurafenib alone in previously untreated patients with unresectable locally advanced melanoma harboring a BRAF V600 mutation. On September 29, 2014, positive results from this trial were reported at the European Society for Medical Oncology, or ESMO, 2014 Congress. The trial met its primary endpoint of demonstrating a statistically significant increase in investigator-determined PFS for cobimetinib in combination with vemurafenib versus vemurafenib alone. Roche has completed the Marketing Authorization Application, or MAA, for cobimetinib in combination with vemurafenib in the European Union. In the United States, Genentech submitted its New Drug Application, or NDA, in December 2014, and the FDA granted the NDA priority review with a projected action date of August 11, 2015. On June 30, 2015, Genentech informed us that, in order to accommodate its review of a supplemental data submission, the FDA extended the projected action date for its review of the cobimetinib NDA by the standard extension period of three months, to November 11, 2015.

Our Strategy

Our business strategy focuses predominantly on two Exelixis discovered compounds, cabozantinib and cobimetinib. Cabozantinib is wholly owned by Exelixis. We are pursuing development and commercialization of these compounds in multiple tumor indications. Cobimetinib is partnered with Genentech, which is solely responsible for its development and commercialization, although we have exercised our option to co-promote the drug with Genentech in the U.S.

Cabozantinib is an inhibitor of tyrosine kinases, including MET, VEGF receptors, AXL and RET. These receptor tyrosine kinases are involved in both normal cellular function and in pathologic processes such as oncogenesis, metastasis, tumor angiogenesis, and maintenance of the tumor microenvironment. We believe that cabozantinib has the potential to make a meaningful difference in the lives of patients and that the emerging clinical data support such a view. Our objective, therefore, is to build cabozantinib into a significant oncology franchise as a single agent, and potentially in combination with other therapies.

Cabozantinib's first regulatory approvals, both in the U.S. and EU as COMETRIQ capsules for MTC, presented us with a valuable opportunity to gain experience commercializing this new compound. The results of METEOR in advanced RCC now offer an opportunity to commercialize cabozantinib more broadly with a tablet formulation in a significantly larger market. We are seeking to partner cabozantinib with a global pharmaceutical organization whose international resources will permit us to explore and exploit the potential opportunity cabozantinib presents on its own and in combination with other agents, in RCC, HCC, and other potential indications.

On the development front, our Cooperative Research and Development Agreement, or CRADA, with the National Cancer Institute's Cancer Therapy Evaluation Program, or NCI-CTEP, and investigator sponsored trials, or ISTs, have permitted us to engage with leading clinicians to expand our collective understanding of cabozantinib's potential, while also conserving our internal resources for late stage trials. We believe this staged approach to building cabozantinib's value with a far lesser upfront expenditure of funds has been rational and cost-effective.

A second Exelixis discovered compound, cobimetinib, a selective inhibitor of MEK, is being developed under a collaboration with Genentech. Following the positive results from the coBRIM phase 3 trial of cobimetinib plus vemurafenib versus vemurafenib alone in BRAF mutation positive metastatic melanoma patients, we exercised our option to co-promote cobimetinib in the U.S. to provide the opportunity for us to further build our commercialization experience in oncology. Genentech continues to pursue a broad development program for cobimetinib in combination with multiple agents in its oncology pipeline, including immuno-oncology agents. These studies seek to expand the potential use of cobimetinib in additional melanoma patient populations and into other significant tumor types including non-small cell lung cancer, or NSCLC, and KRAS mutant metastatic colorectal cancer. We believe that cobimetinib has the potential to provide us with a second significant source of revenue.

Beyond our efforts regarding cabozantinib and cobimetinib, we are working with our corporate partners under the terms of our various collaboration agreements to realize the potential value of the compounds and programs we have out-licensed to them. In the aggregate, these partnered compounds could potentially be of significant value to us if their development programs progress successfully.

Collaborations

We have established a collaboration with Genentech for cobimetinib, and other collaborations with leading pharmaceutical companies including Bristol-Myers Squibb Company, or Bristol-Myers Squibb, Sanofi, Merck (known as MSD outside of the United States and Canada) and Daiichi Sankyo Company Limited, or Daiichi Sankyo, for compounds and programs in our portfolio. Pursuant to these collaborations, we have fully out-licensed compounds or programs to a partner for further development and commercialization. We have no further development cost obligations under our collaborations and may be entitled to receive milestones and royalties, or in the case of cobimetinib, a share of profits (or losses) from commercialization.

Cobimetinib Collaboration

Our collaboration with Genentech for cobimetinib continues to be of increasing importance to us as cobimetinib is our most advanced partnered compound in development and has the greatest near-term commercial potential. In addition to the coBRIM trial, of which data has been submitted for regulatory approval and marketing authorizations in the U.S. and EU, the following clinical trials of cobimetinib in combination with other agents are active, as disclosed on clinicaltrials.gov:

- A Study of MEHD7945A and Cobimetinib (GDC-0973) in Patients with Locally Advanced or Metastatic Cancers with Mutant KRAS (NCT01986166);
- A Phase 1b Study of MPDL3280A (an Engineered Anti-PDL1 Antibody) in Combination with Cobimetinib in Patients with Locally Advanced or Metastatic Solid Tumors (NCT01988896);
- Trial of Vemurafenib/Cobimetinib with or without Bevacizumab in Patients with Stage IV BRAF V600 Mutant Melanoma (NCT01495988);
- A Phase 1b Study of MPDL3280A (an Engineered Anti-PDL1 Antibody) in Combination with Vemurafenib (Zelboraf®) or Vemurafenib Plus Cobimetinib in Patients with Previously Untreated BRAF V600-Mutation Positive Metastatic Melanoma (NCT01656642);
- A Study of Cobimetinib in Combination with Paclitaxel as First-line Treatment for Patients with Metastatic Triple-negative Breast Cancer (NCT02322814);
- A Study of Neo-adjuvant Use of Vemurafenib Plus Cobimetinib for BRAF Mutant Melanoma with Palpable Lymph Node Metastases (NCT02036086);
- A Phase II Study of Cobimetinib in Combination with Vemurafenib in Active Melanoma Brain Metastases (CoBRIM-B) (NCT02230306);
- Neoadjuvant Vemurafenib + Cobimetinib in Melanoma: NEO-VC (NCT02303951);
- Vemurafenib Plus Cobimetinib in Metastatic Melanoma (REPOSIT) (NCT02414750);
- A Phase Ib, Open-Label, Dose-Escalation Study Of The Safety, Tolerability, and Pharmacokinetics of Cobimetinib and GDC-0994 In Patients with Locally Advanced or Metastatic Solid Tumors (NCT02457793);
- A trial of Vemurafenib and Cobimetinib in Patients with Advanced BRAF V500 Mutant Melanoma (NCT2427893);
- A Study of GDC-0973/XL518 in Patients With Solid Tumors (NCT00467779);
- A Study to Evaluate the Pharmacokinetics and Safety of Cobimetinib in Volunteers With and Without Liver Damage (NCT02300025); and
- A Study of Vemurafenib And GDC-0973 in Patients With BRAF-Mutation Positive Metastatic Melanoma (NCT01271803).

Under the terms of our collaboration agreement with Genentech for cobimetinib, we are entitled to an initial equal share of U.S. profits and losses for cobimetinib, with our share decreasing as sales increase, and we will share equally in the U.S. marketing and commercialization costs. The profit share has multiple tiers: we are entitled to 50% of profits from the first $200 million of U.S. actual sales, decreasing to 30% of profits from U.S. actual sales in excess of $400 million. The tiers for the profit share reset each calendar year. We are entitled to low double-digit royalties on ex-U.S. net sales. In November 2013, we exercised an option under the collaboration agreement to co-promote in the U.S. As a result of exercising our option to co-promote, we may provide up to 25% of the total sales force for cobimetinib in the United States if commercialized, and will call on customers and otherwise engage in promotional activities using that sales force, consistent with the terms of the collaboration agreement and a co-promotion agreement to be entered into by the parties.

Other Collaborations

With respect to our partnered compounds, other than cobimetinib, we are eligible to receive potential contingent payments totaling approximately $2.3 billion in the aggregate on a non-risk adjusted basis, of which 10% are related to clinical development milestones, 42% are related to regulatory milestones and 48% are related to commercial milestones, all to be achieved by the various licensees, which may not be paid, if at all, until certain conditions are met.

Business Highlights for the Three Months Ended June 30, 2015 and Recent Developments

Completion of Underwritten Public Offering

On July 29, 2015 we completed a registered underwritten public offering of 28,750,000 shares of our common stock, including 3,750,000 shares issued under the underwriters' 30-day option to buy shares, at a price of $5.40 per share. We

received $145.5 million in net proceeds from the offering after deducting the underwriting discount and other estimated expenses. We estimate that the expenses of the offering, excluding underwriting discount, will be approximately $0.4 million, and are payable by us.

Positive Top-Line Results from METEOR, the Phase 3 Pivotal Trial of Cabozantinib vs. Everolimus in Patients with Advanced RCC

On July 20, 2015, we announced positive top-line results from the primary analysis of METEOR, our phase 3 pivotal trial comparing cabozantinib to everolimus in patients with advanced RCC who have experienced disease progression following treatment with at least one prior VEGF receptor TKI. The trial met its primary endpoint of demonstrating a statistically significant increase in PFS for cabozantinib versus everolimus in the first 375 randomized patients as determined by an independent radiology committee. Cabozantinib reduced the risk of disease progression or death by 42 percent compared to the everolimus arm (hazard ratio [HR]=0.58, 95 percent CI 0.45 - 0.75, p<0.0001). Data pertaining to OS in the entire study population of 658 patients, a secondary endpoint of the trial, were immature at the data cutoff. A prespecified interim analysis, triggered by the primary analysis for PFS, showed a trend in OS favoring cabozantinib (HR = 0.67, unadjusted 95 percent CI 0.51 - 0.89; p = 0.005). At the time of the interim analysis, the pre-specified p-value of 0.0019 to achieve statistical significance was not reached. The trial will continue to the final analysis of OS anticipated in 2016. METEOR's primary analysis included a review of SAE data. Based on this analysis the frequency of SAEs of any Grade regardless of causality was approximately balanced between study arms. The rate of treatment discontinuation due to adverse events was low (10%) in both study arms. Detailed results of the METEOR trial will be submitted for presentation at an upcoming medical conference. Based on the data from the trial, we expect to complete U.S. and EU regulatory filings in early 2016.

Appointment of Executive Vice President and Chief Financial Officer

On July 15, 2015, Christopher J. Senner was appointed as our Executive Vice President and Chief Financial Officer. Concurrent with Mr. Senner's appointment, we mutually agreed with Deborah Burke that Ms. Burke would cease to be our Chief Financial Officer, but would continue to serve as our Senior Vice President, Finance and Controller.

Initiation of Phase 1 Trial of Cabozantinib in Combination with Nivolumab or Nivolumab Plus Ipilimumab in Patients with Advanced/Metastatic Urothelial Carcinoma and Other Genitourinary Tumors

On July 13, 2015, we announced the initiation of a phase 1 trial of cabozantinib in combination with nivolumab alone or in combination with nivolumab plus ipilimumab in patients with genitourinary tumors, including advanced/metastatic urothelial (bladder) cancer and RCC. The study is being sponsored through our CRADA with NCI-CTEP with our support and support from Bristol-Myers Squibb. The study was initiated based upon preliminary data on objective tumor responses presented at the Annual Meeting of the American Society of Clinical Oncology, or ASCO, conference in June 2014. The primary endpoint of the trial is the determination of dose-limiting toxicities and a recommended phase 2 dose for the combination of cabozantinib and nivolumab, and separately, for the combination of cabozantinib, nivolumab and ipilimumab, in patients with genitourinary solid tumors. Secondary endpoints include evaluating the activity of the two combinations by objective response rate, as well as PFS and OS, in cohorts of patients with urothelial carcinoma of the bladder, urethra, ureter or renal pelvis.

Extension of Maturity Date of our Indebtedness under our Note Purchase Agreement with Deerfield

On July 1, 2015, we extended the maturity date of the Deerfield Notes (as defined in "--Certain Factors Important to Understanding Our Financial Condition and Results of Operations - Deerfield Facility" below) from July 1, 2015 to July 1, 2018. In connection with the extension, Deerfield Partners, L.P. and Deerfield International Master Fund, L.P., or the New Deerfield Purchasers, acquired the $100 million principal amount of the Deerfield Notes and we entered into amended and restated secured convertible notes, or the Restated Deerfield Notes, with each of the New Deerfield Purchasers, representing the $100 million principal amount. The Restated Deerfield Notes will bear interest on and after July 2, 2015, at the rate of 7.5% per annum to be paid in cash, quarterly in arrears, and 7.5% per annum to be paid in kind, quarterly in arrears, for a total interest rate of 15% per annum and will mature on July 1, 2018.

Extension of Action Date for NDA for Cobimetinib in Combination with Vemurafenib

On June 30, 2015, our partner Genentech informed us that the FDA extended the action date for its review of Genentech's NDA for cobimetinib by the standard extension period of three months, from August 11, 2015 to November 11, 2015. The FDA extended its review after Genentech submitted, at FDA request, additional analysis of previously submitted data from coBRIM, the phase 3 registrational trial of cobimetinib and vemurafenib in patients with BRAF V600 mutation-positive advanced melanoma.

Data Presented at the 2015 Annual Meeting of the American Society of Clinical Oncology

In May and June 2015, clinical data from cabozantinib and cobimetinib were the subject of fourteen separate data presentations at the 2015 ASCO Annual Meeting. Clinical data from cabozantinib, included, among others, oral presentations from a phase 2 trial of cabozantinib in patients with EGFR wild-type NSCLC conducted under our CRADA with NCI-CTEP and from a phase 2 IST of cabozantinib in patients with advanced RET-rearranged lung cancers. Clinical data from cobimetinib, included, among others, an oral presentation updating the PFS from coBRIM, a phase 3 pivotal trial evaluating cobimetinib in combination with vemurafenib versus vemurafenib alone in previously untreated patients with unresectable locally advanced melanoma harboring a BRAF V600 mutation and a poster presentation covering extended follow-up results from BRIM7, an ongoing phase 1b clinical trial, conducted by Roche and Genentech of vemurafenib in combination with cobimetinib in patients with locally advanced/unresectable or metastatic melanoma carrying a BRAFV600 mutation.

Certain Factors Important to Understanding Our Financial Condition and Results of Operations

Successful development of drugs is inherently difficult and uncertain. Our business requires significant investments in research and development over many years, and products often fail during the research and development process. Our long-term prospects depend upon our ability, and the ability of our partners, to successfully commercialize new therapeutics in highly competitive areas such as cancer treatment. Our financial performance is driven by many factors, including those described below, and is subject to the risks set forth in Part II, Item 1A - Risk Factors.

Limited Sources of Revenues and the Need to Raise Additional Capital

We have incurred net losses since inception through June 30, 2015, with the exception of the 2011 fiscal year. We anticipate net losses and negative operating cash flow for the foreseeable future. For the six months ended June 30, 2015, we incurred a net loss of $78.5 million and as of June 30, 2015, we had an accumulated deficit of $1.8 billion. These losses have had, and will continue to have, an adverse effect on our stockholders' deficit and working capital. Because of the numerous risks and uncertainties associated with developing drugs, we are unable to predict the extent of any future losses or whether or when we will become profitable, if at all. Our research and development expenditures and selling, general and administrative expenses have exceeded our revenues for each fiscal year other than the 2011 fiscal year, and we expect to spend significant additional amounts to fund the continued development and commercialization of cabozantinib. As a result, we expect to continue to incur substantial operating expenses and, consequently, we will need to generate significant additional revenues to achieve future profitability.

We commercially launched COMETRIQ for the treatment of progressive, metastatic MTC in the United States in late January 2013, and from the commercial launch through June 30, 2015 we have generated $57.5 million in net revenues from the sale of COMETRIQ. Other than revenues from COMETRIQ, we have derived substantially all of our revenues since inception from collaborative research and development agreements, which depend on research funding, the achievement of milestones, and royalties we earn from any future products developed from the collaborative research.

The amount of our net losses will depend, in part, on the rate of growth, if any, in our sales of COMETRIQ; our share of the net profits and losses for the commercialization for cobimetinib in the U.S., if any; the receipt of royalties from cobimetinib sales outside the U.S., if any; partnering activities for cabozantinib; other license and contract revenues; and, the level of expenses primarily with respect to development and commercialization activities for cabozantinib.

As of June 30, 2015, we had $167.0 million in cash and investments, which included $76.6 million available for operations, $6.1 million of short-term restricted investments available for public debt service obligations, $81.6 million of compensating balance investments that we are required to maintain on deposit with Silicon Valley Bank, and $2.7 million of long-term restricted investments. We anticipate that our current cash and cash equivalents, and short-term investments available for operations, and product revenues, together with the proceeds from our July 2015 public offering, will enable us to maintain our operations for a period of at least 12 months following the end of the second quarter of 2015. While a forecast of future events is inherently uncertain, our ability to sustain our business operations for this time period is highly dependent on the commercial success of COMETRIQ and the revenues we generate, as well as the commercial success of cobimetinib and our share of related net profits and losses, and royalties under our collaboration with Genentech. Consistent with the actions we have taken in the past, we will prioritize necessary and appropriate steps to ensure the continued operation of our business and preservation of the value of our assets. However, our future capital requirements will be substantial, and we may need to raise additional capital in the future. Our capital requirements will depend on many factors, and we may need to use available capital resources and raise additional capital significantly earlier than we currently anticipate.

For a description of the factors upon which our capital requirements depend, please see "– Liquidity and Capital Resources – *Capital Requirements*."

Clinical Development and Commercialization of Cabozantinib

Our primary development and commercialization program is focused on cabozantinib, our wholly-owned inhibitor of multiple receptor tyrosine kinases, currently approved under the brand name COMETRIQ in the United States and the European Union for the treatment of metastatic MTC. However, cabozantinib may fail to show adequate safety or efficacy as an anti-cancer drug in clinical testing in other types of cancer. For example, our two phase 3 clinical trials (COMET-1 and COMET-2) of cabozantinib in metastatic castration-resistant prostate cancer, or mCRPC failed to meet their primary endpoints. Based on the outcomes of the COMET trials, we have terminated the clinical development of cabozantinib in mCRPC, and other studies in mCRPC sponsored by us, including a randomized phase 2 study of cabozantinib in combination with abiraterone, have been halted.

Furthermore, predicting the timing of the initiation or completion of clinical trials is difficult, and our trials may be delayed due to many factors, including factors outside of our control. The future development path of cabozantinib depends upon the results of each stage of clinical development. We continue to incur significant expenses for the development of cabozantinib as it advances in clinical development.

The commercial success of COMETRIQ depends upon the degree of market acceptance of COMETRIQ among physicians, patients, health care payers, and the medical community. Establishing and maintaining sales, marketing, and distribution capabilities are expensive and time-consuming. Such expenses may be disproportional compared to the revenues we may be able to generate on sales of COMETRIQ and have an adverse impact on our results of operations. Further, if cabozantinib is approved for the treatment of an indication beyond the approved MTC indication, including advanced RCC, we expect to incur an increase in commercialization expenses in connection with any such approval.

Convertible Senior Subordinated Notes

In August 2012, we issued and sold $287.5 million aggregate principal amount of the 4.25% Convertible Senior Subordinated Notes due 2019, or the 2019 Notes, for net proceeds of $277.7 million. The 2019 Notes mature on August 15, 2019, unless earlier converted, redeemed or repurchased, and bear interest at a rate of 4.25% per annum, payable semi-annually in arrears on February 15 and August 15 of each year, beginning February 15, 2013. Subject to certain terms and conditions, at any time on or after August 15, 2016, we may redeem for cash all or a portion of the 2019 Notes. The redemption price will equal 100% of the principal amount of the 2019 Notes to be redeemed plus accrued and unpaid interest, if any, to, but excluding, the redemption date. Upon the occurrence of certain circumstances, holders may convert their 2019 Notes prior to the close of business on the business day immediately preceding May 15, 2019. On or after May 15, 2019, until the close of business on the second trading day immediately preceding August 15, 2019, holders may surrender their 2019 Notes for conversion at any time. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. The initial conversion rate of 188.2353 shares of common stock per $1,000 principal amount of the 2019 Notes is equivalent to a conversion price of approximately $5.31 per share of common stock and is subject to adjustment in connection with certain events. If a Fundamental Change, as defined in the indenture governing the 2019 Notes, occurs, holders of the 2019 Notes may require us to purchase for cash all or any portion of their 2019 Notes at a purchase price equal to 100% of the principal amount of the Notes to be purchased plus accrued and unpaid interest, if any, to, but excluding, the Fundamental Change purchase date. In addition, if certain specified bankruptcy and insolvency-related events of default occur, the principal of, and accrued and unpaid interest on, all of the then outstanding notes will automatically become due and payable. If an event of default other than certain specified bankruptcy and insolvency-related events of default occurs and is continuing, the Trustee by notice to us or the holders of at least 25% in principal amount of the outstanding 2019 Notes by notice to us and the Trustee, may declare the principal of, and accrued and unpaid interest on, all of the then outstanding 2019 Notes to be due and payable.

In connection with the offering of the 2019 Notes, $36.5 million of the proceeds were deposited into an escrow account which contains an amount of permitted securities sufficient to fund, when due, the total aggregate amount of the first six scheduled semi-annual interest payments on the 2019 Notes. As of June 30, 2015, we have used $30.6 million of the amount held in the escrow account to pay the required semi-annual interest payments. The amount held in the escrow account as of June 30, 2015, was $6.1 million and is included in short-term restricted cash and investments. We have pledged our interest in the escrow account to the Trustee as security for our obligations under the 2019 Notes.

Deerfield Facility

In June 2010, we entered into a note purchase agreement with Deerfield Private Design Fund, L.P. and Deerfield Private Design International, L.P., or the Original Deerfield Purchasers, pursuant to which, on July 1, 2010, we sold to the Original Deerfield Purchasers an aggregate of $124.0 million principal amount of our Secured Convertible Notes due July 1, 2015, which we refer to as the Original Deerfield Notes, for an aggregate purchase price of $80.0 million, less closing fees and expenses of approximately $2.0 million. On July 1, 2015, we made a $4.0 million principal payment and then extended the

maturity date of the Original Deerfield Notes from July 1, 2015 to July 1, 2018. In connection with the extension, the New Deerfield Purchasers acquired the $100.0 million principal amount of the Original Deerfield Notes and we entered into the Restated Deerfield Notes with each of the New Deerfield Purchasers, representing the $100.0 million principal amount. We refer to the Original Deerfield Purchasers and the New Deerfield Purchasers collectively as Deerfield, and to the Original Deerfield Notes and Restated Deerfield Notes, collectively as the Deerfield Notes.

As of June 30, 2015 and December 31, 2014, the outstanding principal balance on the Deerfield Notes was $100.0 million and $104.0 million, respectively, which, subject to certain limitations, is payable in cash or in stock at our discretion. Beginning on July 2, 2015, the outstanding principal amount of the Deerfield Notes bears interest at the rate of 7.5% per annum to be paid in cash, quarterly in arrears, and 7.5% per annum to be paid in kind, quarterly in arrears, for a total interest rate of 15% per annum. Through July 1, 2015, the outstanding principal amount of the Deerfield Notes bore interest in the annual amount of $6.0 million, payable quarterly in arrears.

The following is a summary of interest expense for the Deerfield Notes (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Stated coupon interest	$ 1,496	$ 1,495	$ 2,975	$ 2,975
Amortization of debt discount and debt issuance costs	2,373	2,931	5,320	5,626
Total interest expense	$ 3,869	$ 4,426	$ 8,295	$ 8,601

The balance of unamortized fees and costs was $0.9 million and $1.4 million as of June 30, 2015 and December 31, 2014, respectively, which is included in Other assets on the accompanying Condensed Consolidated Balance Sheets. Prior to March 4, 2015, the unamortized discount, fees and costs were amortized into interest expense as a yield adjustment through July 1, 2015. Effective March 4, 2015, upon notification of our election to require the New Deerfield Purchasers to acquire the Deerfield Notes and extend the maturity date to July 1, 2018, we began to amortize the remaining unamortized discount, fees and costs through July 1, 2018 using the effective interest method and an effective interest rate of 15.26%.

On August 6, 2012, the parties amended the note purchase agreement to permit the issuance of the 2019 Notes and modify certain optional prepayment rights. The amendment became effective upon the issuance of the 2019 Notes and the payment to the Original Deerfield Purchasers of a $1.5 million consent fee. On August 1, 2013, the parties further amended the note purchase agreement to clarify certain of our other rights under the note purchase agreement. On January 22, 2014, the note purchase agreement was amended to provide us with an option to extend the maturity date of our indebtedness under the note purchase agreement to July 1, 2018, which extension was completed on July 1, 2015. On July 10, 2014, the parties further amended the note purchase agreement to clarify certain provisions of the note purchase agreement.

In each of January 2014 and 2013, we made mandatory prepayments of $10.0 million on the Deerfield Notes. We were required to make an additional mandatory prepayment on the Deerfield Notes in January 2015 equal to 15% of certain revenues from collaborative arrangements, which we refer to as Development/Commercialization Revenue, received during the prior fiscal year, subject to a maximum prepayment amount of $27.5 million. We received no such revenues during the fiscal year ended December 31, 2014 and therefore made no minimum prepayment in January 2015. As a result of the extension of the maturity date of the Deerfield Notes to July 1, 2018, our obligation to make annual mandatory prepayments equal to 15% of Development/Commercialization Revenue received by us during the prior fiscal year will continue to apply in each of 2016, 2017 and 2018. However, we will only be obligated to make any such annual mandatory prepayment if the New Deerfield Purchasers provide notice to us of their election to receive the prepayment. Mandatory prepayments relating to Development/Commercialization Revenue will continue to be subject to a maximum annual prepayment amount of $27.5 million. The definition of “Development/Commercialization Revenue” expressly excludes any sale or distribution of drug or pharmaceutical products in the ordinary course of our business, and any proceeds from any Intellectual Property Sales (as further described below).

Under the note purchase agreement, we may at our sole discretion, prepay all of the principal amount of the Deerfield Notes at a prepayment price equal to 105% of the outstanding principal amount of the Deerfield Notes, plus all accrued and unpaid interest through the date of such prepayment, plus, if prior to July 1, 2017, all interest that would have accrued on the principal amount of the Deerfield Notes between the date of such prepayment and July 1, 2017, if the outstanding principal amount of the Deerfield Notes as of such prepayment date had remained outstanding through July 1, 2017, plus all other accrued and unpaid obligations, collectively referred to as the Prepayment Price.

In lieu of making any portion of the Prepayment Price or mandatory prepayment in cash, subject to certain limitations (including a cap on the number of shares issuable under the note purchase agreement), we have the right to convert all or a portion of the principal amount of the Deerfield Notes into, or satisfy all or any portion of the Prepayment Price amounts or

mandatory prepayment amounts with shares of our common stock. Additionally, in lieu of making any payment of accrued and unpaid interest in respect of the Deerfield Notes in cash, subject to certain limitations, we may elect to satisfy any such payment with shares of our common stock. The number of shares of our common stock issuable upon conversion or in settlement of principal and interest obligations will be based upon the discounted trading price of our common stock over a specified trading period. Upon certain changes of control of Exelixis, a sale or transfer of assets in one transaction or a series of related transactions for a purchase price of more than (i) $400 million or (ii) 50% of our market capitalization, Deerfield may require us to prepay the Deerfield Notes at the Prepayment Price. Upon an event of default, as defined in the Deerfield Notes, Deerfield may declare all or a portion of the Prepayment Price to be immediately due and payable.

We are required to notify the applicable Deerfield entities of certain sales, assignments, grants of exclusive licenses or other transfers of our intellectual property pursuant to which we transfer all or substantially all of our legal or economic interests, defined as an Intellectual Property Sale, and the Deerfield entities may elect to require us to prepay the principal amount of the Deerfield Notes in an amount equal to (i) 100% of the cash proceeds of any Intellectual Property Sale relating to cabozantinib and (ii) 50% of the cash proceeds of any other Intellectual Property Sale.

In connection with the January 2014 amendment to the note purchase agreement, on January 22, 2014, we issued to the New Deerfield Purchasers two-year warrants, which we refer to as the 2014 Deerfield Warrants, to purchase an aggregate of 1,000,000 shares of our common stock at an exercise price of $9.70 per share. Upon our election to extend the maturity date of the Deerfield Notes occurs, the exercise price of the 2014 Deerfield Warrants was reset to $3.445 per share and the term was extended by two years to January 22, 2018. The 2014 Deerfield Warrants contain certain limitations that prevent the holder of the 2014 Deerfield Warrants from acquiring shares upon exercise of a 2014 Deerfield Warrant that would result in the number of shares beneficially owned by the holder to exceed 9.98% of the total number of shares of our common stock then issued and outstanding. The number of shares for which the 2014 Deerfield Warrants are exercisable and the associated exercise prices are subject to certain adjustments as set forth in the 2014 Deerfield Warrants. In addition, upon certain changes in control of Exelixis, to the extent the 2014 Deerfield Warrants are not assumed by the acquiring entity, or upon certain defaults under the 2014 Deerfield Warrants, the holder has the right to net exercise the 2014 Deerfield Warrants for shares of common stock, or be paid an amount in cash in certain circumstances where the current holders of our common stock would also receive cash, equal to the Black-Scholes Merton value of the 2014 Deerfield Warrants.

In connection with the issuance of the 2014 Deerfield Warrants, we entered into a registration rights agreement with Deerfield, pursuant to which we filed a registration statement with the SEC covering the resale of the shares of common stock issuable upon exercise of the 2014 Deerfield Warrants.

In connection with the note purchase agreement, we also entered into a security agreement in favor of Deerfield which provides that our obligations under the Deerfield Notes will be secured by substantially all of our assets except intellectual property. On August 1, 2013, the security agreement was amended to limit the extent to which voting equity interests in any of our foreign subsidiaries shall be secured assets.

The note purchase agreement as amended and the security agreement include customary representations and warranties and covenants made by us, including restrictions on the incurrence of additional indebtedness.

Loan Agreement with Silicon Valley Bank

On May 22, 2002, we entered into a loan and security agreement with Silicon Valley Bank for an equipment line of credit. On December 21, 2004, December 21, 2006 and December 21, 2007, we amended the loan and security agreement to provide for additional equipment lines of credit and on June 2, 2010, we further amended the loan and security agreement to provide for a new seven-year term loan in the amount of $80.0 million. As of June 30, 2015, the combined outstanding principal balance due under the lines of credit and term loan was $80.0 million, compared to $80.4 million as of December 31, 2014. The principal amount outstanding under the term loan accrues interest at 1.0% per annum, which interest is due and payable monthly. We are required to repay the term loan in one balloon principal payment, representing 100% of the principal balance and accrued and unpaid interest, on May 31, 2017. We are required to repay any advances under an equipment line of credit in 48 equal monthly payments of principal and interest. We have the option to prepay all, but not less than all, of the amounts advanced under the term loan, provided that we pay all unpaid accrued interest thereon that is due through the date of such prepayment and the interest on the entire principal balance of the term loan that would otherwise have been paid after such prepayment date until the maturity date of the term loan. We have the option to prepay without penalty any advance under an equipment line of credit other than advances under a single equipment line of credit, which has a 1.0% prepayment penalty, provided that we pay all unpaid accrued interest thereon that is due through the date of such prepayment. In accordance with the terms of the loan and security agreement, we are required to maintain an amount equal to at least 100%, but not to exceed 107%, of the outstanding principal balance of the term loan and all equipment lines of credit under the loan and security agreement on deposit in one or more investment accounts with Silicon Valley Bank or one of its affiliates as support for our

obligations under the loan and security agreement (although we are entitled to retain income earned or the amounts maintained in such accounts). Any amounts outstanding under the term loan during the continuance of an event of default under the loan and security agreement will, at the election of Silicon Valley Bank, bear interest at a per annum rate equal to 6.0%. If one or more events of default under the loan and security agreement occurs and continues beyond any applicable cure period, Silicon Valley Bank may declare all or part of the obligations under the loan and security agreement to be immediately due and payable and stop advancing money or extending credit to us under the loan and security agreement.

2014 Restructuring

On September 2, 2014, as a consequence of the failure of COMET-1, one of our two phase 3 pivotal trials of cabozantinib in mCRPC, we initiated the 2014 Restructuring to reduce our workforce. Personnel reductions were initiated across our entire organization and have resulted in and aggregate reduction in headcount of 143 full-time employees as of June 30, 2015. The principal objective of the 2014 Restructuring was to enable us to focus our financial resources on the phase 3 pivotal trials of cabozantinib in advanced RCC and advanced HCC.

For the six months ended June 30, 2015, we recorded restructuring charges of $0.3 million for the 2014 Restructurings. The restructuring charge included $1.2 million in additional charges due to the partial termination of one of our building leases and additional facility-related charges related to the decommissioning and exit of certain buildings. The restructuring charge was partially offset by $0.9 million in recoveries recorded in connection with the sale of excess equipment and other assets. Employee severance and other benefits are recognized ratably during the period from the implementation date of the 2014 Restructuring through the employees' termination dates.

Critical Accounting Estimates

The preparation of our consolidated financial statements is in conformity with accounting principles generally accepted in the United States which requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. On an ongoing basis, management evaluates its estimates including, but not limited to, those related to inventory, revenue recognition, valuation of long-lived assets, certain accrued liabilities including clinical trial accruals and restructuring liability, valuation of warrants, share-based compensation and the valuation of the debt and equity components of our convertible debt at issuance. We base our estimates on historical experience and on various other market-specific and other relevant assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our senior management has discussed the development, selection, and disclosure of these estimates with the Audit Committee of our Board of Directors. Actual results could differ materially from these estimates.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the financial statements. We believe our critical accounting policies relating to inventory, revenue recognition, clinical trial accruals, restructuring liability, share based compensation and warrant valuation reflect the more significant estimates and assumptions used in the preparation of our consolidated financial statements.

Revenue Recognition

Product Sales

We recognize revenue when it is both realized or realizable and earned, meaning persuasive evidence of an arrangement exists, delivery has occurred, title has transferred, the price is fixed or determinable, there are no remaining customer acceptance requirements, and collectability of the resulting receivable is reasonably assured. For product sales in the United States, this generally occurs upon delivery of the product at the specialty pharmacy. For product sales in Europe, this generally occurs when our European distribution partner has accepted the product, at which time they are no longer able to return the product.

We sell our product, COMETRIQ, in the United States to a specialty pharmacy that benefits from customer incentives and has a right of return. Prior to 2015, COMETRIQ had limited sales history and we could not reliably estimate expected future returns, discounts and rebates of the product at the time the product was sold to the specialty pharmacy, therefore we recognized revenue when the specialty pharmacy provided the product to a patient based on the fulfillment of a prescription, frequently referred to as the "sell-through" revenue recognition model. Recently we have established sufficient historical experience and data to reasonably estimate expected future returns of the product and the discounts and rebates due to payors at the time of shipment to the specialty pharmacy. Accordingly, beginning in January 2015 we began to recognize revenue upon

delivery to our U.S. specialty pharmacy. This approach is frequently referred to as the “sell-in” revenue recognition model. In connection with the change in the timing of recognition of U.S. COMETRIQ sales, we recorded a one-time adjustment to recognize revenue and related costs that had previously been deferred at December 31, 2014, resulting in additional gross product revenues of $2.6 million and a nominal amount of cost of goods sold for the six months ended June 30, 2015; there were no such adjustments recorded for the three months ended June 30, 2015.

We also utilize the “sell-in” revenue recognition model for sales to our European distribution partner. Once the European distributer has accepted the product, the product is no longer subject to return; therefore, we record revenue at the time our European distribution partner has accepted the product.

Product Sales Discounts and Allowances

We calculate gross product revenues based on the price that we charge our United States specialty pharmacy and our European distribution partner. We estimate our domestic net product revenues by deducting from our gross product revenues (a) trade allowances, such as discounts for prompt payment, (b) estimated government rebates and chargebacks, and (c) estimated costs of patient assistance programs. We estimate our European net product revenues by deducting from our gross product revenues an estimated credit for product originally delivered with expiry of 18 months or less. European net product revenues for the six months ended June 30, 2015 also included the remaining $0.1 million of the $2.4 million project management fee payable to our European distributor upon their achievement of a cumulative revenue goal; no such fees or credits were recognized during the three months ended June 30, 2015 or the comparable periods in 2014. We first determined that the achievement of the revenue goal was probable in the third quarter of 2014 and therefore we recorded project management fees beginning in that period.

We initially record estimates for these deductions at the time we recognize the gross revenue. We update our estimates on a recurring basis as new information becomes available. See “Note 1 - Organization and Summary of Significant Accounting Policies” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2014 for a further description of our discounts and allowances.

Other than changes to revenue recognition, there have been no significant changes in our critical accounting policies and estimates during the six months ended June 30, 2015, as compared to the critical accounting policies and estimates disclosed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Fiscal Year Convention

Exelixis adopted a 52- or 53-week fiscal year that generally ends on the Friday closest to December 31st. Fiscal year 2015, a 52-week year, will end on January 1, 2016, and fiscal year 2014, a 53-week year, ended on January 2, 2015. For convenience, references in this report as of and for the fiscal periods ended July 3, 2015 and June 27, 2014, and as of and for the fiscal years ended January 1, 2016 and January 2, 2015, are indicated as being as of and for the periods ended June 30, 2015, June 30, 2014, December 31, 2015, and December 31, 2014, respectively.

Results of Operations

Revenues

Revenues by category were as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Gross product revenues	$ 8,431	$ 6,904	$ 18,564	$ 12,145
Discounts and allowances	(439)	(342)	(1,184)	(678)
Total revenues	$ 7,992	$ 6,562	$ 17,380	$ 11,467
Dollar change	$ 1,430		$ 5,913	
Percentage change	22%		52%	

Revenues relate to the sale of COMETRIQ. The increase in gross product revenues for the three and six months ended June 30, 2015 reflects the continued ramp up in sales of COMETRIQ following its commercial launch in the United States in January 2013. The increase in gross product revenues for the six months ended June 30, 2015 also reflects the impact of a change to the “sell-in” method which resulted in the one-time recognition of $2.6 million of deferred revenue attributable to sales to the specialty pharmacy that sells COMETRIQ in the United States; there was no such adjustment recorded for the three months ended June 30, 2015 or during the comparable periods in 2014.

For domestic sales, we have transitioned from the “sell-through” method to the “sell-in” method of recognizing product revenue as we have established sufficient history to reasonably estimate expected returns of the product and the discounts and rebates due to payers.

For foreign sales, we continue to utilize the “sell-in” method to recognize product revenue for all periods presented.

We calculate gross product revenues based on the price that we charge our United States specialty pharmacy and our European distribution partner. We estimate our domestic net product revenues by deducting from our gross product revenues (a) trade allowances, such as discounts for prompt payment, (b) estimated government rebates and chargebacks, and (c) estimated costs of patient assistance programs. We estimate our European net product revenues by deducting from our gross product revenues an estimated credit for product originally delivered with expiry of 18 months or less. European net product revenues for the six months ended June 30, 2015 also included the remaining $0.1 million of the $2.4 million project management fee payable to our European distributor upon their achievement of a cumulative revenue goal; no such fees or credits were recognized during the three months ended June 30, 2015 or the comparable periods in 2014. We first determined that the achievement of the revenue goal was probable in the third quarter of 2014 and therefore we recorded project management fees beginning in that period.

Total revenues by customer were as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Diplomat Specialty Pharmacy	$ 7,035	$ 6,126	$ 15,110	$ 10,951
Sobi	957	436	2,270	516
Total revenues	$ 7,992	$ 6,562	$ 17,380	$ 11,467
Dollar change	$ 1,430		$ 5,913	
Percentage change	22%		52%	

Cost of Goods Sold

Cost of goods sold is related to our product revenues and consists primarily of a 3% royalty on net sales of any product incorporating cabozantinib we are required to pay GlaxoSmithKline, and to a lesser extent, indirect labor costs, the cost of manufacturing and other third party logistics costs for our product. A portion of the manufacturing costs for product sales were incurred prior to regulatory approval of COMETRIQ for the treatment of progressive, metastatic MTC and, therefore, were expensed as research and development costs when those costs were incurred, rather than capitalized as inventory.

The cost of goods sold and our gross margins were as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Cost of goods sold	$ 686	$ 477	$ 1,452	$ 786
Gross margin	91%	93%	92%	93%

The increase in the cost of goods sold for the three and six months ended June 30, 2015, as compared to the comparable periods in 2014, was a result of increased sales of COMETRIQ as well as decreases in the amount of product sold that had been expensed as research and development expense prior to regulatory approval. The cost of goods sold and gross margin we have experienced since our product launch may not be representative of what we may experience going forward. Gross margin percentage is net revenues less cost of goods sold, divided by net revenues.

Research and Development Expenses

Total research and development expenses were as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Research and development expenses	$ 24,506	$ 50,976	$ 46,788	$ 105,823
Dollar change	$ (26,470)		$ (59,035)	
Percentage change	(52)%		(56)%	

Research and development expenses consist primarily of clinical trial expenses, personnel expenses, allocation of general corporate costs, consulting and outside services, temporary personnel expenses and stock-based compensation.

The decrease in research and development expenses for the three and six months ended June 30, 2015, as compared to the comparable periods in 2014, was primarily related to a decrease in clinical trial costs, which includes services performed by third-party contract research organizations and other vendors who support our clinical trials. The decrease in clinical trial costs was $14.1 million, or 50%, for the three months ended June 30, 2015 and $35.3 million, or 57%, for the six months ended June 30, 2015, as compared to the comparable periods in 2014. The decrease in clinical trial costs for both the three and six months ended June 30, 2015, as compared to the comparable periods in 2014 was predominantly due to decreases in costs related to COMET-1 and COMET-2, our phase 3 pivotal trials in metastatic CRPC which we terminated in September 2014, and a reduction of general program level costs; the decrease in clinical trial costs for the six months ended June 30, 2015 also included the impact of a $4.6 million decrease in comparator drug purchases for METEOR, our phase 3 pivotal trial in advanced RCC.

Decreases in research and development expenses for the three and six months ended June 30, 2015 also related to personnel expenses, consulting and outside services and temporary personnel. Personnel expenses decreased by $6.1 million and $11.9 million for the three and six months ended June 30, 2015, respectively, as compared to the comparable periods in 2014 primarily due to workforce reductions undertaken as a consequence of the failure of COMET-1. Consulting and outside services decreased by $1.9 million and $3.3 million for the three and six months ended June 30, 2015, respectively, as compared to the comparable periods in 2014 primarily as a result of decreases in clinical development consulting activities and the use of outside medical safety liaisons. Temporary personnel decreased by $1.1 million and $1.7 million for the three and six months ended June 30, 2015, respectively, as compared to the comparable periods in 2014 due to a decrease in clinical trial activities performed by those personnel.

Historically, we grouped our research and development expenses into three categories: development, drug discovery and other. As noted under “Overview”, we are focusing our development and commercialization efforts primarily on cabozantinib to maximize the therapeutic and commercial potential of this compound, and as a result, we expect nearly all of our future research and development expenses to relate to the clinical development of cabozantinib. Additionally, as a consequence of our focus on cabozantinib, we have discontinued all of our drug discovery efforts. As a result of this shift in business strategy and the limited relevance of the disclosure with respect to our current operations, we no longer disclose the breakdown of our research and development expenses by category.

We expect to continue to incur significant development costs for cabozantinib in future periods as we evaluate its potential in a broad development program comprising over forty-five clinical trials across multiple indications, including two ongoing phase 3 pivotal trials focusing on advanced RCC and advanced HCC. In addition, postmarketing commitments in connection with the approvals of COMETRIQ in MTC dictate that we conduct additional studies in that indication.

We anticipate that research and development expenses will not increase during the second half of 2015 as compared to the six months ended June 30, 2015 as a result of the shift from clinical trial activities to activities necessary to complete regulatory filings in the United States and European Union for cabozantinib in the treatment of advanced RCC. However, we anticipate non-cash stock-based compensation will increase due to the July 2015 vesting of performance-based stock options with performance objectives tied to METEOR.

We do not have reliable estimates regarding the timing of our clinical trials. We estimate that typical phase 1 clinical trials last approximately one year, phase 2 clinical trials last approximately one to two years and phase 3 clinical trials last approximately two to four years. However, the length of time may vary substantially according to factors relating to the particular clinical trial, such as the type and intended use of the drug candidate, the clinical trial design and the ability to enroll suitable patients.

We do not have reliable estimates of total costs for a particular drug candidate, or for cabozantinib for a particular indication, to reach the market. Our potential therapeutic products are subject to a lengthy and uncertain regulatory process that may involve unanticipated additional clinical trials and may not result in receipt of the necessary regulatory approvals. Failure to receive the necessary regulatory approvals would prevent us from commercializing the product candidates affected. In addition, clinical trials of our potential product candidates may fail to demonstrate safety and efficacy, which could prevent or significantly delay regulatory approval.

Selling, General and Administrative Expenses

Total selling, general and administrative expenses were as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Selling, general and administrative expenses	$ 12,789	$ 16,466	$ 22,320	$ 31,157
Dollar change	$ (3,677)		$ (8,837)	
Percentage change	(22)%		(28)%	

Selling, general and administrative expenses consist primarily of personnel expenses, consulting and outside services, facility costs, employee stock-based compensation expense, marketing, and legal and accounting costs.

The decrease in selling, general and administrative expenses for the three and six months ended June 30, 2015, as compared to the comparable periods in 2014, was primarily related to personnel expenses, consulting and outside services, stock-based compensation and legal and accounting costs. Those decreases were partially offset by an increase in marketing costs. Personnel expenses decreased by $2.9 million and $6.5 million for the three and six months ended June 30, 2015, respectively, as compared to the comparable periods in 2014 primarily due to workforce reductions undertaken as a consequence of the failure of COMET-1. Consulting and outside services decreased by $1.5 million and $2.9 million for the three and six months ended June 30, 2015, respectively, as compared to the comparable periods in 2014 primarily as a result of decreases in marketing research activities, a reduction in fixed fees paid to Sobi, reductions in outside services for buildings we are no longer occupying and our Board of Director's decision to receive stock awards in lieu of cash compensation for services rendered during the fourth quarter of 2014 and all of 2015. Stock-based compensation decreased by $1.5 million and $2.7 million for the three and six months ended June 30, 2015, respectively, as compared to the comparable periods in 2014 due to a decrease in outstanding awards and unvested options without performance objectives. Legal and accounting costs decreased by $1.2 million and $2.5 million for the three and six months ended June 30, 2015, respectively, as compared to the comparable periods in 2014 primarily due to decreases in activities related to patent filings and defense. Those decreases were partially offset by a $2.6 million and $4.1 million increase in marketing expenses for the three and six months ended June 30, 2015, respectively, as compared to the comparable periods in 2014, which includes our share of the pre-commercial preparation expenses for cobimetinib under our collaboration agreement with Genentech.

Following the announcement of positive top-line results from the primary analysis of METEOR and the potential approval of cobimetinib in combination with vemurafenib for previously untreated patients with unresectable locally advanced or metastatic melanoma harboring a BRAF V600 mutation in the fourth quarter of 2015, we anticipate selling, general and administrative expenses will increase during the second half of 2015 as we increase our commercial activities in preparation for the potential launch of cobimetinib and cabozantinib to patients for the treatment of advanced RCC. We also anticipate non-cash stock-based compensation will increase due to the July 2015 vesting of performance-based stock options with performance objectives tied to METEOR.

Restructuring Charge

On September 2, 2014, as a consequence of the failure of COMET-1, one of our two phase 3 pivotal trials of cabozantinib in metastatic castration-resistant prostate cancer, we initiated the 2014 Restructuring to reduce our workforce. Personnel reductions were initiated across our entire organization that resulted in an aggregate reduction in headcount of 143 full-time employees as of June 30, 2015. The principal objective of the 2014 Restructuring was to enable us to focus our financial resources on the phase 3 pivotal trials of cabozantinib in advanced RCC and advanced HCC.

Between March 2010 and May 2013, we implemented five restructurings (referred to collectively as the "2010 Restructurings") to manage costs and as a consequence of our decision in 2010 to focus our proprietary resources and development efforts on the development and commercialization of cabozantinib. The aggregate reduction in headcount from the 2010 Restructurings was 429 employees. Charges and recoveries related to the 2010 Restructurings were recorded in periods other than those in which the 2010 Restructurings were implemented as a result of sublease activities for certain of our buildings in South San Francisco, California, changes in assumptions regarding anticipated sublease activities, the effect of the passage of time on our discounted cash flow computations, previously planned employee terminations, and sales of excess equipment and other assets.

Total restructuring charge for both for restructurings 2010 Restructurings and 2014 Restructuring was as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Restructuring charge	$ 1,291	$ 331	$ 860	$ 377
Dollar change	$ 960		$ 483	
Percentage change	290%		128%	

The charges for each of the periods presented include the effect of the passage of time on our discounted cash flow computations (“accretion expense”) for the exit, in prior periods, of certain of our South San Francisco buildings. The restructuring charge for the six months ended June 30, 2015 included $1.2 million in additional charges due to the early termination of one of our building leases, the impact of a new sublease executed in June 2015 and additional changes in assumptions regarding anticipated sublease activities, and additional facility-related charges related to the decommissioning and exit of certain buildings. The restructuring charge for the six months ended June 30, 2015 was partially offset by $0.9 million in recoveries recorded in connection with the sale of excess equipment and other assets, as compared to $0.1 million for the comparable period in 2014.

Total Other Income (Expense), Net

Total other income (expense), net, were as follows (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Interest income and other, net	$ (123)	$ 359	$ (130)	$ 2,490
Interest expense	(11,959)	(12,081)	(24,362)	(23,843)
Total other expense, net	$ (12,082)	$ (11,722)	$ (24,492)	$ (21,353)
Dollar change	$ (360)		$ (3,139)	
Percentage change	3%		15%	

Total other income (expense), net consists primarily of interest expense incurred on our debt, partially offset by interest income earned on our cash and investments and gains and losses on derivatives and foreign exchange fluctuations. Interest expense includes aggregate non-cash interest expense on both the 2019 Notes and the Deerfield Notes of $7.2 million and $14.9 million for the three and six months ended June 30, 2015, respectively, as compared to $7.3 million and $14.3 million for the comparable periods in 2014, respectively. Interest income and other, net for the six months ended June 30, 2015 and 2014 includes $0.5 million in unrealized losses and $1.9 million in unrealized gains, respectively, on the revaluation of the 2014 Deerfield Warrants

Liquidity and Capital Resources

Sources and Uses of Cash

The following table summarizes our cash flow activities (in thousands):

	Six Months Ended June 30,	
	2015	2014
Net loss	$ (78,532)	$ (148,029)
Net cash used in operating activities	(71,919)	(127,423)
Net cash provided by investing activities	57,580	105,049
Net cash (used in) provided by financing activities	(4,107)	65,736
Net (decrease) increase in cash and cash equivalents	(18,446)	43,362
Cash and cash equivalents at beginning of period	80,395	103,978
Cash and cash equivalents at end of period	$ 61,949	$ 147,340

We commercially launched COMETRIQ for the treatment of progressive, metastatic MTC in the United States in late January 2013, and from the commercial launch through June 30, 2015 we have generated $57.5 million in net revenues from

the sale of COMETRIQ. Other than revenues from COMETRIQ, we have derived substantially all of our revenues since inception from collaborative research and development agreements, which depend on research funding, the achievement of milestones, and royalties we earn from any future products developed from the collaborative research. For a discussion of potential future capital requirements, please see "– Liquidity and Capital Resources – *Capital Requirements*."

Operating Activities

Our operating activities used cash of $71.9 million for the six months ended June 30, 2015, compared to $127.4 million for the same period in 2014.

Operating cash flows can differ from our consolidated net loss as a result of differences in the timing of cash receipts and earnings recognition and non-cash charges.

Cash used in operating activities for the six months ended June 30, 2015 related primarily to our $71.4 million operating expenses for the period, less non-cash expenses for accretion of debt discount totaling $14.9 million on the Deerfield Notes and the 2019 Notes and stock-based compensation totaling $3.4 million. Our operating expenses were largely attributable to the development of cabozantinib. In addition, we made cash payments that resulted in a $9.0 million reduction in accrued clinical trial liabilities. We also paid $4.8 million for restructuring activities.

Cash used in operating activities for the six months ended June 30, 2014 related primarily to our $138.1 million operating expenses for the period, less non-cash expenses for accretion of debt discount totaling $14.3 million on the Deerfield Notes and the 2019 Notes, stock-based compensation totaling $7.7 million, investment amortization totaling $2.1 million, and depreciation and amortization totaling $1.1 million. Our operating expenses were largely attributable to the development of cabozantinib. In addition, we paid $3.5 million for restructuring activities and made cash payments that resulted in a $4.9 million reduction in accounts payable and other accrued expenses during the period.

Investing Activities

Our investing activities provided cash of $57.6 million for the six months ended June 30, 2015, compared to cash provided of $105.0 million for the same period in 2014.

Cash provided by investing activities for the six months ended June 30, 2015 was primarily due to the maturity of unrestricted and restricted investments of $106.7 million, less investment purchases of $50.4 million.

Cash provided by investing activities for the six months ended June 30, 2014 was primarily due to the maturity of unrestricted and restricted investments of $192.0 million, less investment purchases of $86.9 million.

Financing Activities

Our financing activities used cash of $4.1 million for the six months ended June 30, 2015, compared to cash provided of $65.7 million for the same period in 2014.

Cash used for financing activities for the six months ended June 30, 2015 was due to principal payments on debt of $4.4 million.

Cash provided by our financing activities for the six months ended June 30, 2014 was primarily due to the issuance of 10.0 million shares of common stock in January 2014 for net proceeds of $75.6 million. The cash provided by the issuance of common stock was partially offset by principal payments on debt of $11.0 million.

Proceeds from common stock and debt issuances are used for general working capital purposes, including for clinical trials, build-out of commercial infrastructure, research and development, capital expenditures and working capital. Over the next several years, we are required to make certain payments on notes and bank obligations. See "--Certain Factors Important to Understanding Our Financial Condition and Results of Operations," for a description of those payment obligations.

Capital Requirements

We have incurred net losses since inception through June 30, 2015, with the exception of the 2011 fiscal year. We anticipate net losses and negative operating cash flow for the foreseeable future. For the six months ended June 30, 2015, we incurred a net loss of $78.5 million and as of June 30, 2015, we had an accumulated deficit of $1.8 billion. These losses have had, and will continue to have, an adverse effect on our stockholders' deficit and working capital. Because of the numerous risks and uncertainties associated with developing drugs, we are unable to predict the extent of any future losses or whether or when we will become profitable, if at all. Our research and development expenditures and selling, general and administrative expenses have exceeded our revenues for each year other than the 2011 fiscal year, and we expect to spend significant

additional amounts to fund the continued development and commercialization of cabozantinib. As a result, we expect to continue to incur substantial operating expenses and, consequently, we will need to generate significant additional revenues to achieve future profitability.

We commercially launched COMETRIQ for the treatment of progressive, metastatic MTC in the United States in late January 2013, and from the commercial launch through June 30, 2015 we have generated $57.5 million in net revenues from the sale of COMETRIQ. Other than revenues from COMETRIQ, we have derived substantially all of our revenues since inception from collaborative research and development agreements, which depend on research funding, the achievement of milestones, and royalties we earn from any future products developed from the collaborative research.

The amount of our net losses will depend, in part, on the rate of growth, if any, in our sales of COMETRIQ; our share of the net profits and losses for the commercialization for cobimetinib in the U.S., if any; the receipt of royalties from cobimetinib sales outside the U.S., if any; partnering activities for cabozantinib; other license and contract revenues; and, the level of expenses primarily with respect to development and commercialization activities for cabozantinib.

As of June 30, 2015, we had $167.0 million in cash and investments, which included $76.6 million available for operations, $6.1 million of short-term restricted investments available for public debt service obligations, $81.6 million of compensating balance investments that we are required to maintain on deposit with Silicon Valley Bank, and $2.7 million of long-term restricted investments. We anticipate that our current cash and cash equivalents, and short-term investments available for operations, and product revenues, together with the proceeds from our July 2015 public offering, will enable us to maintain our operations for a period of at least 12 months following the end of the second quarter of 2015. While a forecast of future events is inherently uncertain, our ability to sustain our business operations for this time period is highly dependent on the commercial success of COMETRIQ and the revenues we generate, as well as the commercial success of cobimetinib and our share of related net profits and losses, and royalties under our collaboration with Genentech. Consistent with the actions we have taken in the past, we will prioritize necessary and appropriate steps to ensure the continued operation of our business and preservation of the value of our assets. However, our future capital requirements will be substantial, and we may need to raise additional capital in the future. Our capital requirements will depend on many factors, and we may need to use available capital resources and raise additional capital significantly earlier than we currently anticipate. These factors include:

- the progress and scope of the cabozantinib development and commercialization activities;
- the commercial success of COMETRIQ and the revenues we generate;
- our obligation to share U.S. marketing and commercialization costs for cobimetinib under our collaboration with Genentech;
- the commercial success of cobimetinib and our share of related profits and losses for the commercialization of cobimetinib in the U.S. and receipt of royalties from cobimetinib sales outside the U.S. under our collaboration with Genentech;
- our ability to obtain regulatory approval for cabozantinib for the treatment of advanced RCC and other indications;
- whether we enter into new collaboration agreements, licensing agreements or other arrangements with respect to cabozantinib or other product candidates that provide additional capital;
- future clinical trial results, notably the results from CELESTIAL, our phase 3 pivotal trial in patients with advanced HCC;
- repayment of the Deerfield Notes which mature on July 1, 2018, subject to a requirement to make a mandatory prepayment in each of 2016, 2017 and 2018 equal to 15% of certain revenues from collaborative arrangements (other than intercompany arrangements) received during the prior fiscal year, subject to a maximum annual prepayment amount of $27.5 million;
- our ability to repay the Deerfield Notes with our common stock, which we are only able to do under specified conditions;
- repayment of our $287.5 million aggregate principal amount of the 2019 Notes, which mature on August 15, 2019, unless earlier converted, redeemed or repurchased;
- repayment of our term loan and line of credit from Silicon Valley Bank, which had an outstanding balance at June 30, 2015, of $80.0 million;
- our ability to control costs;
- our ability to remain in compliance with, or amend or cause to be waived, financial covenants contained in agreements with third parties;
- our need to expand our product and clinical development efforts;

- the cost and timing of regulatory approvals;
- the cost of clinical drug supply for our clinical trials;
- the effect of economic and scientific developments in the market for oncologic therapeutics and the timing of regulatory approvals for competing oncologic therapies; and
- the filing, maintenance, prosecution, defense and enforcement of patent claims and other intellectual property rights.

In addition, we may need to obtain additional funding in order to stay in compliance with covenants contained in our loan and security agreement with Silicon Valley Bank. This agreement contains covenants or events of default requiring us to maintain specified collateral balances. The failure to comply with these covenants could result in an acceleration of the underlying debt obligations. If we are unable to remain in compliance with such covenants or if we are unable to renegotiate such covenants and the lender exercises its remedies under the agreement, we would not be able to operate under our current operating plan.

Contractual Obligations

We have contractual obligations in the form of debt, loans payable, operating leases, purchase obligations and other long-term liabilities. As a result of our extension of the maturity date of the Deerfield Notes to 2018, the outstanding principal has been reclassified from current to long-term liabilities as of June 30, 2015. There were no other material changes outside of the ordinary course of business in our contractual obligations from those as of December 31, 2014.

Off-Balance Sheet Arrangements

As of June 30, 2015, we did not have any material off-balance-sheet arrangements, as defined by applicable SEC regulations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our market risks at June 30, 2015 have not changed significantly from those discussed in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2014, filed with the Securities and Exchange Commission on March 2, 2015.

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio and our long-term debt. As of June 30, 2015, and December 31, 2014, a decrease in the interest rates of one percentage point would have had a net adverse change in the fair value of interest rate sensitive assets and liabilities of $7.6 million and $7.8 million, respectively.

In addition, we have exposure to fluctuations in certain foreign currencies in countries in which we conduct clinical trials. As of June 30, 2015, and December 31, 2014, approximately $3.6 million and $5.5 million, respectively, of our clinical accrual balance was owed in foreign currencies. An adverse change of one percentage point in the foreign currency exchange rates would not have resulted in a material impact for any periods presented. We recorded a $54 thousand gain and a $34 thousand loss relating to foreign exchange fluctuations for the six months ended June 30, 2015 and 2014, respectively.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures. Based on the evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act) required by Rules 13a-15(b) or 15d-15(b) of the Exchange Act, our Chief Executive Officer and Chief Financial Officer have concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective.

Limitations on the Effectiveness of Controls. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within an organization have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met and, as set forth above, our principal executive officer and principal financial officer have concluded, based on their evaluation as of the end of the period covered by this report, that our disclosure controls and procedures were effective to provide reasonable assurance that the objectives of our disclosure control system were met.

Changes in internal control over financial reporting. There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not a party to any material legal proceedings. We may from time to time become a party to various legal proceedings arising in the ordinary course of business.

Item 1A. Risk Factors

In addition to the factors discussed elsewhere in this report and our other reports filed with the SEC, the following are important factors that could cause actual results or events to differ materially from those contained in any forward-looking statements made by us or on our behalf. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we deem immaterial also may impair our business operations. If any of the following risks or such other risks actually occurs, our business could be harmed.

We have marked with an asterisk (*) those risk factors below that reflect substantive changes in risks facing us from the risk factors included in our Annual Report on Form 10-K for the fiscal year ended January 2, 2015 filed with the Securities and Exchange Commission on March 2, 2015. In addition, the risk factors in our Annual Report on Form 10-K for the fiscal year ended January 2, 2015, relating to potentially not achieving the benefits of our cost savings initiatives and the changes to our corporate structure have been removed.

Risks Related to Our Need for Additional Financing and Our Financial Results

If additional capital is not available to us, we may be forced to delay, reduce or eliminate our product development programs or commercialization efforts and we may breach our financial covenants.*

We may need to access additional capital to:

- fund our operations and clinical trials;
- continue our research and development efforts;
- commercialize cabozantinib or any other future product candidates, if any such candidates receive regulatory approval for commercial sale; and
- fund the portion of U.S. marketing and commercialization costs for cobimetinib that we are obligated to fund under our collaboration with Genentech, or any similar costs we are obligated to fund under collaborations we may enter into in the future.

As of June 30, 2015, we had $167.0 million in cash and investments, which included $76.6 million available for operations, $6.1 million of short-term restricted investments available for public debt service obligations, $81.6 million of compensating balance investments that we are required to maintain on deposit with Silicon Valley Bank, and $2.7 million of long-term restricted investments. We anticipate that our current cash and cash equivalents, and short-term investments available for operations, and product revenues, together with the proceeds from our July 2015 public offering, will enable us to maintain our operations for a period of at least 12 months following the end of the second quarter of 2015. While a forecast of future events is inherently uncertain, our ability to sustain our business operations for this time period is highly dependent on the commercial success of COMETRIQ and the revenues we generate, as well as the commercial success of cobimetinib and our share of related net profits and losses, and royalties under our collaboration with Genentech. Consistent with the actions we have taken in the past, we will prioritize necessary and appropriate steps to ensure the continued operation of our business and preservation of the value of our assets. However, our future capital requirements will be substantial, and we may need to raise additional capital in the future. Our capital requirements will depend on many factors, and we may need to use available capital resources and raise additional capital significantly earlier than we currently anticipate. These factors include:

- the progress and scope of the cabozantinib development and commercialization activities;
- the commercial success of COMETRIQ and the revenues we generate;
- our obligation to share U.S. marketing and commercialization costs for cobimetinib under our collaboration with Genentech;
- the commercial success of cobimetinib and our share of related profits and losses for the commercialization of cobimetinib in the U.S. and receipt of royalties from cobimetinib sales outside the U.S. under our collaboration with Genentech;
- our ability to obtain regulatory approval for cabozantinib for the treatment of advanced RCC and other indications;

- whether we enter into new collaboration agreements, licensing agreements or other arrangements with respect to cabozantinib or other product candidates that provide additional capital;
- future clinical trial results, notably the results from CELESTIAL, our phase 3 pivotal trial in patients with advanced HCC;
- repayment of the Deerfield Notes which mature on July 1, 2018, subject to a requirement to make a mandatory prepayment in each of 2016, 2017 and 2018 equal to 15% of certain revenues from collaborative arrangements (other than intercompany arrangements) received during the prior fiscal year, subject to a maximum annual prepayment amount of $27.5 million;
- our ability to repay the Deerfield Notes with our common stock, which we are only able to do under specified conditions;
- repayment of our $287.5 million aggregate principal amount of the 2019 Notes, which mature on August 15, 2019, unless earlier converted, redeemed or repurchased;
- repayment of our term loan and line of credit from Silicon Valley Bank, which had an outstanding balance at June 30, 2015, of $80.0 million;
- our ability to control costs;
- our ability to remain in compliance with, or amend or cause to be waived, financial covenants contained in agreements with third parties;
- our need to expand our product and clinical development efforts;
- the cost and timing of regulatory approvals;
- the cost of clinical and research drug supply for our clinical trials;
- the effect of economic and scientific developments in the market for oncologic therapeutics and the timing of regulatory approvals for competing oncologic therapies; and
- the filing, maintenance, prosecution, defense and enforcement of patent claims and other intellectual property rights.

In addition, we may need to obtain additional funding in order to stay in compliance with covenants contained in our loan and security agreement with Silicon Valley Bank. This agreement contains covenants or events of default requiring us to maintain specified collateral balances. The failure to comply with these covenants could result in an acceleration of the underlying debt obligations. If we are unable to remain in compliance with such covenants or if we are unable to renegotiate such covenants and the lender exercises its remedies under the agreement, we would not be able to operate under our current operating plan.

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 since inception through June 30, 2015, with the exception of the 2011 fiscal year. We anticipate net losses and negative operating cash flow for the foreseeable future. For the six months ended June 30, 2015, we incurred a net loss of $78.5 million and as of June 30, 2015, we had an accumulated deficit of $1.8 billion. These losses have had, and will continue to have, an adverse effect on our stockholders' deficit and working capital. Because of the numerous risks and uncertainties associated with developing drugs, we are unable to predict the extent of any future losses or whether or when we will become profitable, if at all. Our research and development expenditures and selling, general and administrative expenses have exceeded our revenues for each year other than the 2011 fiscal year, and we expect to spend significant additional amounts to fund the continued development and commercialization of cabozantinib. As a result, we expect to continue to incur substantial operating expenses and, consequently, we will need to generate significant additional revenues to achieve future profitability.

We commercially launched COMETRIQ for the treatment of progressive, metastatic MTC in the United States in late January 2013, and from the commercial launch through June 30, 2015 we have generated $57.5 million in net revenues from the sale of COMETRIQ. Other than revenues from COMETRIQ, we have derived substantially all of our revenues since inception from collaborative research and development agreements, which depend on research funding, the achievement of milestones, and royalties we earn from any future products developed from the collaborative research. If the amount of research funding we receive from our collaborators decreases, if our collaborators fail to develop successful products, if we are unable to successfully achieve the milestones under our collaboration agreements, or if sales of products to which we are entitled to royalties under such agreements are weak, our revenues and financial condition would be materially adversely affected.

The amount of our net losses will depend, in part, on our sales of COMETRIQ, our share of the net profits and losses for the commercialization for cobimetinib in the U.S., if any, the receipt of royalties from cobimetinib sales outside the U.S., if any, partnering activities for cabozantinib, other license and contract revenues, and the level of expenses with respect to development and commercialization activities, including for cabozantinib.

Our significant level of indebtedness could limit cash flow available for our operations and expose us to risks that could adversely affect our business, financial condition and results of operations.

We have significant indebtedness and substantial debt service requirements as a result of the Deerfield Notes, our loan and security agreement with Silicon Valley Bank and the 2019 Notes. As of June 30, 2015, our total consolidated indebtedness through maturity was $492.4 million (excluding trade payables). We may also incur additional indebtedness to meet future financing needs. If we incur additional indebtedness, it would increase our interest expense, leverage and operating and financial costs.

Our indebtedness could have significant negative consequences for our business, results of operations and financial condition, including:

- making it more difficult for us to meet our payment and other obligations under the 2019 Notes, the Deerfield Notes, our loan and security agreement with Silicon Valley Bank or our other indebtedness;
- resulting in an event of default if we fail to comply with the covenants contained in our debt agreements, which event of default could result in all of our debt becoming immediately due and payable;
- increasing our vulnerability to adverse economic and industry conditions;
- subjecting us to the risk of increased sensitivity to interest rate increases on our indebtedness with variable interest rates, including borrowings under our loan and security agreement with Silicon Valley Bank;
- limiting our ability to obtain additional financing;
- requiring the dedication of a substantial portion of our cash flow from operations to service our indebtedness, thereby reducing the amount of our cash flow available for other purposes, including clinical trials, research and development, capital expenditures, working capital and other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business;
- preventing us from raising funds necessary to purchase the 2019 Notes in the event we are required to do so following a “Fundamental Change” as specified in the indenture governing the 2019 Notes, or to settle conversions of the 2019 Notes in cash;
- dilution experienced by our existing stockholders as a result of the conversion of the 2019 Notes or the Deerfield Notes into shares of common stock; and
- placing us at a possible competitive disadvantage with less leveraged competitors and competitors that may have better access to capital resources.

We cannot assure you that we will continue to maintain sufficient cash reserves or that our business will generate cash flow from operations at levels sufficient to permit us to pay principal, premium, if any, and interest on our indebtedness, or that our cash needs will not increase. If we are unable to generate sufficient cash flow or otherwise obtain funds necessary to make required payments, or if we fail to comply with the various requirements of the 2019 Notes, the Deerfield Notes, our loan and security agreement with Silicon Valley Bank, or any indebtedness which we have incurred or may incur in the future, we would be in default, which would permit the holders or the Trustee of the 2019 Notes or other indebtedness to accelerate the maturity of such notes or other indebtedness and could cause defaults under the 2019 Notes, the Deerfield Notes, our loan and security agreement with Silicon Valley Bank or our other indebtedness. Any default under the 2019 Notes, the Deerfield Notes, our loan and security agreement with Silicon Valley Bank, or any indebtedness that we have incurred or may incur in the future could have a material adverse effect on our business, results of operations and financial condition.

If a Fundamental Change, as defined in the indenture governing the 2019 Notes, occurs, holders of the 2019 Notes may require us to purchase for cash all or any portion of their 2019 Notes at a purchase price equal to 100% of the principal amount of the Notes to be purchased plus accrued and unpaid interest, if any, to, but excluding, the Fundamental Change purchase date. We may not have sufficient funds to purchase the notes upon a Fundamental Change. In addition, the terms of any borrowing agreements that we may enter into from time to time may require early repayment of borrowings under circumstances similar to those constituting a Fundamental Change. Furthermore, any repurchase of 2019 Notes by us may be considered an event of default under such borrowing agreements.

We are exposed to risks related to foreign currency exchange rates.

Most of our foreign expenses incurred are associated with establishing and conducting clinical trials for cabozantinib. The amount of expenses incurred will be impacted by fluctuations in the currencies of those countries in which we conduct clinical trials. Our agreements with the foreign sites that conduct such clinical trials generally provide that payments for the services provided will be calculated in the currency of that country, and converted into U.S. dollars using various exchange rates based upon when services are rendered or the timing of invoices. When the U.S. dollar weakens against foreign currencies, the U.S. dollar value of the foreign-currency denominated expense increases, and when the U.S. dollar strengthens against these currencies, the U.S. dollar value of the foreign-currency denominated expense decreases. Consequently, changes in exchange rates may affect our financial position and results of operations.

Global credit and financial market conditions could negatively impact the value of our current portfolio of cash equivalents, short-term investments or long-term investments and our ability to meet our financing objectives.

Our cash and cash equivalents are maintained in highly liquid investments with remaining maturities of 90 days or less at the time of purchase. Our short-term and long-term investments consist primarily of readily marketable debt securities with remaining maturities of more than 90 days at the time of purchase. While as of the date of this report we are not aware of any downgrades, material losses, or other significant deterioration in the fair value of our cash equivalents, short-term investments or long-term investments since June 30, 2015, no assurance can be given that a deterioration in conditions of the global credit and financial markets would not negatively impact our current portfolio of cash equivalents or investments or our ability to meet our financing objectives.

Risks Related to Cabozantinib and Cobimetinib

We are dependent on the successful development and commercialization of cabozantinib.*

The success of our business is dependent upon the successful development and commercialization of cabozantinib. As part of our strategy, we are dedicating substantially all of our proprietary resources to advance cabozantinib as aggressively as possible and are seeking to partner cabozantinib with a global pharmaceutical organization whose international resources will permit us to explore and exploit fully the potential opportunity cabozantinib presents on its own and in combination with other agents, in advanced RCC, advanced HCC, and other potential indications. On November 29, 2012, the FDA approved a capsule formulation of cabozantinib for the treatment of progressive, metastatic MTC, also in a capsule formulation in the United States under the brand name COMETRIQ, and we commercially launched COMETRIQ in late January 2013. In March 2014, the European Commission approved cabozantinib for the treatment of adult patients with progressive, unresectable locally advanced or metastatic MTC, also under the brand name COMETRIQ. The European Commission granted conditional marketing authorization following a positive opinion from the Committee for Medicinal Products for Human Use, issued in December 2013. We view the approvals of COMETRIQ by the FDA and European Commission for MTC as transitional events towards our objective of developing cabozantinib capsules and tablets into a significant oncology franchise. Our ability to realize this objective is contingent on, among other things, successful clinical development, regulatory approval and market acceptance of cabozantinib. The failure of COMET-1 and COMET-2, our two phase 3 pivotal trials of cabozantinib in mCRPC, to meet their respective primary endpoints negatively impacted our ability to achieve our development and commercialization goals for cabozantinib in prostate cancer.

On July 20, 2015, we announced that METEOR, a phase 3 pivotal trial comparing cabozantinib to everolimus in patients with advanced RCC who have experienced disease progression following treatment with at least one prior VEGFR TKI, met its primary endpoint of demonstrating a statistically significant increase in PFS for cabozantinib versus everolimus in the first 375 randomized patients as determined by an IRC. Data pertaining to OS in the entire study population of 658 patients, a secondary endpoint of the trial, were immature at the data cutoff, and we cannot be certain that the final analysis of OS anticipated in 2016 will be consistent with the trend in OS favoring cabozantinib that was observed in our interim analysis. Although we plan to complete regulatory filings in the United States and European Union in early 2016 for treatment of such patients with advanced RCC, we cannot be certain that such filings will be made when expected, or at all, or that we will ultimately receive regulatory approval for cabozantinib for that indication by the FDA or the EMA.

In addition, even if such approvals are obtained, the commercial potential of cabozantinib for the treatment of such patients will be affected by a variety of factors, including the final analysis of OS expected in 2016, the perceived benefits associated with the median PFS of patients receiving cabozantinib as compared to everolimus, and the availability and benefits of competitive treatments. We believe that if cabozantinib is approved for the treatment of 2nd or later-line advanced RCC, its potential principal competition in this indication could include axitinib and everolimus, which are already approved in this indication, as well as other agents approved for 1st-line advanced RCC including sunitinib, sorafenib, pazopanib, temsirolimus, and bevacizumab. Other agents being investigated in 2nd line advanced RCC, including nivolumab, may also become competitive treatments if they are approved for advanced RCC. In particular, on July 20, 2015, Bristol-Myers Squibb

announced that the phase 3 trial comparing nivolumab to everolimus in 2nd or later-line advanced RCC patients (Checkmate 025) had met its primary endpoint of showing an improvement in overall survival for patients treated with nivolumab. We anticipate that nivolumab may be approved for use in 2nd or later-line patients in 2016 and will provide immediate direct competition for cabozantinib in this market. In addition, if we fail to enter into a suitable collaboration agreement with respect to cabozantinib for indications beyond MTC, or otherwise encounter additional difficulties in the development of cabozantinib in such other indications due to any of the factors discussed in this "Risk Factors" section or otherwise, or if we do not receive regulatory approval in such indications, including advanced RCC, or are unable to successfully commercialize cabozantinib in such other indications, if approved, we will not have the resources necessary to continue our business in its current form.

In addition, if we fail to enter into a suitable collaboration agreement with respect to cabozantinib for indications beyond MTC, or otherwise encounter additional difficulties in the development of cabozantinib in such other indications beyond MTC due to any of the factors discussed in this "Risk Factors" section or otherwise, or if we do not receive regulatory approval in such indications, including advanced RCC, or are unable to successfully commercialize cabozantinib in such other indications, if approved, we will not have the resources necessary to continue our business in its current form.

We are dependent on the successful development and commercialization of cobimetinib, and rely heavily on our partner, Genentech, for achieving that success.*

We have entered into a worldwide collaboration agreement with Genentech for the development and commercialization of cobimetinib, a compound discovered by Exelixis and licensed to Genentech in 2009 after determination of the maximum tolerated dose in a phase 1 clinical trial. Genentech is responsible for cobimetinib's clinical development and, if cobimetinib is approved, for worldwide commercialization. Under the terms of our collaboration agreement, we are entitled to an initial equal share of U.S. profits and losses for cobimetinib, with our share decreasing as sales increase, and we will share equally in the U.S. marketing and commercialization costs. Pursuant to our collaboration agreement, we may provide up to 25% of the total sales force for cobimetinib in the United States, if cobimetinib is commercialized.

On September 29, 2014, positive results from coBRIM, a phase 3 pivotal trial evaluating cobimetinib in combination with vemurafenib in previously untreated patients with unresectable locally advanced melanoma harboring a BRAF V600 mutation, were reported at the ESMO 2014 Congress. The trial met its primary endpoint of demonstrating a statistically significant increase in investigator-determined PFS for the combination of cobimetinib and vemurafenib versus vemurafenib alone. On the basis of data from the coBRIM trial, Roche submitted a MAA for cobimetinib in combination with vemurafenib in the European Union in September 2014. In the United States, Genentech submitted its NDA in December 2014 and the FDA has granted the NDA priority review, with a projected action date of August 11, 2015. On June 30, 2015, Genentech informed us that, in order to accommodate its review of a supplemental data submission, the FDA extended the projected action date for its review of the cobimetinib NDA by the standard extension period of three months, to November 11, 2015.

Under the terms of our collaboration agreement, we rely heavily upon Genentech's leadership and expertise to further develop cobimetinib. Any significant changes to Genentech's business strategy and priorities, over which we have no control, could adversely affect Genentech's willingness or ability to complete their obligations under our agreement and result in harm to our business and operations. Genentech has complete financial responsibility for cobimetinib's development program, and we are not able to control the amount or timing of resources that Genentech will devote to the product. Of particular significance are Genentech's development efforts with respect to the combination of cobimetinib with immune-oncology agents, a promising and competitive area of clinical research. While Genentech is currently conducting a phase 1b clinical trial combining cobimetinib with the Genentech PD-L1 antibody (MPDL3280A), we are dependent on Genentech for all future development of cobimetinib in combination with MPDL3280A or any other immune-oncology agents. Regardless of Genentech's efforts toward the further development of cobimetinib, such additional clinical investigation may not provide positive data supporting product label expansions or approval in additional indications.

We are similarly dependent upon Genentech's strategic and tactical planning and decision-making with regard to the commercialization of cobimetinib; and, in addition, during the period prior to commercialization, we are obligated to reimburse half of Genentech's costs for commercializing the drug in the U.S. Furthermore, regardless of the level of Genentech's investment in cobimetinib, the compound may not be accepted by physicians, patients, health care payers, such as Medicare and Medicaid, and the medical community.

The commercial success of cabozantinib, as COMETRIQ capsules for MTC or if approved in a tablet formulation for additional indications in the future, will depend upon the degree of market acceptance of cabozantinib among physicians, patients, health care payers, and the medical community.*

Our ability to commercialize cabozantinib, as COMETRIQ capsules for the approved MTC indication or if approved in a tablet formulation for additional indications, will be highly dependent upon the extent to which cabozantinib gains market

acceptance among physicians, patients, health care payers such as Medicare and Medicaid, and the medical community. If cabozantinib does not achieve an adequate level of acceptance, we may not generate significant future product revenues, and we may not become profitable. The degree of market acceptance of COMETRIQ and other cabozantinib products, if approved, will depend upon a number of factors, including:

- the effectiveness, or perceived effectiveness, of cabozantinib in comparison to competing products;
- the existence of any significant side effects of cabozantinib, as well as their severity in comparison to those of any competing products;
- potential advantages or disadvantages in relation to alternative treatments;
- the timing of market entry relative to competitive treatments;
- indications for which cabozantinib is approved;
- the ability to offer cabozantinib for sale at competitive prices;
- relative convenience and ease of administration;
- the strength of sales, marketing and distribution support; and
- sufficient third-party coverage and reimbursement.

If we are unable to maintain adequate sales, marketing and distribution capabilities or enter into or maintain agreements with third parties to do so, we may be unable to commercialize cabozantinib successfully.*

We have designed our commercial organization and strategic commercial approach to maintain flexibility in response to market opportunities. At present, our U.S. commercial organization is sized at a level commensurate with the size of the market opportunity for progressive, metastatic MTC. We expect to be able to scale up quickly if additional indications for cabozantinib are approved in the future, or to scale down if necessary. Our distribution arrangements with Sobi are also right-sized for the EU MTC opportunity and retain strategic flexibility. Overall, we believe the design of our commercial organization, and our strategic commercial approach, are efficient, taking advantage of outsourcing options where prudent to maximize the effectiveness of our commercial expenditures.

However, should the commercial opportunity for cabozantinib grow over time, we may not correctly judge the proper size and level of and experience of the sales and marketing force or the scale of distribution necessary to market and sell cabozantinib successfully. Maintaining sales, marketing, and distribution capabilities is expensive and time-consuming. Such expenses may be disproportionate compared to the revenues we may be able to generate on sales of cabozantinib and have an adverse impact on our results of operations. If we are unable to maintain adequate sales, marketing and distribution capabilities, independently or with others, we may not be able to generate product revenues and our business may be adversely affected.

We currently rely on a single third party logistics provider to handle shipping and warehousing of our commercial supply of COMETRIQ and a single specialty pharmacy to dispense COMETRIQ to patients in fulfillment of prescriptions in the United States. We also rely on a third party, Sobi, to distribute and commercialize COMETRIQ for the treatment of the approved MTC indication primarily in the European Union and potentially other countries in the event that COMETRIQ is approved for commercial sale in those jurisdictions. Our current and anticipated future dependence upon the activities, and legal and regulatory compliance, of these or other third parties may adversely affect our future profit margins and our ability to supply COMETRIQ to the marketplace on a timely and competitive basis. For example, if our third party logistics provider's warehouse suffers a fire or damage from another type of disaster, the commercial supply of COMETRIQ could be destroyed, resulting in a disruption in our commercialization efforts. These or other third parties may not be able to provide services in the time we require to meet our commercial timelines and objectives or to meet regulatory requirements. We may not be able to maintain or renew our arrangements with third parties, or enter into new arrangements, on acceptable terms, or at all. Third parties could terminate or decline to renew our arrangements based on their own business priorities, at a time that is costly or inconvenient for us. If we are unable to contract for logistics services or distribution of COMETRIQ on acceptable terms, our commercialization efforts may be delayed or otherwise adversely affected.

We are subject to certain healthcare laws, regulation and enforcement; our failure to comply with those laws could have a material adverse effect on our results of operations and financial condition.

We are subject to certain healthcare laws and regulations and enforcement by the federal government and the states in which we conduct our business. The laws that may affect our ability to operate include, without limitation:

- the federal Anti-Kickback Law, which constrains our business activities, including our marketing practices, educational programs, pricing policies, and relationships with healthcare providers or other entities, by prohibiting, among other things, persons and entities from knowingly and willfully soliciting, receiving, offering

or paying remuneration, directly or indirectly, in exchange for or to induce either the referral of an individual for, or the purchase, order or recommendation of, any good or service for which payment may be made under federal healthcare programs such as the Medicare and Medicaid programs;

- federal civil and criminal false claims laws and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payers that are false or fraudulent;
- federal criminal laws that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, and their implementing regulations, which impose certain requirements relating to the privacy, security and transmission of individually identifiable health information;
- state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws which may apply to items or services reimbursed by any third-party payer, including commercial insurers, and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts;
- the Foreign Corrupt Practices Act, a U.S. law which regulates certain financial relationships with foreign government officials (which could include, for example, certain medical professionals);
- federal and state consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers;
- state and federal government price reporting laws that require us to calculate and report complex pricing metrics to government programs, where such reported priced may be used in the calculation of reimbursement and/or discounts on our marketed drugs (participation in these programs and compliance with the applicable requirements may subject us to potentially significant discounts on our products, increased infrastructure costs, and potentially limit our ability to offer certain marketplace discounts); and
- state and federal marketing expenditure tracking and reporting laws, which generally require certain types of expenditures in the United States to be tracked and reported (compliance with such requirements may require investment in infrastructure to ensure that tracking is performed properly, and some of these laws result in the public disclosure of various types of payments and relationships, which could potentially have a negative effect on our business and/or increase enforcement scrutiny of our activities).

In addition, certain marketing practices, including off-label promotion, may also violate certain federal and state health regulatory fraud and abuse laws as well as false claims laws. If our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we, or our officers or employees, may be subject to penalties, including administrative civil and criminal penalties, damages, fines, withdrawal of regulatory approval, the curtailment or restructuring of our operations, the exclusion from participation in federal and state healthcare programs and imprisonment, any of which could adversely affect our ability to sell COMETRIQ or operate our business and also adversely affect our financial results.

Numerous federal and state laws, including state security breach notification laws, state health information privacy laws and federal and state consumer protection laws, govern the collection, use and disclosure of personal information. Other countries also have, or are developing, laws governing the collection, use and transmission of personal information. In addition, most healthcare providers who are expected to prescribe our products and from whom we obtain patient health information are subject to privacy and security requirements under HIPAA. Although we are not directly subject to HIPAA, we could be subject to criminal penalties if we knowingly obtain individually identifiable health information from a HIPAA-covered entity in a manner that is not authorized or permitted by HIPAA. The legislative and regulatory landscape for privacy and data protection continues to evolve, and there has been an increasing amount of focus on privacy and data protection issues with the potential to affect our business, including recently enacted laws in a majority of states requiring security breach notification. These laws could create liability for us or increase our cost of doing business. International laws, such as the EU Data Privacy Directive (95/46/EC) and Swiss Federal Act on Data Protection, regulate the processing of personal data within Europe and between European countries and the United States. Failure to provide adequate privacy protections and maintain compliance with safe harbor mechanisms could jeopardize business transactions across borders and result in significant penalties.

If we are unable to obtain both adequate coverage and adequate reimbursement from third-party payers for cabozantinib, our revenues and prospects for profitability will suffer.

Our ability to successfully commercialize cabozantinib will be highly dependent on the extent to which coverage and reimbursement for it is, and will be, available from third-party payers, including governmental payers, such as Medicare and Medicaid, and private health insurers. Many patients will not be capable of paying for cabozantinib themselves and will rely on third-party payers to pay for, or subsidize, their medical needs. If third-party payers do not provide coverage or reimbursement for cabozantinib, our revenues and prospects for profitability will suffer. In addition, even if third-party payers provide some coverage or reimbursement for cabozantinib, the availability of such coverage or reimbursement for prescription drugs under private health insurance and managed care plans often varies based on the type of contract or plan purchased.

In addition, in some foreign countries, particularly the countries in the European Union, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, price negotiations with governmental authorities can take six to twelve months or longer after the receipt of regulatory marketing approval for a product. To obtain reimbursement and/or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost effectiveness of cabozantinib to other available therapies. The conduct of such a clinical trial could be expensive and result in delays in the commercialization of cabozantinib. Third-party payers are challenging the prices charged for medical products and services, and many third-party payers limit reimbursement for newly-approved health care products. In particular, third-party payers may limit the indications for which they will reimburse patients who use cabozantinib. Cost-control initiatives could decrease the price we might establish for cabozantinib, which would result in lower product revenues to us.

Current healthcare laws and regulations and future legislative or regulatory reforms to the healthcare system may affect our ability to sell cabozantinib profitably.

The United States and some foreign jurisdictions are considering or have enacted a number of legislative and regulatory proposals to change the healthcare system in ways that could affect our ability to sell cabozantinib profitably. Among policy makers and payers in the United States and elsewhere, there is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality and/or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives.

For example, under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, collectively referred to as the PPACA, enacted in March 2010, substantial changes have been made, and may continue to be made, to the way healthcare is financed by both governmental and private insurers, and those changes are significantly impacting the pharmaceutical industry. Provisions of the PPACA relevant to the pharmaceutical industry include the following:

- an annual, nondeductible fee on any entity that manufactures or imports certain branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs, not including orphan drug sales;
- an increase in the rebates a manufacturer must pay under the Medicaid Drug Rebate Program to 23.1% and 13% of the average manufacturer price for most branded and generic drugs, respectively;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts on negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer’s outpatient drugs to be covered under Medicare Part D;
- extension of manufacturers’ Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals with income at or below 133% of the Federal Poverty Level, thereby potentially increasing manufacturers’ Medicaid rebate liability;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;
- new requirements to report annually under the federal Open Payments program certain financial arrangements with physicians and teaching hospitals, as defined in PPACA and its implementing regulations, including reporting any payment or “transfer of value” provided to physicians and teaching hospitals and any ownership and investment interests held by physicians and their immediate family members during the preceding calendar year;
- expansion of healthcare fraud and abuse laws, including the federal False Claims Act and the federal Anti-Kickback Statute, new government investigative powers and enhanced penalties for noncompliance; and

- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in and conduct comparative clinical effectiveness research, along with funding for such research.

The PPACA may change in the future. In August 2011, the President signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend proposals in spending reductions to Congress. The Joint Select Committee on Deficit Reduction did not achieve its targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, triggering the legislation's automatic reductions to several government programs. These reductions include aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, starting in 2013 and will stay in effect through 2024 unless additional Congressional action is taken. In January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several providers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. These laws, and others that may affect our business that have been recently enacted or may in the future be enacted, may result in additional reductions in Medicare and other healthcare funding, which could have a material adverse effect on our customers and accordingly, our financial operations. Further, under the recently enacted Drug Quality and Security Act, drug manufacturers will be subject to a number of requirements, including, product identification, tracing and verification, among others, that are designed to improve the detection and removal of counterfeit, stolen, contaminated or otherwise potentially harmful drugs from the U.S. drug supply chain. These requirements will be phased in over several years and compliance with this new law will likely increase the costs of the manufacture and distribution of drug products, which could have an adverse effect on our financial condition.

As a result of the overall trend towards cost-effectiveness criteria and managed healthcare in the United States, third-party payers are increasingly attempting to contain healthcare costs by limiting both coverage and the level of reimbursement of new drugs. They may use tiered reimbursement and may adversely affect demand for cabozantinib by placing it in an expensive tier. They may also refuse to provide any coverage of uses of approved products for medical indications other than those for which the FDA has granted market approvals. As a result, significant uncertainty exists as to whether and how much third-party payers will reimburse for newly approved drugs, which in turn will put pressure on the pricing of drugs. Further, we do not have experience in ensuring approval by applicable third-party payers outside of the United States for coverage and reimbursement of cabozantinib. We also anticipate pricing pressures in connection with the sale of cabozantinib due to the increasing influence of health maintenance organizations and additional legislative proposals.

Our competitors may develop products and technologies that impair the value of cabozantinib and cobimetinib.*

The pharmaceutical, biopharmaceutical and biotechnology industries are highly fragmented and are characterized by rapid technological change. In particular, the area of kinase-targeted therapies is a rapidly evolving and competitive field. We face, and will continue to face, intense competition from biotechnology, biopharmaceutical 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. Some of our competitors are further along in the development of their products than we are. In addition, delays in the development of cobimetinib, and cabozantinib for the treatment of additional tumor types, could allow our competitors to bring products to market before us, which would impair the commercialization of cobimetinib or cabozantinib in such tumor types. Our future success will depend upon our ability to maintain a competitive position with respect to technological advances. The markets for which we intend to pursue regulatory approval of cabozantinib and for which Roche and Genentech intend to pursue regulatory approval for cobimetinib are highly competitive. 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 staff and facilities, more experience in obtaining regulatory approvals and more extensive product manufacturing and commercial capabilities than we do. 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. There may also be drug candidates of which we are not aware at an earlier stage of development that may compete with cobimetinib and cabozantinib. In addition, cobimetinib and cabozantinib may compete with existing therapies that have long histories of use, such as chemotherapy and radiation treatments in cancer indications.

Competition for cabozantinib

We believe that the principal competing anti-cancer therapy to COMETRIQ in progressive, metastatic MTC is AstraZeneca's RET, VEGFR and EGFR inhibitor vandetanib, which has been approved by the FDA and the EMA for the treatment of symptomatic or progressive MTC in patients with unresectable, locally advanced, or metastatic disease. On July 27, 2015, Genzyme announced that it entered into a definitive agreement with AstraZeneca to acquire vandetanib. If the proposed sale is completed, we anticipate the potential for increased competition for COMETRIQ in progressive, metastatic MTC as a result of the consolidation of vandetanib into Genzyme's endocrinology portfolio and the company's rare disease

expertise. In addition, we believe that COMETRIQ also faces competition as a treatment for progressive, metastatic MTC from off-label use of Bayer's and Onyx Pharmaceuticals' (a wholly-owned subsidiary of Amgen) multikinase inhibitor sorafenib, Pfizer's multikinase inhibitor sunitinib, Ariad Pharmaceutical's multikinase inhibitor ponatinib, Novartis' multikinase inhibitor pazopanib and Eisai's multikinase inhibitor lenvatinib.

We believe that if cabozantinib is approved for the treatment of the indications for which we currently have ongoing phase 3 pivotal trials, its potential principal competition in such indications may include the following:

- RCC: Pfizer's axitinib, sunitinib and temsirolimus; Novartis' everolimus and pazopanib; Bayer's and Onyx Pharmaceuticals' sorafenib; Genentech's bevacizumab; Eisai's lenvatinib; and Bristol-Myers Squibb's nivolumab; and
- HCC: Bayer's and Onyx Pharmaceuticals' sorafenib; Bayer's regorafenib; ArQule's tivantinib; and Eisai's lenvatinib.

Examples of potential competition for cabozantinib in other cancer indications include: other VEGF pathway inhibitors, including Genentech's bevacizumab; other RET inhibitors including Eisai's lenvatinib and Ariad's ponatinib; and other MET inhibitors, including Amgen's AMG 208, Pfizer's crizotinib, ArQule's tivantinib, and Mirati's MGCD265; and immunotherapies such as Bristol-Myers Squibb's ipilimumab and nivolimab and Merck's pembrolizumab.

Competition for cobimetinib

We believe that if cobimetinib is approved for the treatment of advanced melanoma, its potential principal competition amongst targeted agent's may include Novartis' trametinib and dabrafenib, and Array's encorafenib and binimetinib; and within the class of immunotherapies, Bristol-Myers Squibb's ipilimumab and nivolumab and Merck's pembrolizumab. The second category, immunotherapies, are of particular competitive importance vis-a-vis cobimetinib in advanced melanoma as they are already FDA approved in melanoma patient populations that overlap with those that may be eligible for cobimetinib, they have been rapidly incorporated into the National Comprehensive Cancer Network treatment guidelines, and they are viewed with a high degree of enthusiasm by physicians and key opinion leaders. Ongoing and future trials incorporating immune-oncology agents, including combination trials, may further impact usage of cobimetinib in melanoma and potentially in additional tumor types in which cobimetinib may ultimately gain approval.

We lack the manufacturing capabilities and experience necessary to enable us to produce cabozantinib for clinical development or for commercial sale and rely on third parties to do so, which subjects us to various risks.

We do not have the manufacturing capabilities or expertise necessary to enable us to produce materials for our clinical trials or for commercial sale of COMETRIQ and rely on third party contractors to do so. These third parties must comply with applicable regulatory requirements, including the FDA's current Good Manufacturing Practices, or cGMP and the European Commission's Guidelines on Good Distribution Practice. Our current and anticipated future dependence upon these third parties may adversely affect our future profit margins and our ability to develop and commercialize cabozantinib on a timely and competitive basis. These third parties may not be able to produce material on a timely basis or manufacture material at the quality or in the quantity required to meet our development and commercial timelines and applicable regulatory requirements. We may not be able to maintain or renew our existing third party manufacturing and supply arrangements, or enter into new arrangements, on acceptable terms, or at all. Our third party manufacturers and suppliers could terminate or decline to renew our manufacturing and supply arrangements based on their own business priorities, at a time that is costly or inconvenient for us. If we are unable to contract for the production of materials in sufficient quantity and of sufficient quality on acceptable terms, our clinical trials and commercialization efforts may be delayed or otherwise adversely affected.

The manufacturing process for pharmaceutical products is highly regulated and our third party vendors are subject to cGMP. Our third-party manufacturers may not be able to comply with the cGMP regulations, other applicable FDA regulatory requirements or similar regulations applicable outside of the United States. Additionally, if we are required to enter into new manufacturing or supply arrangements, we may not be able to obtain approval from the FDA of any alternate manufacturer or supplier in a timely manner, or at all, which could delay or prevent the clinical development and commercialization of cabozantinib. Failure of our third party manufacturers or suppliers or us to obtain approval from the FDA or to comply with applicable regulations could result in sanctions being imposed on us, including fines, civil penalties, delays in or failure to grant marketing approval of cabozantinib, injunctions, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products and compounds, operating restrictions and criminal prosecutions, any of which could have a significant adverse effect on our business. Our third party manufacturers are subject to routine regulatory inspections. Failure of our third party manufacturers to meet these appropriate standards and/or perform manufacturing as required could result in a batch not passing quality inspection or meeting regulatory approval. This could result in product recalls or withdrawals, delays

or failures in product testing or delivery, cost overruns or other problems that could have also a significant adverse effect on our business.

Clinical testing of cabozantinib is a lengthy, costly, complex and uncertain process and may fail to demonstrate safety and efficacy.

Cabozantinib is being evaluated in a comprehensive development program for the treatment of advanced RCC, advanced HCC and a variety of other indications beyond the approved MTC indication. Clinical trials are inherently risky and may reveal that cabozantinib is ineffective or has unacceptable toxicity or other side effects that may significantly decrease the likelihood of regulatory approval in such indications. For example, COMET-1 and COMET-2, our two phase 3 pivotal trials of cabozantinib in mCRPC, failed to meet their respective primary endpoints of demonstrating a statistically significant increase in overall survival for patients treated with cabozantinib as compared to prednisone and to demonstrate improvement in pain response for patients treated by cabozantinib as compared to mitoxantrone/prednisone. Based on the outcome of the COMET trials, we deprioritized the clinical development of cabozantinib in mCRPC.

The results of preliminary studies do not necessarily predict clinical or commercial success, and later-stage clinical trials may fail to confirm the results observed in earlier-stage trials or preliminary studies. Although we have established timelines for manufacturing and clinical development of cabozantinib based on existing knowledge of our compounds in development and industry metrics, we may not be able to meet those timelines.

We may experience numerous unforeseen events, during or as a result of clinical testing, that could delay or prevent commercialization of cabozantinib for the treatment of advanced RCC, advanced HCC, and other indications, including:

- cabozantinib may not prove to be efficacious or may cause, or potentially cause, harmful side effects;
- negative or inconclusive clinical trial results may require us to conduct further testing or to abandon projects that we had expected to be promising;
- our competitors may discover or commercialize other compounds or therapies that show significantly improved safety or efficacy compared to cabozantinib;
- patient registration or enrollment in our clinical testing may be lower than we anticipate, resulting in the delay or cancellation of clinical testing; and
- regulators or institutional review boards may withhold authorization of cabozantinib, or delay, suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements or their determination that participating patients are being exposed to unacceptable health risks.

If we were to have significant delays in or termination of our clinical testing of cabozantinib as a result of any of the events described above or otherwise, our expenses could increase and our ability to generate revenues could be impaired, either of which could adversely impact our financial results.

We have limited experience in conducting clinical trials and may not be able to rapidly or effectively continue the further development of cabozantinib or meet current or future requirements of the FDA or regulatory authorities in other jurisdictions, including those identified based on our discussions with the FDA or such other regulatory authorities. Our planned clinical trials may not begin on time, or at all, may not be completed on schedule, or at all, may not be sufficient for registration of cabozantinib or may not result in an approvable product.

Completion of clinical trials may take several years or more, but the length of time generally varies substantially according to the type, complexity, novelty and intended use of cabozantinib. The duration and the cost of clinical trials may vary significantly over the life of a project as a result of factors relating to the clinical trial, including, among others:

- the number of patients who ultimately participate in the clinical trial;
- the duration of patient follow-up that is appropriate in view of the results or required by regulatory authorities;
- the number of clinical sites included in the trials; and
- the length of time required to enroll suitable patient subjects.

Any delay could limit our ability to generate revenues, cause us to incur additional expense and cause the market price of our common stock to decline significantly. Our partners under our collaboration agreements may experience similar risks with respect to the compounds we have out-licensed to them. If any of the events described above were to occur with such programs or compounds, the likelihood of receipt of milestones and royalties under such collaboration agreements could decrease.

If third parties upon which we rely do not perform as contractually required or expected, we may not be able to obtain regulatory approval for or commercialize cabozantinib for the treatment of additional indications beyond the approved MTC indication.

We do not have the ability to independently conduct clinical trials for cabozantinib, including our post-marketing commitments in connection with the approvals of COMETRIQ in MTC, and we rely on third parties we do not control such as the federal government (including NCI-CTEP, with whom we have our CRADA), third-party contract research organizations, medical institutions, clinical investigators and contract laboratories to conduct our clinical trials. If these third parties do not successfully carry out their contractual duties or regulatory obligations or meet expected deadlines, if the third parties need to be replaced or if the quality or accuracy of the data they obtain is compromised due to their failure to adhere to our clinical protocols or regulatory requirements or for other reasons, our preclinical development activities or clinical trials may be extended, delayed, suspended or terminated, and we may not be able to obtain regulatory approval for or commercialize cabozantinib for additional indications beyond the approved MTC indication in the United States and European Union.

Cabozantinib is 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 cabozantinib.

Cabozantinib, as well as the activities associated with its research, development and commercialization, are subject to extensive regulation by the FDA and other regulatory agencies in the United States and by comparable authorities in other countries. Failure to obtain regulatory approval for cabozantinib would prevent us from promoting its use. We have only limited experience in preparing and filing the applications necessary to gain regulatory approvals. The process of obtaining regulatory approvals in the United States and other foreign jurisdictions is expensive, and often takes many years, if approval is obtained at all, and can vary substantially based upon the type, complexity and novelty of the product candidates involved. For example, before an NDA or NDA supplement can be submitted to the FDA, or MAA to the EMA or any application or submission to regulatory authorities in other jurisdictions, the product candidate must undergo extensive clinical trials, which can take many years and require substantial expenditures.

Any clinical trial may fail to produce results satisfactory to the FDA or regulatory authorities in other jurisdictions. For example, the FDA could determine that the design of a clinical trial is inadequate to produce reliable results. The regulatory process also requires preclinical testing, and data obtained from preclinical and clinical activities are susceptible to varying interpretations. The FDA has substantial discretion in the approval process and may refuse to approve any NDA or decide that our data is insufficient for approval and require additional preclinical, clinical or other studies. For example, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent regulatory approval of cabozantinib or any individual, additional indications.

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. Changes in regulatory approval policy, regulations or statutes or the process for regulatory review during the development or approval periods of cabozantinib may cause delays in the approval or rejection of an application.

Even if the FDA or a comparable authority in another jurisdiction approves cabozantinib, the approval may impose significant restrictions on the indicated uses, conditions for use, labeling, distribution, advertising, promotion, marketing and/or production of cabozantinib and may impose ongoing requirements for post-approval studies, including additional research and development and clinical trials. For example, in connection with the FDA's approval of COMETRIQ for the treatment of progressive, metastatic MTC, we are subject to the various post-marketing requirements, including a requirement to conduct a clinical study comparing a lower dose of cabozantinib to the approved dose of 140 mg daily cabozantinib in progressive, metastatic MTC and to conduct other clinical pharmacology and preclinical studies. Failure to complete any post-marketing requirements in accordance with the timelines and conditions set forth by the FDA could significantly increase costs or delay, limit or eliminate the commercialization of cabozantinib. Further, these agencies may also impose various civil or criminal sanctions for failure to comply with regulatory requirements, including withdrawal of product approval.

Risks Related to Our Relationships with Third Parties

We are dependent upon our collaborations with major companies, which subjects us to a number of risks.

We have established collaborations with leading pharmaceutical and biotechnology companies, including Genentech, Bristol-Myers Squibb, Sanofi, Merck (known as MSD outside of the United States and Canada) and Daiichi Sankyo, for the development and ultimate commercialization of certain compounds generated from our research and development efforts. Our dependence on our relationships with existing collaborators for the development and commercialization of compounds under the collaborations subjects us to, and our dependence on future collaborators for development and commercialization of additional compounds will subject us to, a number of risks, including:

- we may not be able to control the amount of U.S. marketing and commercialization costs for cobimetinib we are obligated to share under our collaboration with Genentech;
- we are not able to control the amount and timing of resources that our collaborators or potential future collaborators will devote to the development or commercialization of drug candidates or to their marketing and distribution;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a drug candidate, repeat or conduct new clinical trials or require a new formulation of a drug candidate for clinical testing;
- disputes may arise between us and our collaborators that result in the delay or termination of the research, development or commercialization of our drug candidates, or that diminish or delay receipt of the economic benefits we are entitled to receive under the collaboration, or that result in costly litigation or arbitration that diverts management's attention and resources;
- collaborators may experience financial difficulties;
- collaborators may not be successful in their efforts to obtain regulatory approvals in a timely manner, or at all;
- collaborators may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our proprietary information or expose us to potential litigation;
- collaborators may not comply with applicable healthcare regulatory laws;
- business combinations or significant changes in a collaborator's business strategy may adversely affect a collaborator's willingness or ability to complete its obligations under any arrangement;
- a collaborator could independently move forward with a competing drug candidate developed either independently or in collaboration with others, including our competitors;
- we may be precluded from entering into additional collaboration arrangements with other parties in an area or field of exclusivity;
- future collaborators may require us to relinquish some important rights, such as marketing and distribution rights; and
- collaborations may be terminated or allowed to expire, which would delay, and may increase the cost of development of our drug candidates.

If any of these risks materialize, we may not receive collaboration revenue or otherwise realize anticipated benefits from such collaborations, our product development efforts could be delayed and our business, operating results and financial condition could be adversely affected.

We may be unable to establish a collaboration for cabozantinib outside of the U.S. or other collaborations for selected preclinical and clinical compounds.*

To enable us to capitalize on a potential indication in advanced RCC and other potential cabozantinib opportunities most effectively, we intend to seek a partner for cabozantinib outside of the U.S. We may also pursue new collaborations with leading pharmaceutical and biotechnology companies for the development and ultimate commercialization of selected preclinical and clinical programs and compounds, particularly those drug candidates for which we believe that the capabilities and resources of a partner can accelerate development and help to fully realize their therapeutic and commercial potential. However, we may not be able to negotiate additional collaborations on acceptable terms, or at all. We are unable to predict when, if ever, we will enter into any additional collaborations because of the numerous risks and uncertainties associated with establishing additional collaborations. If we are unable to negotiate additional collaborations, we may not be able to realize value from a particular drug candidate.

Risks Related to Our Intellectual Property

Data breaches and cyber-attacks could compromise our intellectual property or other sensitive information and cause significant damage to our business and reputation.*

In the ordinary course of our business, we collect, maintain and transmit sensitive data on our networks and systems, including our intellectual property and proprietary or confidential business information (such as research data and personal information) and confidential information with respect to our customers, clinical trial patients and our business partners. We have also outsourced significant elements of our information technology infrastructure and, as a result, third parties may or could have access to our confidential information. The secure maintenance of this information is critical to our business and reputation. We believe that companies have been increasingly subject to a wide variety of security incidents, cyber-attacks and other attempts to gain unauthorized access. These threats can come from a variety of sources, ranging in sophistication from an individual hacker to a state-sponsored attack and motive (including corporate espionage). Cyber threats may be generic, or they may be custom-crafted against our information systems. Over the past year, cyber-attacks have become more prevalent and much harder to detect and defend against. Our network and storage applications and those of our vendors may be subject to unauthorized access by hackers or breached due to operator error, malfeasance or other system disruptions. It is often difficult to anticipate or immediately detect such incidents and the damage caused by such incidents. These data breaches and any unauthorized access or disclosure of our information or intellectual property could compromise our intellectual property and expose sensitive business information. A data security breach could also lead to public exposure of personal information of our clinical trial patients, customers and others. Cyber-attacks could cause us to incur significant remediation costs, result in product development delays, disrupt key business operations and divert attention of management and key information technology resources. Our network security and data recovery measures and those of our vendors may not be adequate to protect against such security breaches and disruptions. These incidents could also subject us to liability, expose us to significant expense and cause significant harm to our reputation and business.

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 upon our ability to obtain patents and maintain adequate protection of the intellectual property related to our technologies and products. The patent positions of biopharmaceutical 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. We will continue to apply for patents covering our technologies and products as, where and when we deem appropriate. However, these applications may be challenged or may fail to result in issued patents. In addition, because patent applications can take many years to issue, third parties may have pending applications, unknown to us, which may later result in issued patents that cover the production, manufacture, commercialization or use of our product candidates. 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 addition, our patents may be challenged or invalidated or may fail to provide us with any competitive advantages, if, for example, others were the first to invent or to file patent applications for closely related inventions.

The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the United States, and many companies have encountered significant problems in protecting and defending such rights in foreign jurisdictions. Many countries, including certain countries in Europe, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties (for example, the patent owner has failed to “work” the invention in that country or the third party has patented improvements). In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of the patent. Compulsory licensing of life-saving drugs is also becoming increasingly popular in developing countries either through direct legislation or international initiatives. Such compulsory licenses could be extended to include our products or product candidates, which could limit our potential revenue opportunities. Moreover, the legal systems of certain countries, particularly certain developing countries, do not favor the aggressive enforcement of patent and other intellectual property protection, which makes it difficult to stop infringement. We rely on trade secret protection for some of 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 upon our ability to avoid infringing patents and proprietary rights of third parties and not to breach any licenses that we have entered into with regard to our technologies and the technologies of third parties. 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 obtain licenses from third parties, which may not be available on commercially reasonable terms, or at all, and may require us to pay substantial royalties, grant a cross-license to some of our patents to another patent holder or redesign the formulation of a product candidate so that we do not infringe third-party patents, which may be impossible to obtain or could require substantial time and expense.

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 on their 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.

We may be subject to damages resulting from claims that we, our employees or independent contractors have wrongfully used or disclosed alleged trade secrets of their former employers.

Many of our employees and independent contractors were previously employed at universities or other biotechnology, biopharmaceutical or pharmaceutical companies, including our competitors or potential competitors. We may be subject to claims that these employees, independent contractors or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers, or used or sought to use patent inventions belonging to their former employers. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and divert management's attention. If we fail in defending such claims, in addition to paying money claims, we may lose valuable intellectual property rights or personnel. A loss of key research personnel and/or their work product could hamper or prevent our ability to commercialize certain product candidates, which could severely harm our business.

Risks Related to Employees and Location

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

We are highly dependent upon the principal members of our management, clinical and scientific staff, the loss of whose services might adversely impact the achievement of our objectives and the continuation of existing collaborations. Also, we may not have sufficient personnel to execute our business plan. Retaining and, where necessary, recruiting qualified clinical and scientific personnel will be critical to support activities related to advancing our clinical and preclinical development programs, and supporting our collaborative arrangements and our internal proprietary research and development efforts. The restructurings that we have experienced since 2010 have had and may continue to have an adverse impact on our ability to retain and recruit qualified personnel. Competition is intense for experienced clinical personnel, and we may be unable to retain or recruit clinical personnel with the expertise or experience necessary to allow us to pursue collaborations, develop our products and core technologies or expand our operations to the extent otherwise possible. Further, all of our employees are employed "at will" and, therefore, may leave our employment at any time.

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

We work with scientific and clinical advisors and collaborators at academic and other institutions that assist us in our research and development efforts. These advisors and collaborators are not our employees and may have other commitments that limit their availability to us. Although these 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 such a circumstance, we may lose work performed by them, and our development efforts with respect to the matters on which they were working may be significantly delayed or otherwise adversely affected. In addition, although our 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 headquarters are located near known earthquake fault zones, and the occurrence of an earthquake or other disaster could damage our facilities and equipment, which could harm our operations.

Our headquarters are located in South San Francisco, California, and therefore our facilities are vulnerable to damage from earthquakes. We do not carry earthquake insurance. We are also vulnerable to damage from other types of disasters, including fire, floods, power loss, communications failures, terrorism and similar events since any insurance we may maintain may not be adequate to cover our losses. If any disaster were to occur, our ability to operate our business at our facilities could 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. Accordingly, an earthquake or other disaster could materially and adversely harm our ability to conduct business.

Facility security breaches may disrupt our operations, subject us to liability and harm our operating results.*

Any break-in or trespass at our facilities that results in the misappropriation, theft, sabotage or any other type of security breach with respect to our proprietary and confidential information, including research or clinical data, or that results in damage to our research and development equipment and assets, could subject us to liability and have a material adverse impact on our business, operating results and financial condition.

Risks Related to Environmental and Product Liability

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 and 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 face liability for any injury or contamination that results from our use or the use by third parties of these materials, and such 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. In the event of a lawsuit or investigation, we could be held responsible for any injury caused to persons or property by exposure to, or release of, these hazardous materials used 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.

We face potential product liability exposure far in excess of our limited insurance coverage.

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. Regardless of merit or eventual outcome, product liability claims could result in decreased demand for our product candidates, injury to our reputation, withdrawal of patients from our clinical trials, substantial monetary awards to third parties and the inability to commercialize any products that we may develop. These claims might be made directly by consumers, health care providers, pharmaceutical companies or others selling or testing our products. We have obtained limited product liability insurance coverage for our clinical trials and commercial activities for cabozantinib in the amount of $15.0 million per occurrence and $15.0 million in the aggregate. However, our insurance may not reimburse us or may not be sufficient to reimburse us for expenses or losses we may suffer. Moreover, if insurance coverage becomes more expensive, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability. On occasion, juries have awarded large judgments in class action lawsuits for claims based on drugs that had unanticipated side effects. In addition, the pharmaceutical, biopharmaceutical and biotechnology industries, in general, have been subject to significant medical malpractice litigation. A successful product liability claim or series of claims brought against us could harm our reputation and business and would decrease our cash reserves.

Risks Related to Our Common Stock and the 2019 Notes

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 to volatility, including:

- the progress and scope of the development and commercialization activities for cabozantinib and our other compounds;
- the commercial success of COMETRIQ and the revenues we generate;
- future clinical trial results, notably the results from CELESTIAL, our phase 3 pivotal trial in patients with advanced HCC;
- the inability to obtain adequate product supply for any approved drug product or inability to do so at acceptable prices;
- recognition of upfront licensing or other fees or revenues;
- payments of non-refundable upfront or licensing fees, or payment for cost-sharing expenses, to third parties;
- acceptance of our technologies and platforms;
- the success rate of our efforts leading to milestone payments and royalties;
- the introduction of new technologies or products by our competitors;
- the timing and willingness of collaborators to further develop or, if approved, commercialize our product candidates out-licensed to them;
- whether we enter into new collaboration agreements, licensing agreements or other arrangements with respect to cabozantinib or other product candidates;
- the termination or non-renewal of existing collaborations or third party vendor relationships;
- regulatory actions with respect to our product candidates and any approved products or our competitors' products;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- the timing and amount of expenses incurred for clinical development and manufacturing of cabozantinib;
- adjustments to expenses accrued in prior periods based on management's estimates after the actual level of activity relating to such expenses becomes more certain;
- the impairment of acquired goodwill and other assets;
- the impact of our restructuring activities;
- additions and departures of key personnel;
- general and industry-specific economic conditions that may affect our or our collaborators' research and development expenditures; and
- other factors described in this "Risk Factors" section

A large portion of our expenses, including expenses for facilities, equipment and personnel, are relatively fixed in the short term. If we fail to achieve anticipated levels of revenues, whether due to the expiration or termination of existing contracts, our failure to obtain new contracts, our inability to meet milestones or for other reasons, we may not be able to correspondingly reduce our operating expenses, which could 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 securities analysts and investors, which could result in a decline in the price of our common stock.

Our stock price may be extremely volatile.

The trading price of our common stock has been highly volatile, and we believe the trading price of our common stock will remain highly volatile and may fluctuate substantially due to factors such as the following, many of which we cannot control:

- adverse results or delays in our or our collaborators' clinical trials;

- announcement of FDA approval or non-approval, or delays in the FDA review process, of cabozantinib or our collaborators' product candidates or those of our competitors or actions taken by regulatory agencies with respect to our, our collaborators' or our competitors' clinical trials;
- the commercial success of COMETRIQ and the revenues we generate;
- the timing of achievement of our clinical, regulatory, partnering and other milestones, such as the commencement of clinical development, the completion of a clinical trial, the filing for regulatory approval or the establishment of collaborative arrangements for cabozantinib or any of our other programs or compounds;
- actions taken by regulatory agencies with respect to cabozantinib or our clinical trials for cabozantinib;
- the announcement of new products by our competitors;
- quarterly variations in our or our competitors' results of operations;
- developments in our relationships with our collaborators, including the termination or modification of our agreements;
- conflicts or litigation with our collaborators;
- litigation, including intellectual property infringement and product liability lawsuits, involving us;
- failure to achieve operating results projected by securities analysts;
- changes in earnings estimates or recommendations by securities analysts;
- financing transactions;
- developments in the biotechnology, biopharmaceutical or pharmaceutical industry;
- sales of large blocks of our common stock or sales of our common stock by our executive officers, directors and significant stockholders;
- departures of key personnel or board members;
- developments concerning current or future collaborations;
- FDA or international regulatory actions;
- third-party coverage and reimbursement policies;
- disposition of any of our subsidiaries, technologies or compounds; and
- general market, economic and political conditions and other factors, including factors unrelated to our operating performance or the operating performance of our competitors.

These factors, as well as general economic, political and market conditions, may materially adversely affect the market price of our common stock. Excessive volatility may continue for an extended period of time following the date of this report.

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 or conversion of our convertible notes, or the perception that such sales or conversions may occur, may depress our stock price.

A substantial number of shares of our common stock is reserved for issuance upon conversion of the 2019 Notes, upon the exercise of stock options, upon vesting of restricted stock unit awards, upon sales under our employee stock purchase program, upon exercise of certain warrants issued to Deerfield and upon conversion of the Deerfield Notes. The issuance and sale of substantial amounts of our common stock, including upon conversion of the 2019 Notes or the Deerfield Notes, or the perception that such issuances and sales may occur, could adversely affect the market price of our common stock and impair our ability to raise capital through the sale of additional equity or equity-related securities in the future at a time and price that we deem appropriate. Trading of the 2019 Notes is likely to influence and be influenced by the market for our common stock. For example, the price of our common stock could be affected by possible sales of common stock by investors who view the 2019 Notes as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity that we expect to occur involving our common stock.

The accounting method for convertible debt securities that may be settled in cash, such as the 2019 Notes, could have a material effect on our reported financial results.

Under Accounting Standards Codification, or ASC, Subtopic 470-20, issuers of certain convertible debt instruments that have a net settlement feature and may be settled in cash upon conversion, including partial cash settlement, are required to separately account for the liability (debt) and equity (conversion option) components of the instrument. As a result of the

application of ASC 470-20, we recognized $143.2 million as the initial debt discount with a corresponding increase to paid-in capital, the equity component, for the 2019 Notes. We will be required to record the amortization of this debt discount over the terms of the 2019 Notes, which may adversely affect our reported or future financial results and the market price of our common stock. In addition, if the 2019 Notes become convertible, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the 2019 Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital. Finally, we use the if-converted method to compute earnings per share, which could be more dilutive than using the treasury stock method.

Certain provisions applicable to the 2019 Notes and the Deerfield Notes could delay or prevent an otherwise beneficial takeover or takeover attempt.

Certain provisions applicable to the 2019 Notes and the indenture pursuant to which the 2019 Notes were issued, and the Deerfield Notes and the note purchase agreement governing the Deerfield Notes, could make it more difficult or more expensive for a third party to acquire us. For example, if an acquisition event constitutes a Fundamental Change under the indenture for the 2019 Notes or a Major Transaction under the note purchase agreement governing the Deerfield Notes, holders of the 2019 Notes or the Deerfield Notes, as applicable, will have the right to require us to purchase their notes in cash. In addition, if an acquisition event constitutes a Make-Whole Fundamental Change under the indenture for the 2019 Notes, we may be required to increase the conversion rate for holders who convert their 2019 Notes in connection with such Make-Whole Fundamental Change. In any of these cases, and in other cases, our obligations under the 2019 Notes and the indenture pursuant to which such notes were issued and the Deerfield Notes and the note purchase agreement governing the Deerfield Notes, as well as provisions of our organizational documents and other agreements, could increase the cost of acquiring us or otherwise discourage a third party from acquiring us or removing incumbent management.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent or deter attempts by our stockholders to replace or remove our current management, which could cause the market price of our common stock to decline.

Provisions in our corporate charter and bylaws may discourage, delay or prevent an acquisition of us, a change in control, or attempts by our stockholders to replace or remove members of our current Board of Directors. Because our Board of Directors is responsible for appointing the members of our management team, these provisions could in turn affect any attempt by our stockholders to replace current members of our management team. These provisions include:

- a classified Board of Directors;
- a prohibition on actions by our stockholders by written consent;
- the inability of our stockholders to call special meetings of stockholders;
- the ability of our Board of Directors to issue preferred stock without stockholder approval, which could be used to institute a “poison pill” that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our Board of Directors;
- limitations on the removal of directors; and
- advance notice requirements for director nominations and stockholder proposals.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

Our ability to use net operating losses to offset future taxable income may be subject to limitations.

Under the Internal Revenue Code, or the Code, and similar state provisions, certain substantial changes in our ownership could result in an annual limitation on the amount of net operating loss carry-forwards that can be utilized in future years to offset future taxable income. The annual limitation may result in the expiration of net operating losses and credit carry-forwards before utilization. We concluded, as of December 31, 2014, that an ownership change, as defined under Section 382, had not occurred. However, if there is an ownership change in connection with or after our July 2015 public offering under Section 382 of the Code, we may not be able to utilize a material portion of our NOLs. Furthermore, our ability to utilize our NOLs is conditioned upon our attaining profitability and generating United States federal taxable income. As described above, we have incurred significant net losses since our inception and anticipate that we will continue to incur significant losses for the foreseeable future; thus, we do not know whether or when we will generate the United States federal taxable income necessary to utilize our NOLs. A full valuation allowance has been provided for the entire amount of our NOLs.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

(a) Exhibits

See the Exhibit Index immediately following the signature page to this Quarterly Report on Form 10-Q, which is incorporated by reference here.

SIGNATURES

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

EXELIXIS, INC.

August 11, 2015	/s/ CHRISTOPHER J. SENNER
Date	**Christopher J. Senner**
	Executive Vice President and Chief Financial Officer
	(Duly Authorized Officer and Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/ Appendix Reference	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of Exelixis, Inc.	10-K	000-30235	3.1	3/10/2010	
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Exelixis, Inc.	10-K	000-30235	3.2	3/10/2010	
3.3	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Exelixis, Inc.	8-K	000-30235	3.1	5/25/2012	
3.4	Certificate of Ownership and Merger Merging X-Ceptor Therapeutics, Inc. with and into Exelixis, Inc.	8-K	000-30235	3.1	10/15/2014	
3.5	Certificate of Change of Registered Agent and/or Registered Office of Exelixis, Inc.	8-K	000-30235	3.2	10/15/2014	
3.6	Amended and Restated Bylaws of Exelixis, Inc.	8-K	000-30235	3.1	12/5/2011	
4.1	Specimen Common Stock Certificate.	S-1, as amended	333-96335	4.1	4/7/2000	
4.2	Amended and Restated Secured Convertible Note dated July 1, 2015 in favor of Deerfield Partners, L.P.					X
4.3	Amended and Restated Secured Convertible Note dated July 1, 2015 in favor of Deerfield International Master Fund, L.P.					X
4.4	Registration Rights Agreement dated January 22, 2014 by and among Exelixis, Inc., Deerfield Partners, L.P. and Deerfield International Master Fund, L.P.	8-K	000-30235	4.2	1/22/2014	
4.5	Form of Warrant to Purchase Common Stock of Exelixis, Inc. issued to Deerfield Partners, L.P. and Deerfield International Master Fund, L.P.	8-K	000-30235	4.1	1/22/2014	
4.6	Indenture dated August 14, 2012 by and between Exelixis, Inc. and Wells Fargo Bank, National Association	8-K	000-30235	4.1	8/14/2012	
4.7	First Supplemental Indenture dated August 14, 2012 to Indenture dated August 14, 2012 by and between Exelixis, Inc. and Wells Fargo Bank, National Association	8-K	000-30235	4.2	8/14/2012	
4.8	Form of 4.25% Convertible Senior Subordinated Note due 2019	8-K	000-30235	4.2 (Exhibit A)	8/14/2012	
10.1	Partial Lease Termination Agreement dated June 30, 2015, by and between Britannia Pointe Grand Limited Partnership and Exelixis, Inc.					X
10.2	Second Amendment to Sublease dated effective July 1, 2015 by and between Exelixis, Inc. and Nodality, Inc.					X

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/ Appendix Reference	Filing Date	
10.3	First Amendment to Consent to Sublease Agreement dated effective July 1, 2015 by and among Britannia Pointe Grand Limited Partnership, Exelixis, Inc. and Nodality, Inc.					X
10.4	First Amendment to Sublease dated effective October 1, 2013 by and between Exelixis, Inc. and Threshold Pharmaceuticals, Inc.					X
10.5	First Amendment to Consent to Sublease Agreement dated effective October 1, 2013 by and among Britannia Pointe Grand Limited Partnership, Exelixis, Inc. and Threshold Pharmaceuticals, Inc.					X
10.6	Second Amendment to Sublease dated effective July 1, 2015 by and between Exelixis, Inc. and Threshold Pharmaceuticals, Inc.					X
10.7	Second Amendment to Consent to Sublease Agreement dated effective July 1, 2015 by and among Britannia Pointe Grand Limited Partnership, Exelixis, Inc. and Threshold Pharmaceuticals, Inc.					X
10.8	Offer Letter Agreement, dated June 30, 2015, between Exelixis, Inc. and Christopher J. Senner					X
10.9*	Termination Agreement dated December 23, 2014 and effective as of July 17, 2014 by and between Exelixis, Inc. and GlazoSmithKline, LLC					X
12.1	Statement Re Computation of Earnings to Fixed Charges					X
31.1	Certification required by Rule 13a-14(a) or Rule 15d-14(a).					X
31.2	Certification required by Rule 13a-14(a) or Rule 15d-14(a).					X
32.1‡	Certification by the Chief Executive Officer and the Chief Financial Officer of Exelixis, Inc., as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

* Confidential treatment requested for certain portions of this exhibit.

‡ This certification accompanies this Quarterly Report on Form 10-Q, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of Exelixis, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 4.2

AMENDED AND RESTATED SECURED CONVERTIBLE NOTE

THIS NOTE IS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR U.S. FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE AND YIELD TO MATURITY WITH RESPECT TO THIS NOTE MAY BE OBTAINED BY WRITING TO THE BORROWER AT THE FOLLOWING ADDRESS: 210 EAST GRAND AVE., SOUTH SAN FRANCISCO, CALIFORNIA 94080; ATTN: EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL; FAX NUMBER: (650) 837-7951.

July 1, 2015

FOR VALUE RECEIVED, EXELIXIS, INC., a Delaware corporation (the "**Issuer**"), by means of this Amended and Restated Secured Convertible Note (this "**Note**"), hereby unconditionally promises to pay to Deerfield Partners, L.P. (the "**Holder**"), a principal amount equal to Forty-Four Million Dollars ($44,000,000) (or such lesser amount as may be outstanding under this Note as result of prepayments and conversions by the Borrower pursuant to the Note Purchase Agreement (as defined below)), in lawful money of the United States of America and in immediately available funds, on the dates provided in the Note Purchase Agreement.

This Note is a "Note" referred to in the Note Purchase Agreement dated as of June 2, 2010 among the Issuer, the Holder and the other parties thereto (as amended, restated, supplemented or otherwise modified from time to time, the "**Note Purchase Agreement**"), with respect to the purchase of this Note by the Holder thereunder. Capitalized terms used herein and not expressly defined in this Note shall have the respective meanings assigned to them in the Note Purchase Agreement. All Obligations of the Issuer under this Note are secured as provided in the Security Agreement.

This Note shall bear interest on the Principal Amount hereof in the amounts set forth in and pursuant to the provisions of the Note Purchase Agreement. This Note is subject to the voluntary and mandatory prepayment provisions set forth in the Note Purchase Agreement.

The Issuer shall make all payments to the Holder of interest and principal under this Note in the manner provided in and otherwise in accordance with the Note Purchase Agreement. The principal amount of this Note may be converted into shares of Common Stock as set forth in the Note Purchase Agreement. On July 1, 2018 and on any Major Transaction Put Date, the Principal Amount of this Note shall become due and payable.

If default is made in the punctual payment of principal or any other amount under this Note in accordance with the Note Purchase Agreement, or if any other Event of Default has occurred, this Note shall, at the Holder's option exercised at any time upon or after the occurrence of any such payment default or other Event of Default and in accordance with the applicable provisions of the Note Purchase Agreement, become immediately due and payable.

All payments of any kind due to the Holder from the Issuer pursuant to this Note shall be made in the full face amount thereof, other than Excluded Taxes and Taxes for which the Holder (as a "**Purchaser**") is responsible for pursuant to Section 2.5(b) of the Note Purchase Agreement. The Issuer shall pay all and any costs (administrative or otherwise) imposed by banks, clearing houses, or any other financial institution, in connection with making any payments hereunder, except for any costs imposed by the Holder's banking institutions.

The Issuer shall pay all reasonable costs of collection, including, without limitation, all reasonable, documented legal expenses and attorneys' fees, paid or incurred by the Holder in collecting and enforcing this Note.

The Issuer and every endorser of this Note, or the obligations represented hereby, expressly waives presentment, protest, demand, notice of dishonor or default, and notice of any kind with respect to this Note and the Note Purchase Agreement or the performance of the obligations under this Note and/or the Note Purchase Agreement. No renewal or extension of this Note or the Note Purchase Agreement, no release of any Person primarily or secondarily liable on this Note or the Note Purchase Agreement, including the Issuer and any endorser, no delay in the enforcement of

payment of this Note or the Note Purchase Agreement, and no delay or omission in exercising any right or power under this Note or the Note Purchase Agreement shall affect the liability of the Issuer or any endorser of this Note.

No delay or omission by the Holder in exercising any power or right hereunder shall impair such right or power or be construed to be a waiver of any default, nor shall any single or partial exercise of any power or right hereunder preclude the full exercise thereof or the exercise of any other power or right. The provisions of this Note may be waived or amended only in a writing signed by the Issuer and the Holder. This Note may be prepaid in whole or in part without premium or penalty, including in shares of Common Stock in accordance with the provisions of the Note Purchase Agreement.

THIS NOTE, AND ANY RIGHTS OF THE HOLDER ARISING OUT OF OR RELATING TO THIS NOTE, MAY, AT THE OPTION OF THE HOLDER, BE ENFORCED BY THE HOLDER IN THE COURTS OF THE UNITED STATES OF AMERICA LOCATED IN THE SOUTHERN DISTRICT OF THE STATE OF NEW YORK OR IN ANY OTHER COURTS HAVING JURISDICTION. FOR THE BENEFIT OF THE HOLDER, THE ISSUER HEREBY IRREVOCABLY AGREES THAT ANY LEGAL ACTION, SUIT OR OTHER PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND HEREBY CONSENTS THAT PERSONAL SERVICE OF SUMMONS OR OTHER LEGAL PROCESS MAY BE MADE AS SET FORTH IN SECTION 6.1 OF THE NOTE PURCHASE AGREEMENT, WHICH SERVICE THE ISSUER AGREES SHALL BE SUFFICIENT AND VALID. THE ISSUER HEREBY WAIVES ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY IN ANY ACTION, SUIT OR OTHER PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE OR THE TRANSACTIONS CONTEMPLATED BY THIS NOTE.

This Note shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed in such State, without giving effect to the conflicts of laws principles thereof other than Sections 5-1401 and 5-1402 of the General Obligations Law of the State of New York.

Whenever this Note is held by a noteholder that is not a “United States person” within the meaning of Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the “**Code**”), then it is the intention of the Issuer and such noteholder that (x) all interest accrued and paid on this Note will qualify for exemption from United States withholding tax as “portfolio interest” because this Note is an obligation which is in “registered form” within the meaning of Sections 871(h)(2)(B) and 881(c)(2)(B) of the Code and the applicable Treasury Regulations promulgated thereunder, and (y) as such, all interest accrued and paid on this Note will be exempt from United States information reporting under Sections 6041 and 6049 of the Code and United States backup withholding under Section 3406 of the Code. The Issuer and the Holder shall reasonably cooperate with one another, and execute and file such forms or other documents, or do or refrain from doing such other acts, as may be required, to secure such exemptions from United States withholding tax, information reporting, and backup withholding. In furtherance of the foregoing, any Holder, transferee or assignee noteholder that is not a United States person shall represent, warrant and covenant to the Issuer that (i) such noteholder is not, and will not be as long as any amounts due under this Note have not been paid in full, a “United States person,” within the meaning of Section 7701(a)(30) of the Code; (ii) such noteholder is not, and will not be as long as any amounts due under this Note have not been paid in full, a person described in Section 881(c)(3) of the Code; (iii) on or prior to the date of transfer or assignment (and on or prior to the date the form provided pursuant to this clause (iii) is no longer valid) until all amounts due under this Note have been paid in full, such noteholder shall provide the Issuer with a properly executed U.S. Internal Revenue Service (“**IRS**”) Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding (or any successor form prescribed by the IRS), certifying as to such noteholder’s status for purposes of determining exemption from United States withholding tax, information reporting and backup withholding with respect to all payments to be made to such noteholder hereunder; (iv) if an event occurs that would require a change in the exempt status of such noteholder or any of the other information provided on the most recent IRS Form W-8BEN (or successor form) previously submitted by such noteholder to the Issuer, such noteholder will so inform the Issuer in writing (or by submitting to the Issuer a new IRS Form W-8BEN or successor form) within 30 days after the occurrence of such event; and (v) such noteholder will not assign or otherwise transfer this Note or any of its rights hereunder except in accordance with the provisions hereof. In the case of a Holder that is not a United States person and that, for U.S. federal income tax purposes, is treated as (A) a partnership (i) the representations, warranties and covenants set forth in the preceding sentence shall apply to such Holder and the Holder’s partners or members that are the beneficial owners of this Note for U.S. federal income tax purposes and are not United

States persons, and (ii) such Holder shall provide the Issuer with an IRS Form W-8IMY along with an IRS Form W-8BEN for each of such Holder's partners or members (or an IRS Form W-8IMY with applicable IRS W-8BEN forms for such Holder's partners or members) or (B) a disregarded entity, the representations, warranties and covenants set forth in the preceding sentence shall apply to such Holder's beneficial owner. A Holder that is not a United States person and that is treated as a partnership or disregarded entity for U.S. federal income tax purposes shall, in lieu of an IRS Form W-8, provide IRS Form W-9 certifying exemption from U.S. backup withholding with respect to any of such Holder's partners or members that are United States persons.

In order to qualify as a "registered note" for purposes of the Code, transfer of this Note may be effected only by (i) surrender of this Note to the Issuer and the re-issuance of this Note to the transferee, or the Issuer's issuance to the Holder of a new note in the same form as this Note but with the transferee denoted as the Holder, or (ii) the recording of the identity of the transferee by the Affiliate of the Holder that is maintaining a record ownership register of this Note as agent to, and on behalf of, the Issuer. Such Affiliate in its capacity as such agent shall notify the Issuer in writing immediately upon any change in such identity. The terms and conditions of this Note shall be binding upon and inure to the benefit of the Issuer and the Holder and their permitted assigns; provided, however, that if any such assignment (whether by operation of law, by way of transfer or participation, or otherwise) is to any noteholder that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code, then such noteholder shall submit to the Issuer on or before the date of such assignment an IRS Form W-8BEN (or any successor form) certifying as to such noteholder's status for purposes of determining exemption from United States withholding tax, information reporting and backup withholding with respect to all payments to be made to such noteholder under the new note (or other instrument). Any attempted transfer in violation of the relevant provisions of this Note shall be void and of no force and effect. Until there has been a valid transfer of this Note and of all of the rights hereunder by the Holder in accordance with this Note, the Issuer shall deem and treat the Holder as the absolute beneficial owner and holder of this Note and of all of the rights hereunder for all purposes (including, without limitation, for the purpose of receiving all payments to be made under this Note).

It is the intention of the Issuer and the Holder that this Note is to be a registered instrument and not a bearer instrument and the provisions of this Note are to be interpreted accordingly. This Note is intended to be registered as to both principal and interest and all payments hereunder shall be made to the named Holder or, in the event of a transfer pursuant to the Note Purchase Agreement and this Note, to the transferee identified in the record of ownership of this Note maintained by the Holder on behalf of the Issuer. Transfer of this Note may not be effected except in accordance with the provisions hereof.

This Note constitutes a renewal and restatement of, and replacement and substitution for, (i) a portion equal to $16,852,000 principal amount of that certain Secured Convertible Note dated as of July 2, 2010 in the original principal amount of $47,492,000 executed by Issuer in favor of Holder, as Assignee of Deerfield Private Design Fund, L.P. and (ii) a portion equal to $27,148,000 principal amount of that certain Secured Convertible Note dated as of July 2, 2010 in the original principal amount of $76,508,000 executed by Issuer in favor of Holder, as Assignee of Deerfield Private Design International, L.P. (collectively, the "**Prior Notes**"). The indebtedness evidenced by the Prior Notes is continuing indebtedness evidenced hereby and nothing herein shall be deemed to constitute payment, settlement or novation of the Prior Notes or to release or otherwise adversely affect any Lien securing such indebtedness.

[Signature Page Follows]

IN WITNESS WHEREOF, an authorized representative of the Issuer has executed this Note as of the date first written above.

EXELIXIS, INC.

By: /s/ Michael M. Morrissey
Name: Michael M. Morrissey, Ph.D.
Title: President and Chief Executive Officer

Exhibit 4.3

AMENDED AND RESTATED SECURED CONVERTIBLE NOTE

THIS NOTE IS ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID") FOR U.S. FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE AND YIELD TO MATURITY WITH RESPECT TO THIS NOTE MAY BE OBTAINED BY WRITING TO THE BORROWER AT THE FOLLOWING ADDRESS: 210 EAST GRAND AVE., SOUTH SAN FRANCISCO, CALIFORNIA 94080; ATTN: EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL; FAX NUMBER: (650) 837-7951.

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July 1, 2015

FOR VALUE RECEIVED, EXELIXIS, INC., a Delaware corporation (the "**Issuer**"), by means of this Amended and Restated Secured Convertible Note (this "**Note**"), hereby unconditionally promises to pay to Deerfield International Master Fund, L.P. (the "**Holder**"), a principal amount equal to Fifty-Six Million Dollars ($56,000,000) (or such lesser amount as may be outstanding under this Note as result of prepayments and conversions by the Borrower pursuant to the Note Purchase Agreement (as defined below)), in lawful money of the United States of America and in immediately available funds, on the dates provided in the Note Purchase Agreement.

This Note is a "Note" referred to in the Note Purchase Agreement dated as of June 2, 2010 among the Issuer, the Holder and the other parties thereto (as amended, restated, supplemented or otherwise modified from time to time, the "**Note Purchase Agreement**"), with respect to the purchase of this Note by the Holder thereunder. Capitalized terms used herein and not expressly defined in this Note shall have the respective meanings assigned to them in the Note Purchase Agreement. All Obligations of the Issuer under this Note are secured as provided in the Security Agreement.

This Note shall bear interest on the Principal Amount hereof in the amounts set forth in and pursuant to the provisions of the Note Purchase Agreement. This Note is subject to the voluntary and mandatory prepayment provisions set forth in the Note Purchase Agreement.

The Issuer shall make all payments to the Holder of interest and principal under this Note in the manner provided in and otherwise in accordance with the Note Purchase Agreement. The principal amount of this Note may be converted into shares of Common Stock as set forth in the Note Purchase Agreement. On July 1, 2018 and on any Major Transaction Put Date, the Principal Amount of this Note shall become due and payable.

If default is made in the punctual payment of principal or any other amount under this Note in accordance with the Note Purchase Agreement, or if any other Event of Default has occurred, this Note shall, at the Holder's option exercised at any time upon or after the occurrence of any such payment default or other Event of Default and in accordance with the applicable provisions of the Note Purchase Agreement, become immediately due and payable.

All payments of any kind due to the Holder from the Issuer pursuant to this Note shall be made in the full face amount thereof, other than Excluded Taxes and Taxes for which the Holder (as a "**Purchaser**") is responsible for pursuant to Section 2.5(b) of the Note Purchase Agreement. The Issuer shall pay all and any costs (administrative or otherwise) imposed by banks, clearing houses, or any other financial institution, in connection with making any payments hereunder, except for any costs imposed by the Holder's banking institutions.

The Issuer shall pay all reasonable costs of collection, including, without limitation, all reasonable, documented legal expenses and attorneys' fees, paid or incurred by the Holder in collecting and enforcing this Note.

The Issuer and every endorser of this Note, or the obligations represented hereby, expressly waives presentment, protest, demand, notice of dishonor or default, and notice of any kind with respect to this Note and the Note Purchase Agreement or the performance of the obligations under this Note and/or the Note Purchase Agreement. No renewal or extension of this Note or the Note Purchase Agreement, no release of any Person primarily or secondarily liable on this Note or the Note Purchase Agreement, including the Issuer and any endorser, no delay in the enforcement of

payment of this Note or the Note Purchase Agreement, and no delay or omission in exercising any right or power under this Note or the Note Purchase Agreement shall affect the liability of the Issuer or any endorser of this Note.

No delay or omission by the Holder in exercising any power or right hereunder shall impair such right or power or be construed to be a waiver of any default, nor shall any single or partial exercise of any power or right hereunder preclude the full exercise thereof or the exercise of any other power or right. The provisions of this Note may be waived or amended only in a writing signed by the Issuer and the Holder. This Note may be prepaid in whole or in part without premium or penalty, including in shares of Common Stock in accordance with the provisions of the Note Purchase Agreement.

THIS NOTE, AND ANY RIGHTS OF THE HOLDER ARISING OUT OF OR RELATING TO THIS NOTE, MAY, AT THE OPTION OF THE HOLDER, BE ENFORCED BY THE HOLDER IN THE COURTS OF THE UNITED STATES OF AMERICA LOCATED IN THE SOUTHERN DISTRICT OF THE STATE OF NEW YORK OR IN ANY OTHER COURTS HAVING JURISDICTION. FOR THE BENEFIT OF THE HOLDER, THE ISSUER HEREBY IRREVOCABLY AGREES THAT ANY LEGAL ACTION, SUIT OR OTHER PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND HEREBY CONSENTS THAT PERSONAL SERVICE OF SUMMONS OR OTHER LEGAL PROCESS MAY BE MADE AS SET FORTH IN SECTION 6.1 OF THE NOTE PURCHASE AGREEMENT, WHICH SERVICE THE ISSUER AGREES SHALL BE SUFFICIENT AND VALID. THE ISSUER HEREBY WAIVES ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY IN ANY ACTION, SUIT OR OTHER PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE OR THE TRANSACTIONS CONTEMPLATED BY THIS NOTE.

This Note shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed in such State, without giving effect to the conflicts of laws principles thereof other than Sections 5-1401 and 5-1402 of the General Obligations Law of the State of New York.

Whenever this Note is held by a noteholder that is not a “United States person” within the meaning of Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the “**Code**”), then it is the intention of the Issuer and such noteholder that (x) all interest accrued and paid on this Note will qualify for exemption from United States withholding tax as “portfolio interest” because this Note is an obligation which is in “registered form” within the meaning of Sections 871(h)(2)(B) and 881(c)(2)(B) of the Code and the applicable Treasury Regulations promulgated thereunder, and (y) as such, all interest accrued and paid on this Note will be exempt from United States information reporting under Sections 6041 and 6049 of the Code and United States backup withholding under Section 3406 of the Code. The Issuer and the Holder shall reasonably cooperate with one another, and execute and file such forms or other documents, or do or refrain from doing such other acts, as may be required, to secure such exemptions from United States withholding tax, information reporting, and backup withholding. In furtherance of the foregoing, any Holder, transferee or assignee noteholder that is not a United States person shall represent, warrant and covenant to the Issuer that (i) such noteholder is not, and will not be as long as any amounts due under this Note have not been paid in full, a “United States person,” within the meaning of Section 7701(a)(30) of the Code; (ii) such noteholder is not, and will not be as long as any amounts due under this Note have not been paid in full, a person described in Section 881(c)(3) of the Code; (iii) on or prior to the date of transfer or assignment (and on or prior to the date the form provided pursuant to this clause (iii) is no longer valid) until all amounts due under this Note have been paid in full, such noteholder shall provide the Issuer with a properly executed U.S. Internal Revenue Service (“**IRS**”) Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding (or any successor form prescribed by the IRS), certifying as to such noteholder’s status for purposes of determining exemption from United States withholding tax, information reporting and backup withholding with respect to all payments to be made to such noteholder hereunder; (iv) if an event occurs that would require a change in the exempt status of such noteholder or any of the other information provided on the most recent IRS Form W-8BEN (or successor form) previously submitted by such noteholder to the Issuer, such noteholder will so inform the Issuer in writing (or by submitting to the Issuer a new IRS Form W-8BEN or successor form) within 30 days after the occurrence of such event; and (v) such noteholder will not assign or otherwise transfer this Note or any of its rights hereunder except in accordance with the provisions hereof. In the case of a Holder that is not a United States person and that, for U.S. federal income tax purposes, is treated as (A) a partnership (i) the representations, warranties and covenants set forth in the preceding sentence shall apply to such Holder and the Holder’s partners or members that are the beneficial owners of this Note for U.S. federal income tax purposes and are not United

States persons, and (ii) such Holder shall provide the Issuer with an IRS Form W-8IMY along with an IRS Form W-8BEN for each of such Holder's partners or members (or an IRS Form W-8IMY with applicable IRS W-8BEN forms for such Holder's partners or members) or (B) a disregarded entity, the representations, warranties and covenants set forth in the preceding sentence shall apply to such Holder's beneficial owner. A Holder that is not a United States person and that is treated as a partnership or disregarded entity for U.S. federal income tax purposes shall, in lieu of an IRS Form W-8, provide IRS Form W-9 certifying exemption from U.S. backup withholding with respect to any of such Holder's partners or members that are United States persons.

In order to qualify as a "registered note" for purposes of the Code, transfer of this Note may be effected only by (i) surrender of this Note to the Issuer and the re-issuance of this Note to the transferee, or the Issuer's issuance to the Holder of a new note in the same form as this Note but with the transferee denoted as the Holder, or (ii) the recording of the identity of the transferee by the Affiliate of the Holder that is maintaining a record ownership register of this Note as agent to, and on behalf of, the Issuer. Such Affiliate in its capacity as such agent shall notify the Issuer in writing immediately upon any change in such identity. The terms and conditions of this Note shall be binding upon and inure to the benefit of the Issuer and the Holder and their permitted assigns; provided, however, that if any such assignment (whether by operation of law, by way of transfer or participation, or otherwise) is to any noteholder that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code, then such noteholder shall submit to the Issuer on or before the date of such assignment an IRS Form W-8BEN (or any successor form) certifying as to such noteholder's status for purposes of determining exemption from United States withholding tax, information reporting and backup withholding with respect to all payments to be made to such noteholder under the new note (or other instrument). Any attempted transfer in violation of the relevant provisions of this Note shall be void and of no force and effect. Until there has been a valid transfer of this Note and of all of the rights hereunder by the Holder in accordance with this Note, the Issuer shall deem and treat the Holder as the absolute beneficial owner and holder of this Note and of all of the rights hereunder for all purposes (including, without limitation, for the purpose of receiving all payments to be made under this Note).

It is the intention of the Issuer and the Holder that this Note is to be a registered instrument and not a bearer instrument and the provisions of this Note are to be interpreted accordingly. This Note is intended to be registered as to both principal and interest and all payments hereunder shall be made to the named Holder or, in the event of a transfer pursuant to the Note Purchase Agreement and this Note, to the transferee identified in the record of ownership of this Note maintained by the Holder on behalf of the Issuer. Transfer of this Note may not be effected except in accordance with the provisions hereof.

This Note constitutes a renewal and restatement of, and replacement and substitution for, (i) a portion equal to $21,448,000 principal amount of that certain Secured Convertible Note dated as of July 2, 2010 in the original principal amount of $47,492,000 executed by Issuer in favor of Holder, as Assignee of Deerfield Private Design Fund, L.P. and (ii) a portion equal to $34,552,000 principal amount of that certain Secured Convertible Note dated as of July 2, 2010 in the original principal amount of $76,508,000 executed by Issuer in favor of Holder, as Assignee of Deerfield Private Design International, L.P. (collectively, the "**Prior Notes**"). The indebtedness evidenced by the Prior Notes is continuing indebtedness evidenced hereby and nothing herein shall be deemed to constitute payment, settlement or novation of the Prior Notes or to release or otherwise adversely affect any Lien securing such indebtedness.

[Signature Page Follows]

IN WITNESS WHEREOF, an authorized representative of the Issuer has executed this Note as of the date first written above.

EXELIXIS, INC.

By: /s/ Michael M. Morrissey
Name: Michael M. Morrissey, Ph.D.
Title: President and Chief Executive Officer

Exhibit 10.1

PARTIAL LEASE TERMINATION AGREEMENT

THIS PARTIAL LEASE TERMINATION AGREEMENT (this "***Agreement***") is entered into as of June 30, 2015, by and between **BRITANNIA POINTE GRAND LIMITED PARTNERSHIP**, a Delaware limited partnership ("**Landlord**"), and **EXELIXIS, INC.**, a Delaware corporation ("***Tenant***").

RECITALS:

A. Landlord and Tenant (formerly known as Exelixis Pharmaceuticals, Inc.) are parties to the Build-to-Suit Lease ("***Original Lease***") dated May 12, 1999, whereby Tenant currently leases approximately 119,000 rentable square feet of space ("***RSF***") (the "***Premises***") comprised of (i) the building located at 169 Harbor Way, South San Francisco, California (the "***169 Building***") containing approximately 49,000 RSF (referred to in the First Amendment as "Building 2"), and (ii) the building located at 170 Harbor Way, South San Francisco, California (the "***170 Building***") containing approximately 70,000 RSF (referred to in the First Amendment as "Building 1"). The Original Lease, as amended by (i) the First Amendment to Build-to-Suite Lease dated March 29, 2000, (ii) the Second Amendment to Build-to-Suite Lease dated January 31, 2001, and (iii) the Third Amendment to Build-to-Suite Lease dated May 24, 2001, is referred to herein as the "***Lease***".

B. Tenant and Landlord desire to enter into this Agreement in order to terminate Tenant's lease of the 169 Building, and to release one another from their respective obligations thereunder, except as otherwise provided herein.

AGREEMENT:

NOW, THEREFORE, in consideration of the foregoing recitals and the conditions and the covenants hereinafter contained, and for other consideration hereinafter set forth, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant hereby agree as follows.

1. EFFECTIVENESS OF THIS LEASE TERMINATION AGREEMENT. Landlord and Tenant hereby acknowledge and agree that, notwithstanding the full execution and delivery of this Agreement by Landlord and Tenant, this Agreement is expressly conditioned upon the full execution and delivery of a lease amendment (the "***Alios Expansion Amendment***") by Landlord and Alios Biopharma, Inc., a Delaware corporation ("***Alios***") (the terms and conditions of which Alios Expansion Amendment shall be acceptable to Landlord in its sole and absolute discretion) expanding Alios' existing lease with Landlord to include the 169 Building following the "***Termination Date***," as defined below (the "***Condition Precedent***"). Landlord shall have no liability whatsoever to Tenant relating to or arising from Landlord's inability or failure to cause all or any portion of the Condition Precedent to be satisfied. The Lease shall remain unmodified and in full force and effect unless and until such time as the Condition Precedent is satisfied.

2. TERMINATION OF THE LEASE. Landlord and Tenant hereby agree that, subject to the terms and conditions of Section 1 above, and conditioned upon the performance by the parties of the provisions of this Agreement, the Lease shall terminate and be of no further force or effect with respect to the 169 Building as of the date (the "***Termination Date***"), that is the later of (i) June 30, 2015, and (ii) the date that Tenant has completed the Decommissioning Process, as defined in **Section 3**, below. Effective as of the date of this Agreement, all rights of Tenant (if any) to renew or extend the Term (including without limitation, as set forth in **Section 2.6** of the Original Lease), and any right or option to lease additional space, or right or option to purchase, are hereby terminated and are of no further force or effect.

3. SURRENDER OF PREMISES. Tenant hereby agrees to vacate the Premises and surrender and deliver exclusive possession of the Premises to Landlord on or before the Termination Date in accordance with the provisions of the Lease; provided that, notwithstanding anything to the contrary contained in the Lease: (i) Landlord hereby agrees that there are no alterations, additions or improvements (collectively "***Alterations***") which Landlord will require Tenant to remove: (ii) Landlord acknowledges that Alios has requested that Tenant leave in place all telephone, computer, data and other cabling and wiring, and to leave in place and sell to Alios the personal property owned by Tenant and listed in the First Amendment to that certain Release Agreement between Tenant and Alios dated

May 21, 2015 (the "***Sold FF&E***"); and (iii) Landlord agrees that Tenant's obligation to surrender the Premises with the HVAC in good working order shall be satisfied by paying to HCP the amount of $28,858.00 within forty-five (45) days of the date of this Agreement, which amount represents the cost of the work Landlord and Tenant agree Tenant is responsible for as reflected in the Western Allied bids attached hereto as Exhibit B. On or before the Termination Date, Tenant shall, at Tenant's sole cost and expense, remove or cause to be removed from the Premises any and all furniture and equipment (other than the Sold FF&E), free-standing cabinet work, and other articles of personal property owned by Tenant, and such similar articles of any other persons claiming under Tenant and deliver the Premises to Landlord in a broom-clean condition, and with the Decommissioning Process complete. Tenant shall immediately repair at its own expense all damage to the Premises and the Building resulting from any such removal. If Tenant fails to complete such removal and/or repair any damage caused by such removal, Landlord may (but shall not be obligated to) do so and may charge the reasonable and actual cost thereof to Tenant. Tenant will be required to close all applicable permits and licenses (including without limitation, any radiation license) and complete the decommissioning process for the 169 Building as certified by a qualified third party industrial hygienist, and receive written closure from the applicable governmental agencies as required by applicable laws (the "***Decommissioning Process***").

4. ADJUSTMENT TO MONTHLY MINIMUM RENTAL AMOUNTS.

4.1 **Aggregate Monthly Minimum Rental**. Notwithstanding the termination of Tenant's lease of the 169 Building, the amount of Monthly Minimum Rental payable by Tenant under the Lease shall not be reduced, and, subject to the following terms of this **Section 4**, the amount of Monthly Minimum Rental that would have been payable for the 169 Building pursuant to the terms of the First Amendment, shall instead by payable for the 170 Building, and added to the amount of Monthly Minimum Rental otherwise payable for the 170 Building under the Original Lease (collectively, the "***Aggregate Monthly Minimum Rental***").

4.2 **Reduction of Aggregate Monthly Minimum Rental**. Upon the commencement of Alios' lease of the 169 Building pursuant to the Alios Expansion Amendment (the "***Alios 169 Lease***"), the Aggregate Monthly Minimum Rental payable by Tenant shall be reduced by an amount equal to the amounts payable by Alios to Landlord as "***Minimum Rental***" for the 169 Building under the Alios Expansion Amendment (the "***Rental Adjustment(s)***"). The Aggregate Monthly Minimum Rental, and the amounts of the Rental Adjustments, are set forth on **Exhibit A** attached hereto.

5. OPERATING EXPENSES. During the first two (2) months of the Alios 169 Lease, Alios will not be required to pay Operating Expenses with respect to the 169 Building (the "***Operating Expense Abatement***"). During such period, the Rental Adjustment shall be reduced by the amount of Operating Expenses that would otherwise have been paid by Alios, but for such Operating Expense Abatement.

6. REPRESENTATIONS OF TENANT. Tenant represents and warrants to Landlord that (a) Tenant has not heretofore assigned all or any portion of its interest in the Lease, and there are no subleases currently in effect with respect to the 169 Building; (b) no other person, firm or entity has any right, title or interest in the Lease with respect to the 169 Building; (c) Tenant has the full right, legal power and actual authority to enter into this Agreement and to terminate the Lease with respect to the 169 Building without the consent of any person, firm or entity; and (d) Tenant has the full right, legal power and actual authority to bind Tenant to the terms and conditions hereof. Tenant further represents and warrants to Landlord that as of the date hereof there are no, and as of the Termination Date there shall not be any, mechanic's liens or other liens encumbering all or any portion of the 169 Building, by virtue of any act or omission on the part of Tenant, its predecessors, contractors, agents, employees, successors or assigns. Notwithstanding the termination of the Lease and the release of liability provided for herein, the representations and warranties set forth in this **Section 5** shall survive the Termination Date and Tenant shall be liable to Landlord for any inaccuracy or any breach thereof.

7. CONTINUING LIABILITY. Notwithstanding the termination of the Lease and the release of liability provided for herein, except as expressly set forth in this Agreement, Tenant shall remain liable, with respect to the period of its tenancy prior to the Termination Date, for the performance of all of its obligations under the Lease (including, without limitation, Tenant's payment of reconciliation of Operating Expenses) and Landlord shall have all the rights and remedies with respect to such obligations as set forth in the Lease. In the event that Tenant retains

possession of the 169 Building or any part thereof after the Termination Date, then the provisions of **Section 2.5** of the Original Lease shall apply.

8. CONNECTOR BRIDGE. The "***Connector Bridge***", as defined in **Section 1(b)** of the First Amendment shall be deemed to be a part of the 170 Building, and shall continue to be a part of the Premises leased by Tenant under the Lease, as amended hereby. Landlord or Alios shall have the right to demise and secure the 169 Building so that there is no access from the Connector Bridge to the 169 Building.

9. SECURITY DEPOSIT. The Security Deposit held by Landlord with respect to the 169 Building, in the amount of $131,810.00, will be returned to Tenant (or, at Tenant's option, credited against other amounts owing from Tenant to Landlord under the Lease) promptly following the Termination Date.

10. ATTORNEYS' FEES. Should any dispute arise between the parties hereto or their legal representatives, successors and assigns concerning any provision of this Agreement or the rights and duties of any person in relation thereto, the party prevailing in such dispute shall be entitled, in addition to such other relief that may be granted, to recover reasonable attorneys' fees and legal costs in connection with such dispute.

11. DISPOSITION OF PERSONAL PROPERTY. Notwithstanding the above, Tenant shall continue to have access to the 169 Building through and including the Termination Date in order to remove all of its personal property, equipment and signage other than the Sold FF&E ("***Personal Property***") from the Premises. In the event that Tenant does not remove its Personal Property from the 169 Building prior to such Termination Date, Tenant acknowledges that Landlord shall be entitled, but shall not be obligated, to dispose of said Personal Property in any manner it deems fit, and charge the cost of such disposal to Tenant. Tenant hereby waives any rights it may have to notice under California Civil Code sections 1980 et seq. with respect to such Personal Property.

12. GOVERNING LAW. This Agreement shall be governed and construed under the laws of the State of California.

13. COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original, but such counterparts, when taken together, shall constitute one agreement.

14. BINDING EFFECT. This Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective legal representatives, successors and assigns.

15. TIME OF THE ESSENCE. Time is of the essence of this Agreement and the provisions contained herein.

16. FURTHER ASSURANCES. Landlord and Tenant hereby agree to execute such further documents or instruments as may be necessary or appropriate to carry out the intention of this Agreement.

17. VOLUNTARY AGREEMENT. The parties have read this Agreement and mutual release as contained herein, and on the advice of counsel they have freely and voluntarily entered into this Agreement.

18. DEFINED TERMS. All terms defined in the Lease when used herein shall have the same meaning as is given such terms in the Lease unless expressly superseded by the terms of this Agreement.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Agreement as of the day and year first above written.

"***LANDLORD***"

BRITANNIA POINTE GRAND

LIMITED PARTNERSHIP,

a Delaware limited partnership

By: HCP-Pointe Grand, Incorporated,
a Delaware corporation, its general partner

By: /s/ Jonathan M. Bergschneider

Jonathan M. Bergschneider,

Executive Vice President

"***TENANT***"

EXELIXIS, INC.,

a Delaware corporation

By: /s/ Deborah Burke

Name: Deborah Burke

Its: SVP & CFO

By:

Name:

Its:

EXHIBIT A

AGGREGATE MONTHLY MINIMUM RENTAL AND REDUCTION AMOUNTS

Date	170 Building Minimum Monthly Rent	169 Building Minimum Monthly Rent	Aggregate Minimum Monthly Rent	Alios Minimum Monthly Rent	Resulting Minimum Monthly Rent
*7/1/2015	$205,100	$191,049	$396,149	$0	$396,149
*8/1/2015	$205,100	$191,049	$396,149	$0	$396,149
9/1/2015	$205,100	$191,049	$396,149	$91,875	$304,274
10/1/2015	$205,100	$191,049	$396,149	$91,875	$304,274
11/1/2015	$205,100	$191,049	$396,149	$91,875	$304,274
12/1/2015	$205,100	$191,049	$396,149	$91,875	$304,274
1/1/2016	$205,100	$191,049	$396,149	$91,875	$304,274
2/1/2016	$205,100	$191,049	$396,149	$91,875	$304,274
3/1/2016	$205,100	$191,049	$396,149	$91,875	$304,274
4/1/2016	$205,100	$191,049	$396,149	$91,875	$304,274
5/1/2016	$209,300	$194,683	$403,983	$183,750	$220,233
6/1/2016	$213,500	$198,318	$411,818	$183,750	$228,068
7/1/2016	$213,500	$198,318	$411,818	$183,750	$228,068
8/1/2016	$213,500	$198,318	$411,818	$183,750	$228,068
9/1/2016	$213,500	$198,318	$411,818	$189,263	$222,556
10/1/2016	$213,500	$198,318	$411,818	$189,263	$222,556
11/1/2016	$213,500	$198,318	$411,818	$189,263	$222,556
12/1/2016	$213,500	$198,318	$411,818	$189,263	$222,556
1/1/2017	$213,500	$198,318	$411,818	$189,263	$222,556
2/1/2017	$213,500	$198,318	$411,818	$189,263	$222,556
3/1/2017	$213,500	$198,318	$411,818	$189,263	$222,556
4/1/2017	$213,500	$198,318	$411,818	$189,263	$222,556
5/1/2017	$106,750	$99,159	$205,909	$94,631	$111,278
Total	$4,715,550	$4,385,828	$9,101,378	$3,078,731	$6,022,647

Note that the foregoing dates and amounts may be subject to change if the Termination Date occurs after June 30, 2015.

*Subject to **Section 5** of this Agreement.

EXHIBIT B

[Bids attached]

WESTERN ALLIED MECHANICAL, INC

1180 O'Brien Drive • Menlo Park, CA
650-326-0750 • www.westernallied.com
License No.826782

June 25, 2015 **Bid No. 24195**

Exelixis Pharmaceuticals
249 East Grand Avenue
South San Francisco, CA 94080

Attn: Mariana Cobo-Mier, Steve Simpson
Email: mcobomier@exelixis.com; ssimpson@exelixis.com

Re: Building 169 – Rooftop units – replace box filters.

Western Allied Mechanical is pleased to propose the following scope of work per your request:

- Remove and replace the fouled box filters on all (7) Energy Labs air handlers with new.
- Properly dispose of fouled box filters.

Our price for the scope of work above, including labor, material and sales tax is $10,325.00.

Material	$ 6,634.74
Tax	$ 547.37
Labor	$ 3,142.89

All work will be performed during our normal service hours, Monday through Friday, 8:00 am to 4:30 pm.

Any further labor and material found to be needed in the course of performing this proposal will be brought to your attention. We will, upon your decision and approval, either perform the additional work on a time and material basis or quote an addendum to this proposal.

The above price **excludes** all work associated with hazardous materials (lead, asbestos, etc.).

Please sign this proposal and return the original to us. We will schedule the work upon receipt of the signed contract.

Date: _____ Acknowledgment: _____

From _____
Robert E. Monaghan
David Cook

24195- 169 Harbor SSF (Exelixis) Replace rooftop box filters - 062515

STATE CONTRACTOR LICENSE NO. 826782

WESTERN ALLIED MECHANICAL, INC

1180 O'Brien Drive • Menlo Park, CA
650-326-0750 • www.westernallied.com
Licence No.826782

June 25, 2015 **Bid No. 24194A**

Exelixis Pharmaceuticals
249 East Grand Avenue
South San Francisco, CA 94080

Attn: Mariana Cobo-Mier, Steve Simpson
Email: mcobomier@exelixis.com; ssimpson@exelixis.com

Re: 169 Harbor, SSF – Due Diligence repairs.

Western Allied Mechanical is pleased to propose the following scope of work per your request:

~~**Item #1: AH-1 – Energy Labs M# worn off S# worn off.**~~

- ~~Unit in good operating condition.~~
- ~~See line item #8 for box filters and separate quote for rust abatement and paint.~~

~~**Item #2: AH-2 – Energy Labs M# worn off S# worn off.**~~

- ~~Clean outdoor coil(s) (condenser).~~
- ~~Rinse the coil(s) with clear water.~~
- ~~See line item #8 for box filters and separate quote for rust abatement and paint.~~

~~Our price for the scope of work above, including labor, material and sales tax is $575.00.~~

Item #3: AH-3 – Energy Labs M# worn off S# worn off.

- Remove and replace the failing supply fan motor with new.
- Remove and replace the worn drive sheave with new.
- Remove and replace the worn belts with new.
- Verify proper belt tension and alignment.
- ~~Clean outdoor coil(s) (condenser).~~
- ~~Rinse the coil(s) with clear water.~~
- Start up and verify proper operation.
- See line item #8 for box filters and separate quote for rust abatement and paint.

Our price for the scope of work above, including labor, material and sales tax is $3,950.00.

Item #4: AH-4 – Energy Labs M# worn off S# worn off.

- Remove and replace the failing motor bearings with new.
- Remove and replace the worn drive sheave with new.
- Remove and replace the worn belts with new.
- Verify proper belt tension and alignment.
- ~~Clean outdoor coil(s) (condenser).~~
- ~~Rinse the coil(s) with clear water.~~
- Start up and verify proper operation.
- See line item #8 for box filters and separate quote for rust abatement and paint.

Our price for the scope of work above, including labor, material and sales tax is $1,975.00.

Item #5: AH-5 – Energy Labs M# worn off S# worn off.

- Remove and replace the failing motor bearings with new.
- ~~Clean outdoor coil(s) (condenser).~~
- ~~Rinse the coil(s) with clear water.~~
- Start up and verify proper operation.
- See line item #8 for box filters and separate quote for rust abatement and paint.

Our price for the scope of work above, including labor, material and sales tax is $925.00.

Item #6: AH-6 – Energy Labs M# worn off S# worn off.

- Remove and replace the worn drive sheave with new.
- Remove and replace the worn belt with new.
- Verify proper belt tension and alignment.
- Start up and verify proper operation.
- See line item #8 for box filters and separate quote for rust abatement and paint.

Our price for the scope of work above, including labor, material and sales tax is $1,375.00.

~~Item #7: AH-7 – Energy Labs M# worn off S# worn off.~~

- ~~Unit in good operating condition.~~
- ~~See line item #8 for box filters and separate quote for rust abatement and paint.~~

Item #8: AH-1 through -7 – Replace the box filters.

- See Proposal 24195.

~~Item #9: Boiler 1 – Camus M# DFNH3500MHI-SC S# 031215367.~~

- ~~Unit is in good operating condition as it is a newer unit.~~

~~Item #10: Boiler 2 – Camus M# DFNA3500MHI-SC S# 031215366.~~

- ~~Unit is in good operating condition as it is a newer unit.~~

Item #11: CAC-1 – ACP M# 04S-380P-3 S# 0000-01-904 (Air dryer is new.)

- Disconnect and remove the failing compressor on Pump #2 from the unit.
- Install the new compressor in its place.
- Remove and replace the worn line filter drier with new.
- Start up system and verify proper operation.

Our price for the scope of work above, including labor, material and sales tax is $4,650.00.

~~Item #12: CH-1 – Carrier M# 30XAB20065-OB-C3 S# 2812Q92690~~

- ~~Unit is in good operating condition as it is a newer unit.~~

~~Item #13: CH-2 – Carrier M# 30GXN204-AX6-FQ S# 4300F39856~~

- ~~Unit is operable as a back-up but will need replacing in the near future.~~

Item #14: CH-3 (Process Chiller) – Carrier M# 30RAN010A-611KA S# 3207Q03480

- Unit is in good condition but has not been operational in years.

Item #15: CH-4 – Carrier M# 30RAN010A-611KA S# 3307Q03529.

- Unit is in good condition but has not been operational in years.

Item #16: CR134 (Walk-in Cooler) – Bohn M# not visible S# not visible.

- Unit is locked off. Could not verify operations.

Item #17: CU-1A (Server Room) – Carrier M# 38AK-007-611 S# 3400G04080.

- Unit is in good condition but has a small refrigerant leak.
- Recommend leak check and repair.

Our price for the scope of work above, including labor, material and sales tax is $1,350.00.

Item #18: CU-1B (Server Room) – Carrier M# 38AK-007-611 S# 3400G04080.

- Unit is in good operating condition.

Item #19: CU-X (Serves 2nd floor Electrical Room) – Carrier M# 38BNB024311 S# 1505V03570.

- Unit is in good operating condition.

Item #20: CU-2 (Serves 1st floor Lab) – Carrier M# 38TRA018-321 S# 38TRA018320.

- Unit is in good operating condition.

Item #21A: CWP-1 - Bell & Gossett M# 3BC 9.500 BF 1510

- Unit is currently undergoing VFD repairs.
- When VFD repairs are completed, the unit will need to be evaluated for other repairs.

Item #21B: CWP-2 – Bell & Gossett M# 3BC 9.500 BF 1510

- Per Exelixis, no action at this time.

Item #21C: CWP-3 – Bell & Gossett M# 3BC 9.500 BF 1510

- Remove and replace the failing motor bearings with new.
- Remove and replace the failing pump bearing assembly with new.
- Remove and replace the worn volute gasket and seal with new.
- Start system and verify proper operation.

Our price for the scope of work above, including labor, material and sales tax is $ 4,333.00.

Item #22: Domestic Hot Water – State Sandblaster / Electric Heat M# CMIF-4 S# 18158

- Unit is in good operating condition.

~~**Item #23: EF-1 – Loren Cook M# 300CPS-A S# worn off.**~~

- ~~Unit is in good operating condition.~~
- ~~See separate quote for rust abatement and paint.~~

Item #24: EF-2 – Loren Cook M# 490CPS-A S# worn off.

- Remove and replace the worn motor bearings with new.
- Start up and verify proper operation.
- See separate quote for rust abatement and paint.

Our price for the scope of work above, including labor, material and sales tax is $1,325.00.

~~**Item #25: EF-3 – Loren Cook M# 490CPS-A S# worn off.**~~

- ~~Unit is in good operating condition.~~
- ~~See separate quote for rust abatement and paint.~~

~~**Item #26: EF-4 – Loren Cook M# 300CPS-A S# worn off.**~~

- ~~Unit is in good operating condition.~~
- ~~See separate quote for rust abatement and paint.~~

~~**Item #27: EF-5 – Loren Cook M# 490CPS-A S# worn off.**~~

- ~~Unit is in good operating condition.~~
- ~~See separate quote for rust abatement and paint.~~

~~**Item #28: EF-6 – Loren Cook M# 365CPS-A S# worn off.**~~

- ~~Unit is in good operating condition.~~
- ~~See separate quote for rust abatement and paint.~~

~~**Item #29: EF-7 – Loren Cook M# 490CPS-A S# worn off.**~~

- ~~Unit is in good operating condition.~~
- ~~See separate quote for rust abatement and paint.~~

~~**Item #30: EF-8 – Loren Cook M# 120CP3-33 S# worn off.**~~

- ~~Unit is in good operating condition.~~
- ~~See separate quote for rust abatement and paint.~~

~~**Item #31: EF-9 – Loren Cook M# 365CPS-A S# worn off.**~~

- ~~Unit is in good operating condition.~~
- ~~See separate quote for rust abatement and paint.~~

~~**Item #32: EF-X – Greenheck M# SWB-12-LMPX-OD S# 00H14131.**~~

- ~~Unit is in good operating condition.~~
- ~~See separate quote for rust abatement and paint.~~

~~**Item #33: FR133 (Freezer) – No Info. M# not visible S# not visible.**~~

- ~~Unit is locked off. Could not verify operations.~~

~~**Item #34: HWP-1 – Bell & Gossett M# 1510 S# not available.**~~

- ~~Unit is in good operating condition~~

~~**Item #35: HWP-2 – Bell & Gossett M# 1510 S# not available.**~~

- ~~Unit is in good operating condition.~~

~~**Item #36: Industrial Hot Water – Laars Might Therm M# PW0175CN12CBACN S# B00CH0096.**~~

- ~~Remove and replace the worn pilot assembly with new.~~
- ~~Start up and verify proper operation.~~

~~Our price for the scope of work above, including labor, material and sales tax is $1,375.00.~~

All work will be performed during our normal service hours, Monday through Friday, 8:00 am to 4:30 p.m.

Any further labor and material found to be needed in the course of performing this proposal will be brought to your attention. We will, upon your decision and approval, either perform the additional work on a time and material basis or quote an addendum to this proposal.

The above price **excludes** all work associated with hazardous materials (lead, asbestos, etc.).

Please sign this proposal and return the original to us. We will schedule the work upon receipt of the signed contract.

Date: _____ Acknowledgment: _____

From _____
Robert E. Monaghan
David Cook

Exhibit 10.2

SECOND AMENDMENT TO SUBLEASE

THIS SECOND AMENDMENT TO SUBLEASE (this "**Second Amendment**") is made as of July 1, 2015 (the "**Effective Date**"), by and between **EXELIXIS, INC.**, a Delaware corporation ("**Sublandlord**"), and **NODALITY, INC.**, a Delaware corporation ("**Subtenant**").

RECITALS

A. Sublandlord and Subtenant entered into that certain Sublease dated as of July 25, 2011, as amended by that certain First Amendment to Sublease dated as of May 1, 2012 (together, the "**Sublease**"). Pursuant to the Sublease, Subtenant subleases certain premises consisting of approximately 27,564 rentable square feet ("**Subleased Premises**") in a building located at 170 Harbor Way, South San Francisco, California. The Subleased Premises are more particularly described in the Sublease. Capitalized terms used herein without definition shall have the meanings defined for such terms in the Sublease.

B. Sublandlord and Subtenant desire, subject to the terms and conditions set forth below, to amend the Sublease to, among other things, decrease the rentable square footage subleased by Subtenant by removing from the Subleased Premises the ROFO Space containing 2,454 rentable square feet in the aggregate that are located on the first floor of Building 170 and are designated as "Hallway 151," "Open Office 152," "Shared Office 153," "Office 154," "Office 155," "Office 156," "Office 157," and "Office 158" on Exhibit A attached to this Second Amendment.

NOW, THEREFORE, in consideration of the foregoing Recitals, which are incorporated herein by this reference, the mutual promises and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sublandlord and Subtenant hereby agree as follows, as of the Effective Date:

1. **Rentable Square Footage**. The Subleased Premises are reduced to exclude the ROFO Space. Accordingly, the last sentence of Section 1 of the Sublease is hereby deleted in its entirety and replaced with the following:

> "The parties hereto agree to the rentable square footage of the Subleased Premises is 25,110, and such rentable square footage, and any of the economic terms hereof based thereon, shall not be adjusted based on further re-measurement."

2. **Base Rent**. The monthly rent calculation set forth in Section 4(a) of the Sublease is hereby deleted in its entirety and replaced with the following:

11/1/11 – Month 2	$0.00
Months 3 – 6	$87,885.00
Months 7 – 12	$96,474.00
Months 13 – 24	$99,368.22
Months 25 – 36	$102,349.27
Months 37 – 44	$105,419.75
Months 45 – 48	$96,034.32
Months 49 – 60	$98,915.35
Month 60 – End Date	$101,882.81

3. **Additional Rent**. The definition of Additional Rent set forth in Section 4(b) is hereby deleted in its entirety and replaced with the following:

"Subtenant shall pay, as "**Additional Rent**," 100% of such additional rent or sums that relate to the Subleased Premises during the Sublease Term, and if the same cannot be so allocated then 36% of those charges that relate generally to Building 170 (excluding the vivarium located on the first floor) or 21.1% of those charges that relate generally to the Master Premises (as applicable, "**Subtenant's Share**").

4. **Map of Subleased Premises.** Exhibit A to the Sublease is hereby deleted in its entirety and replaced with the Exhibit A attached to this Second Amendment.

5. **Surrender of ROFO Space**. Subtenant hereby agrees to vacate the ROFO Space and surrender and deliver exclusive possession of the ROFO Space to Sublandlord on or before the Effective Date in accordance with the provisions of the Sublease. On or before the Effective Date, Subtenant shall, at Subtenant's sole cost and expense, remove or cause to be removed from the ROFO Space (i) any Alterations made by Subtenant, (ii) Subtenant' personal property (except for the personal property existing in the ROFO Space for which Threshold Pharmaceuticals, Inc. ("**Threshold**") has agreed in writing to take possession of) and (iii) repair any damage to the ROFO Space caused by such removal. Subtenant shall deliver the ROFO Space to Sublandlord in a broom-clean condition. If Subtenant fails to complete such removal and/or repair any damage caused by such removal, Sublandlord, at Subtenant's sole cost and expense, shall be entitled (but not be obligated) to remove such Alterations or remove, store or dispose of Subtenant's personal property. Sublandlord shall not be responsible for the value, preservation or safekeeping of Subtenant's personal property.

6. **Reimbursement of Tenant/Sublandlord**. Within thirty (30) days after invoice, Subtenant shall reimburse Tenant/Sublandlord all of Tenant/Sublandlord's reasonable, out-of-pocket costs and expenses incurred in connection with its review and preparation of this Second Amendment and the Master Landlord's Consent.

7. **Miscellaneous**.

a. Sublandlord and Subtenant expressly acknowledge and agree that this Second Amendment is subject to Master Landlord's prior written consent to this Second Amendment, on a form to be provided by Master Landlord that is reasonably acceptable to Sublandlord and Subtenant ("**Master Landlord's Consent**"). Sublandlord shall use commercially reasonable efforts to obtain Master Landlord's Consent, and Subtenant agrees to cooperate in all reasonable respects in connection therewith. If Sublandlord fails to obtain Master Landlord's Consent within thirty (30) days after execution of this Sublease by both Subtenant and Sublandlord, then either Sublandlord or Subtenant may terminate this Second Amendment by giving written notice thereof to the other, and Sublandlord shall return to Subtenant any amounts delivered by Subtenant under this Second Amendment. Neither party shall have any liability to the other for any termination or cancellation of this Second Amendment as a result of Master Landlord's failure or refusal to consent to this Second Amendment, unless such party by its willful act caused Master Landlord to refuse timely consent to this Second Amendment. No termination or cancellation of this Second Amendment as provided in this Section 7(a) shall terminate or cancel the Sublease. Upon any such termination or cancellation of this Second Amendment, the Sublease shall remain in full force and effect unmodified by this Second Amendment.

b. Sublandlord and Subtenant expressly acknowledge and agree that, notwithstanding the full execution and delivery of this Second Amendment by Sublandlord and Subtenant, this Second Amendment is expressly conditioned upon the (i) full execution and delivery of a sublease amendment by Substandlord and Threshold amending the amount of subleased space to include the ROFO Space and (ii) the Master Landlord's prior written consent to such amendment on a form to be provided by Master Landlord that is reasonably acceptable to Sublandlord and Threshold (together, the "**Condition Precedent**"). Sublandlord shall have no liability whatsoever to Subtenant relating to or arising from Sublandlord's inability or failure to cause all or any portion of the Condition Precedent to be satisfied. The Sublease shall remain unmodified and in full force and effect until such time as the Condition Precedent is satisfied.

c. This Second Amendment is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous oral and written agreements and discussions. This Second Amendment may be amended only by an agreement in writing, signed by the parties hereto.

d. This Second Amendment is binding upon and shall inure to the benefit of the parties hereto, their respective agents, employees, representatives, officers, directors, divisions, subsidiaries, affiliates, assigns, heirs, successors in interest and shareholders.

e. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto except having additional signature pages executed by other parties to this Second Amendment attached thereto.

f. Except as amended and/or modified by this Second Amendment, the Sublease is hereby ratified and confirmed and all other terms of the Sublease shall remain in full force and effect, unaltered and unchanged by this Second Amendment. In the event of any conflict between the provisions of this Second Amendment and the provisions of the Sublease, the provisions of this Second Amendment shall prevail.

[Signatures are on the next page.]

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as of the Effective Date.

SUBLANDLORD:

EXELIXIS, INC.,
a Delaware corporation

By: /s/ Deborah Burke

Name: Deborah Burke
Title: SVP & CFO

Date: 7/1/15

SUBTENANT:

NODALITY, INC.,
a Delaware corporation

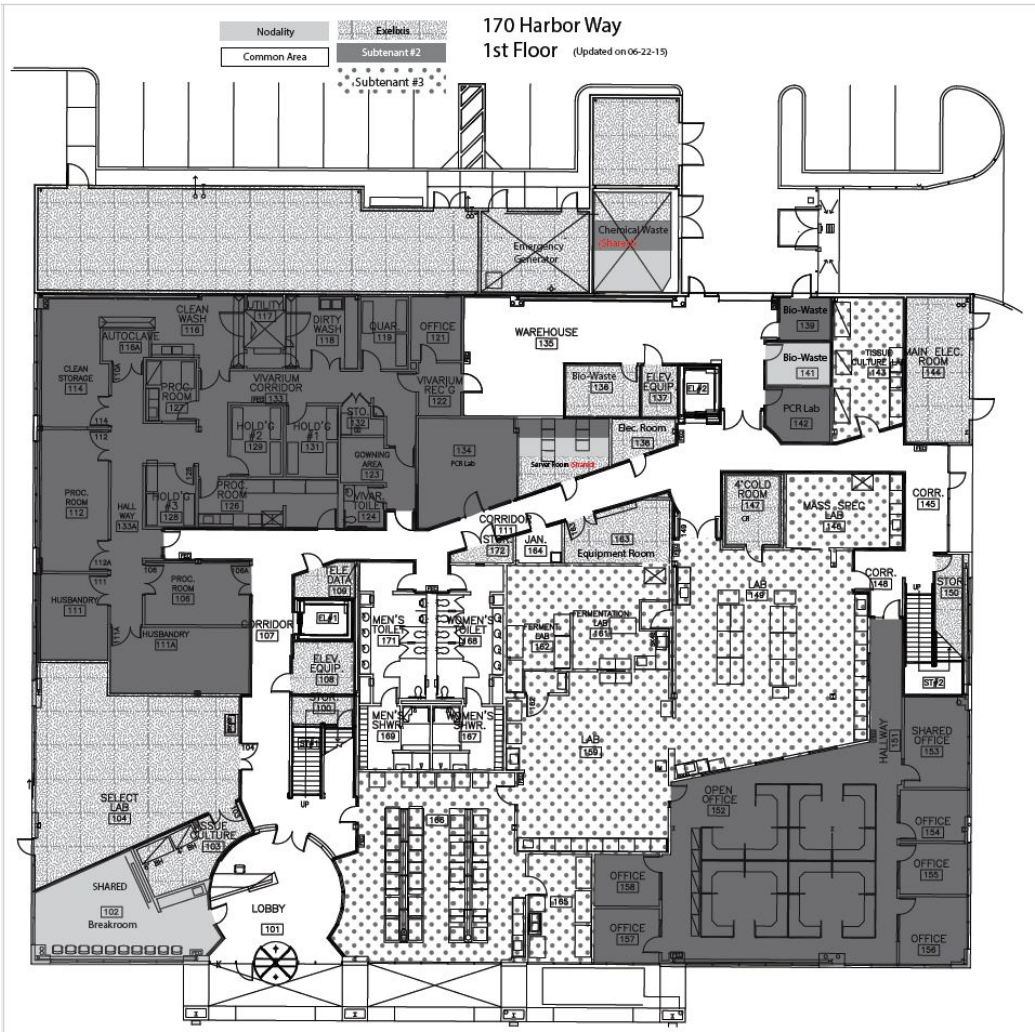
By: /s/ Laura Brege

Name: Laura Brege
Title: CEO

Date: 6/29/15

EXHIBIT A

MAP OF SUBLEASED PREMISES



Nodality | Common Area

170 Harbor Way
2nd Floor

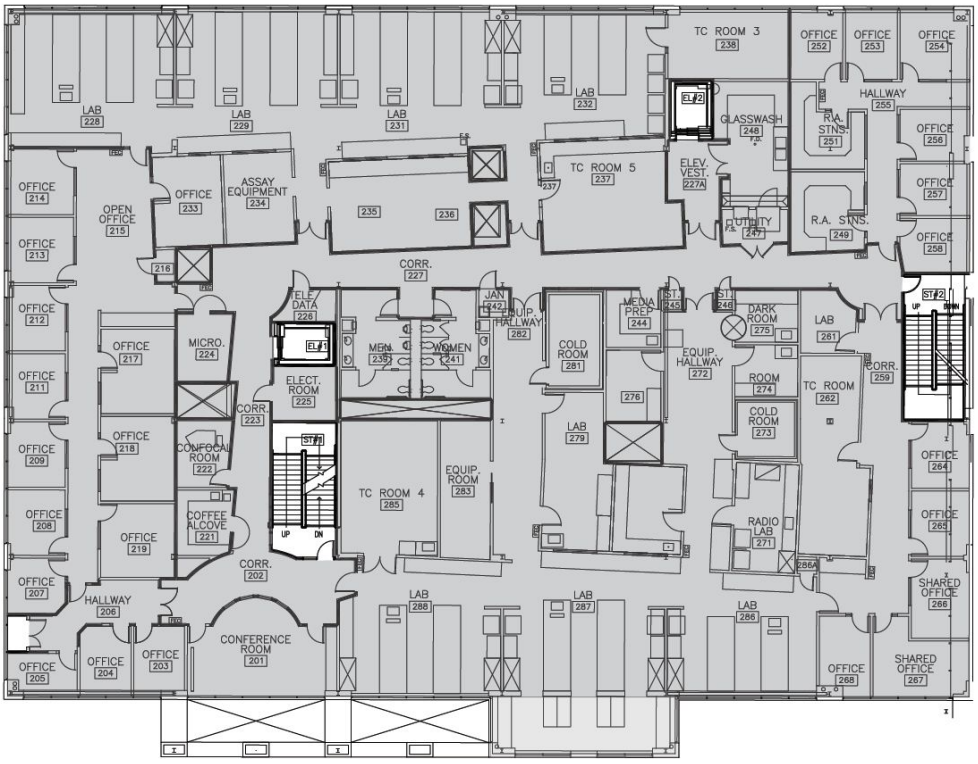


Exhibit 10.3

FIRST AMENDMENT TO CONSENT TO SUBLEASE AGREEMENT

THIS FIRST AMENDMENT TO CONSENT TO SUBLEASE AGREEMENT (this "**First Amendment**") is made as of July 1, 2015, by and among BRITANNIA POINTE GRAND LIMITED PARTNERSHIP, a Delaware limited partnership ("**Landlord**"), EXELIXIS INC., a Delaware corporation ("**Tenant**"), and NODALITY, INC., a Delaware corporation ("**Subtenant**").

R E C I T A L S

A. Reference is hereby made to that certain Build-to-Suit Lease dated as of May 12, 1999, between Landlord and Tenant (the "**Original Lease**"), as amended by that certain First Amendment to Build-to-Suit Lease dated as of March 29, 2000 ("**First Amendment**"), that certain Second Amendment to Build-to-Suit Lease dated as of January 31, 2001 ("**Second Amendment**"), and that certain Third Amendment to Build-to-Suit Lease dated as of May 24, 2001 ("**Third Amendment**," together with the Original Lease, the First Amendment and the Second Amendment, collectively, the "**Lease**"), for certain buildings located at 169 Harbor Way and 170 Harbor Way (each, a "**Building**" and collectively, the "**Premises**"), in South San Francisco, California.

B. On August 16, 2011, Landlord (referenced as HCP Life Science REIT, Inc. in the Consent, which entity is Landlord's parent company), Tenant and Subtenant entered into that certain Consent to Sublease Agreement ("**Original Consent**"), whereby Landlord consented to the subletting by Subtenant of a portion of the Premises as described in that certain Sublease dated July 25, 2011 between Tenant, as sublandlord, and Subtenant, as subtenant (the "**Original Sublease**").

C. On June 1, 2012, Landlord delivered a letter to Tenant ("**Approval Letter**," and together with the Original Consent, collectively, the "**Consent**"), whereby Landlord consented to that First Amendment to Sublease dated as of May 1, 2012 (the "**Sublease First Amendment**," together with the Original Sublease, collectively, the "**Sublease**").

D. Pursuant to Section 3 of the Original Consent and Article 13 of the Lease, Tenant has requested Landlord's consent to that certain Second Amendment to Sublease dated July 1, 2015, between Tenant and Subtenant (the "**Sublease Second Amendment**"), with respect to the give-back by Subtenant of 2,454 rentable square feet of space on the first floor of the Building located at 170 Harbor Way, as more particularly described in the Sublease Second Amendment ("**Sublet Reduced Premises**"). A copy of the Sublease Second Amendment is attached hereto as Exhibit A. Landlord is willing to consent to the Sublease Second Amendment on the terms and conditions contained herein.

E. All defined terms not otherwise expressly defined herein shall have the respective meanings given in the Lease.

A G R E E M E N T

1. Landlord's Consent. Landlord hereby consents to the Sublease Second Amendment; provided, however, notwithstanding anything contained in the Sublease Second Amendment to the contrary, such consent is granted by Landlord only upon the terms and conditions set forth in this First Amendment. The Sublease Second Amendment is subject and subordinate to the Lease. Landlord shall not be bound by any of the terms, covenant, conditions, provisions or agreements of the Sublease Second Amendment. Subtenant acknowledges for the benefit of Landlord that Subtenant continues to accept the Subleased Premises (as defined in the Sublease Second Amendment) in their presently existing, "as-is" condition and that Landlord has made no representation or warranty to Subtenant as to the compliance of the Subleased Premises with any law, statute, ordinance, rule or regulation. Tenant and Subtenant hereby represent and warrant to Landlord that the copy of the Sublease Second Amendment attached hereto is a full, complete and accurate copy of the Sublease Second Amendment, and that there are no other documents or instruments relating to the use of the Subleased Premises by Subtenant other than the Sublease and the Sublease Second Amendment.

2. Reimbursement of Landlord. Within five (5) days after invoice, Tenant shall reimburse Landlord all of Landlord's reasonable costs and expenses incurred in connection with its review and consent of the Sublease Second Amendment and preparation and negotiation of this Second Amendment.

3. Incorporation of Terms of Consent. The parties hereto acknowledge and agree that the terms set forth in Sections 3 and 4 (including Sections 4.1 through 4.8) of the Original Consent are incorporated herein and each time the word "Sublease" is used in such Sections, the same shall mean both the Sublease and this Sublease Second Amendment.

4. General Provisions.

4.1 Consideration for Sublease. Tenant and Subtenant represent and warrant that there are no additional payments of rent or any other consideration of any type payable by Subtenant to Tenant with regard to the Sublet Reduction Premises other than as disclosed in the Sublease Second Amendment.

4.2 Brokerage Commission. Tenant and Subtenant covenant and agree that under no circumstances shall Landlord be liable for any brokerage commission or other charge or expense in connection with the Sublease and Tenant and Subtenant agree to protect, defend indemnify and hold Landlord harmless from and against the same and from any cost or expense (including, but not limited to, attorney's fees) incurred by Landlord in resisting any claim for any such brokerage commission.

4.3 Recapture. This consent shall in no manner be construed as limiting Landlord's ability to exercise any rights to recapture any portion of the Premises, as set forth in the Lease, in the event of a proposed future sublease or assignment of such portion of the Premises.

4.4 Controlling Law. The terms and provisions of this First Amendment shall be construed in accordance with and governed by the laws of the State of California.

4.5 Binding Effect. This First Amendment shall be binding upon and inure to the benefit of the parties hereto, their heirs, successors and permitted assigns. As used herein, the singular number includes the plural and the masculine gender includes the feminine and neuter.

4.6 Captions. The paragraph captions utilized herein are in no way intended to interpret or limit the terms and conditions hereof; rather, they are intended for purposes of convenience only.

4.7 Partial Invalidity. If any term, provision or condition contained in this First Amendment shall, to any extent, be invalid or unenforceable, the remainder of this First Amendment, or the application of such term, provision or condition to persons or circumstances other than those with respect to which it is invalid or unenforceable, shall not be affected thereby, and each and every other term, provision and condition of this First Amendment shall be valid and enforceable to the fullest extent permitted by law.

4.8 Attorneys' Fees. If either party commences litigation against the other for the specific performance of this First Amendment, for damages for the breach hereof or otherwise for enforcement of any remedy hereunder, the parties hereto agree to and hereby do waive any right to a trial by jury and, in the event of any such commencement of litigation, the prevailing party shall be entitled to recover from the other party such costs and reasonable attorneys' fees as may have been incurred.

4.9 Conflicts. Notwithstanding anything in this First Amendment to the contrary, as between Tenant and Subtenant, (a) nothing in this First Amendment shall modify the terms and conditions of the Sublease Second Amendment, and (b) in the event of any conflict between this First Amendment and the Sublease Second Amendment, the Sublease Second Amendment shall control.

IN WITNESS WHEREOF, the parties have executed this Consent to Sublease Second Amendment as of the day and year first above written.

"Landlord"

BRITANNIA POINTE GRAND LIMITED PARTNERSHIP

By: HCP-Pointe Grand, Incorporated
its general partner

By: /s/ Jonathan M. Bergschneider

Its: Executive Vice President

"Tenant"

EXELIXIS, INC.,
a Delaware corporation

By: /s/ Deborah Burke

Its: SVP & CFO

"Subtenant"

NODALITY, INC.,
a Delaware corporation

By: /s/ Laura Brege

Its: CEO

1.

EXHIBIT A

THE SUBLEASE SECOND AMENDMENT

See Exhibit 10.2 to Form 10-Q filed August 11, 2015

Exhibit 10.4

FIRST AMENDMENT TO SUBLEASE

THIS FIRST AMENDMENT TO SUBLEASE (this "**First Amendment**") is made as of October 1, 2013 (the "Effective Date"), by and between **EXELIXIS, INC.**, a Delaware corporation ("**Sublandlord**"), and **THRESHOLD PHARMACEUTICALS, INC.**, a Delaware corporation ("**Subtenant**").

RECITALS

A. Sublandlord and Subtenant entered into that certain Sublease dated as of July 25, 2011 (the "**Sublease**"). Pursuant to the Sublease, Subtenant subleases certain premises consisting of approximately 28,180 rentable square feet ("**Subleased Premises**") in a building located at 170 Harbor Way, South San Francisco, California. The Subleased Premises are more particularly described in the Sublease. Capitalized terms used herein without definition shall have the meanings defined for such terms in the Sublease.

B. Sublandlord and Subtenant desire, subject to the terms and conditions set forth below, to amend the Sublease to, among other things, increase the rentable square footage subleased by Subtenant by adding to the Subleased Premises the two rooms (the "**Expansion Space**") containing 470 rentable square feet in the aggregate that are located on the first floor of Building 170 and are designated as "PCR Lab" on Exhibit A attached to this First Amendment.

NOW, THEREFORE, in consideration of the foregoing Recitals, which are incorporated herein by this reference, the mutual promises and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sublandlord and Subtenant hereby agree as follows, as of the Effective Date:

1. **Rentable Square Footage**. The Subleased Premises are expanded to include the Expansion Space. Accordingly, the last sentence of Section 1 of the Sublease is hereby deleted in its entirety and replaced with the following:

"The parties hereto agree to the rentable square footage of the Subleased Premised is 28,650, and such rentable square footage, and any of the economic terms hereof based thereon, shall not be adjusted based on further re-measurement."

2. **Base Rent**. The base rent calculations set forth in Section 4(a) related to the "Third Floor Subleased Premises and First floor server and waste rooms" is hereby deleted in its entirety and replaced with the following:

"Subleased Premises other than the Vivarium Sublease Premises (24,280 RSF):

Months 1-4	$0.00/rsf/mo.	$0.00
Months 5-11	$1.65/rsf/mo.	$39,286.50
Months 12-23	$1.75/rsf/mo.	$41,667.50
Month 24	$1.80/rsf/mo.	$42,858.00
Months 25-35	$1.80/rsf/mo.	$43,704.00
Months 36-47	$1.85/rsf/mo.	$44,918.00
Months 48-59	$1.95/rsf/mo.	$47,346.00
Months 60-67	$2.00/rsf/mo.	$48,560.00"

3. **Additional Rent**. The first sentence of Section 4(b) of the Sublease is hereby deleted in its entirety and replaced with the following:

"During the Sublease Term, if Sublandlord shall be charged for additional rent or other sums pursuant to any of the provisions of the Master Lease, including, without limitation, "Operating Expenses", as defined in Section 7.2 of the Master Lease, and real property taxes, as set forth in Section 6.2 of

the Master Lease, as each is incorporated herein by reference, but excepting those sums incurred by Sublandlord as a result of Sublandlord's breach of the Master Lease, Subtenant shall pay, as "**Additional Rent**," 100% of such additional rent or sums that relate to the Subleased Premises, and if the same cannot be so allocated then 40.9% of those charges that relate generally to Building 170 or 24.1% of those charges that relate generally to the Master Premises (as applicable, "**Subtenant's Share**"); provided, however, that Subtenant shall be entitled to a proportional share of any refund of such additional rent or sums received by Sublandlord from Master Landlord in accordance with Section 7.4 of the Master Lease."

4. **Map of Subleased Premises.** Exhibit A to the Sublease is hereby deleted in its entirety and replaced with the Exhibit A attached to this First Amendment.

5. **Condition of Expansion Space**. On the Effective Date, Sublandlord shall deliver possession of the Expansion Space to Subtenant in broom-clean condition with all personal property removed. Section 3(a) of the Sublease shall apply to the Expansion Space as if fully set forth in this First Amendment, except that "Effective Date" is substituted for "Start Date" wherever that term appears in such section.

6. **Miscellaneous**.

a. Sublandlord and Subtenant expressly acknowledge and agree that this First Amendment is subject to Master Landlord's prior written consent to this First Amendment, on a form to be provided by Master Landlord that is reasonably acceptable to Sublandlord and Subtenant ("**Master Landlord's Consent**"). Sublandlord shall use commercially reasonable efforts to obtain Master Landlord's Consent, and Subtenant agrees to cooperate in all reasonable respects in connection therewith. If Sublandlord fails to obtain Master Landlord's Consent within thirty (30) days after execution of this Sublease by both Subtenant and Sublandlord, then either Sublandlord or Subtenant may terminate this First Amendment by giving written notice thereof to the other, and Sublandlord shall return to Subtenant any amounts delivered by Subtenant under this First Amendment. Neither party shall have any liability to the other for any termination or cancellation of this First Amendment as a result of Master Landlord's failure or refusal to consent to this First Amendment, unless such party by its willful act caused Master Landlord to refuse timely consent to this First Amendment. No termination or cancellation of this First Amendment as provided in this Section 6(a) shall terminate or cancel the Sublease. Upon any such termination or cancellation of this First Amendment, the Sublease shall remain in full force and effect unmodified by this First Amendment.

b. This First Amendment is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous oral and written agreements and discussions. This First Amendment may be amended only by an agreement in writing, signed by the parties hereto.

c. This First Amendment is binding upon and shall inure to the benefit of the parties hereto, their respective agents, employees, representatives, officers, directors, divisions, subsidiaries, affiliates, assigns, heirs, successors in interest and shareholders.

d. This First Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto except having additional signature pages executed by other parties to this First Amendment attached thereto.

e. Except as amended and/or modified by this First Amendment, the Sublease is hereby ratified and confirmed and all other terms of the Sublease shall remain in full force and effect, unaltered and unchanged by this First Amendment. In the event of any conflict between the provisions of this First Amendment and the provisions of the Sublease, the provisions of this First Amendment shall prevail.

[Signatures are on the next page.]

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of the Effective Date.

SUBLANDLORD:

EXELIXIS, INC.,
a Delaware corporation

By: /s/ Frank Karbe

Name: Frank Karbe
Title: EVP & CFO

SUBTENANT:

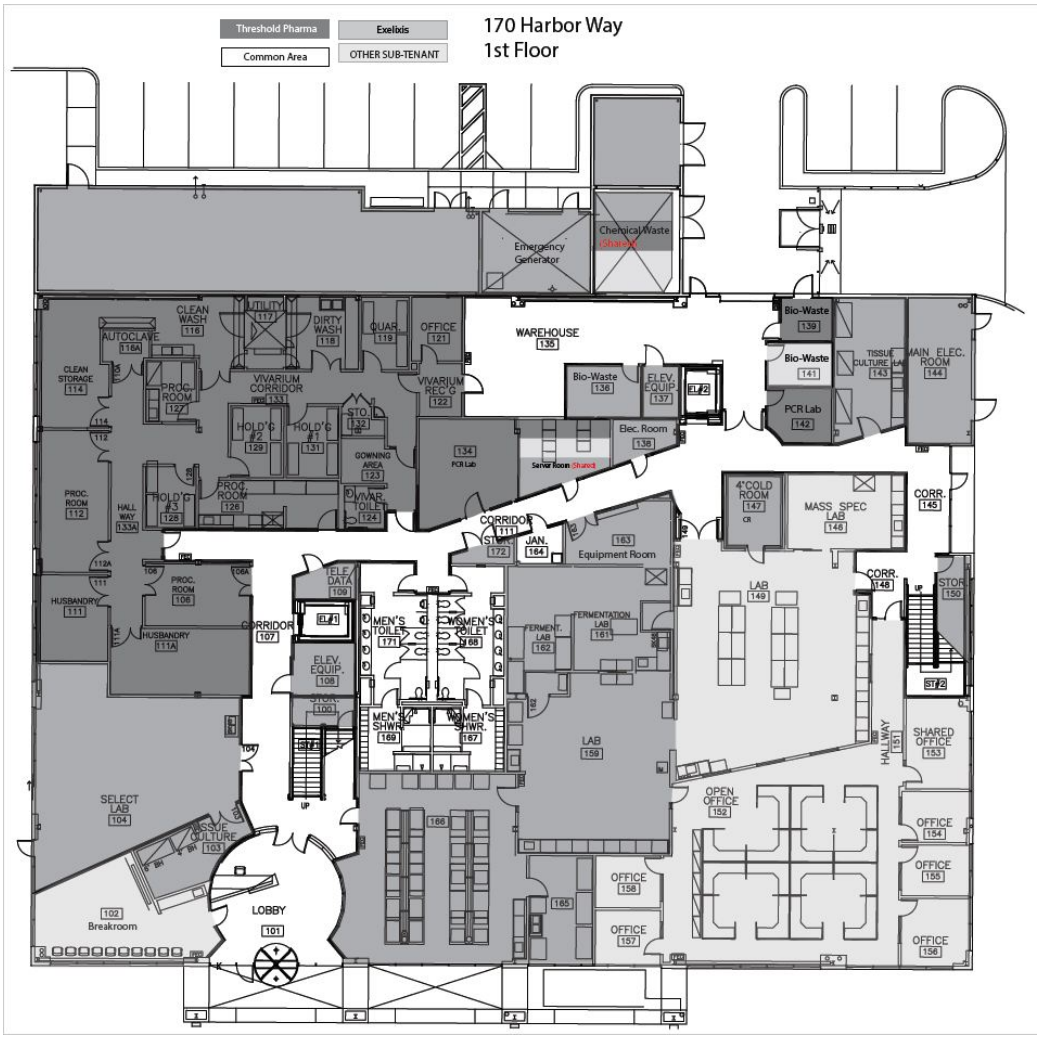
THRESHOLD PHARMACEUTICALS, INC.,
a Delaware corporation

By: /s/ Harold E. Selick, Ph.D.

Name: Harold E. Selick, Ph.D.
Title: Chief Executive Officer

EXHIBIT A

MAP OF SUBLEASED PREMISES



Threshold Pharma | Exelixis

Common Area

170 Harbor Way
3rd Floor

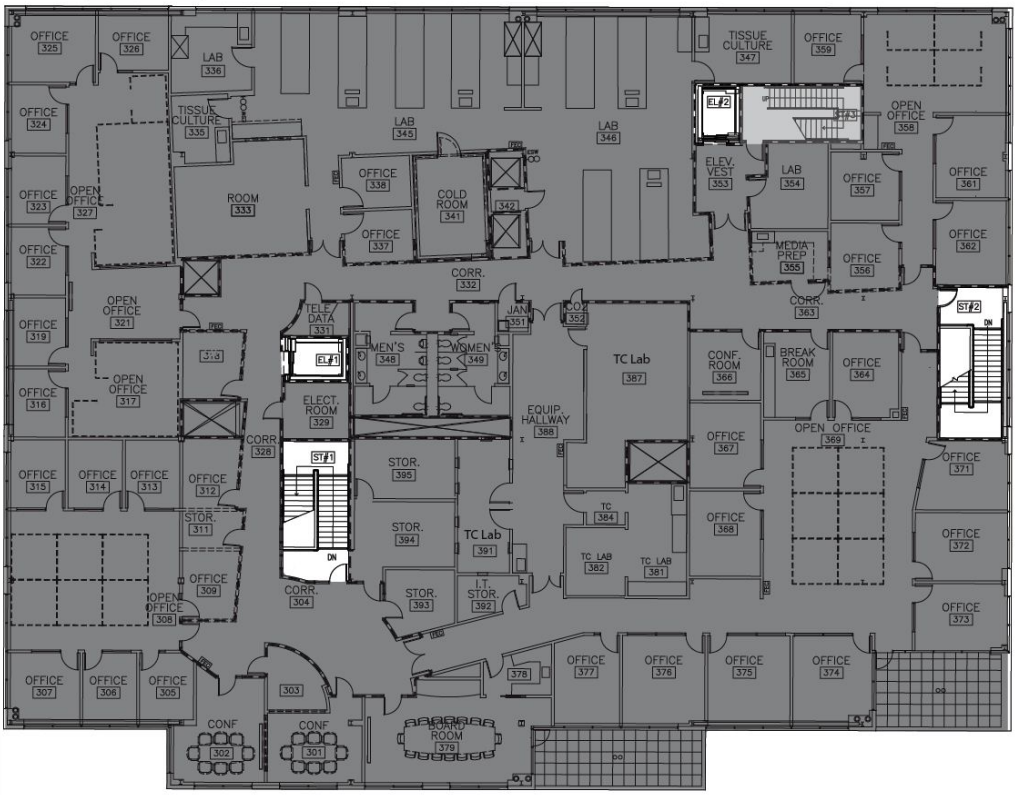


Exhibit 10.5

FIRST AMENDMENT TO CONSENT TO SUBLEASE AGREEMENT

THIS FIRST AMENDMENT TO CONSENT TO SUBLEASE AGREEMENT (this "**First Amendment**") is made as of October 1, 2013, by and among BRITANNIA POINTE GRAND LIMITED PARTNERSHIP, a Delaware limited partnership ("**Landlord**"), EXELIXIS INC., a Delaware corporation ("**Tenant**"), and THRESHOLD PHARMACEUTICALS, INC., a Delaware corporation ("**Subtenant**").

R E C I T A L S

A. Reference is hereby made to that certain Build-to-Suit Lease dated as of May 12, 1999, between Landlord and Tenant (the "**Original Lease**"), as amended by that certain First Amendment to Build-to-Suit Lease dated as of March 29, 2000 ("**First Amendment**"), that certain Second Amendment to Build-to-Suit Lease dated as of January 31, 2001 ("**Second Amendment**"), and that certain Third Amendment to Build-to-Suit Lease dated as of May 24, 2001 ("**Third Amendment**," together with the Original Lease, the First Amendment and the Second Amendment, collectively, the "**Lease**"), for certain buildings located at 169 Harbor Way and 170 Harbor Way (each, a "**Building**" and collectively, the "**Premises**"), in South San Francisco, California.

B. On August 19, 2011, Landlord (referenced as HCP Life Science REIT, Inc. in the Consent, which entity is Landlord's parent company), Tenant and Subtenant entered into that certain Consent to Sublease Agreement ("**Consent**"), whereby Landlord consented to the subletting by Subtenant of a portion of the Premises as described in that certain Sublease dated July 25, 2011 between Tenant, as sublandlord, and Subtenant, as subtenant (the "**Sublease**").

C. Pursuant to Section 3 of the Consent and Article 13 of the Lease, Tenant has requested Landlord's consent to that certain First Amendment to Sublease dated on or about the date hereof, between Tenant and Subtenant (the "**Sublease First Amendment**"), with respect to a subletting by Subtenant of an additional 470 rentable square feet of space on the first floor of the Building located at 170 Harbor Way, as more particularly described in the Sublease First Amendment (the "**Sublet Expansion Premises**"). A copy of the Sublease First Amendment is attached hereto as Exhibit A. Landlord is willing to consent to the Sublease First Amendment on the terms and conditions contained herein.

D. All defined terms not otherwise expressly defined herein shall have the respective meanings given in the Lease.

A G R E E M E N T

1. Landlord's Consent. Landlord hereby consents to the Sublease First Amendment; provided, however, notwithstanding anything contained in the Sublease First Amendment to the contrary, such consent is granted by Landlord only upon the terms and conditions set forth in this First Amendment. The Sublease First Amendment is subject and subordinate to the Lease. Landlord shall not be bound by any of the terms, covenant, conditions, provisions or agreements of the Sublease First Amendment. Subtenant acknowledges for the benefit of Landlord that Subtenant accepts the Sublet Expansion Premises in their presently existing, "as-is" condition and that Landlord has made no representation or warranty to Subtenant as to the compliance of the Sublet Expansion Premises with any law, statute, ordinance, rule or regulation. Tenant and Subtenant hereby represent and warrant to Landlord that the copy of the Sublease First Amendment attached hereto is a full, complete and accurate copy of the Sublease First Amendment, and that there are no other documents or instruments relating to the use of the Sublet Expansion Premises by Subtenant other than the Sublease and the Sublease First Amendment.

2. Reimbursement of Landlord. Within five (5) days after invoice, Tenant shall reimburse Landlord all of Landlord's reasonable costs and expenses incurred in connection with its review and consent of the Sublease First Amendment and preparation and negotiation of this First Amendment.

3. Incorporation of Terms of Consent. The parties hereto acknowledge and agree that the terms set forth in Sections 3 and 4 (including Sections 4.1 through 4.8) of the Consent are incorporated herein and each time the word "Sublease" is used in such Sections, the same shall mean both the Sublease and this Sublease First Amendment.

4. General Provisions.

4.1 Consideration for Sublease. Tenant and Subtenant represent and warrant that there are no additional payments of rent or any other consideration of any type payable by Subtenant to Tenant with regard to the Sublet Expansion Premises other than as disclosed in the Sublease First Amendment.

4.2 Brokerage Commission. Tenant and Subtenant covenant and agree that under no circumstances shall Landlord be liable for any brokerage commission or other charge or expense in connection with the Sublease and Tenant and Subtenant agree to protect, defend indemnify and hold Landlord harmless from and against the same and from any cost or expense (including, but not limited to, attorney's fees) incurred by Landlord in resisting any claim for any such brokerage commission.

4.3 Recapture. This consent shall in no manner be construed as limiting Landlord's ability to exercise any rights to recapture any portion of the Premises, as set forth in the Lease, in the event of a proposed future sublease or assignment of such portion of the Premises.

4.4 Controlling Law. The terms and provisions of this First Amendment shall be construed in accordance with and governed by the laws of the State of California.

4.5 Binding Effect. This First Amendment shall be binding upon and inure to the benefit of the parties hereto, their heirs, successors and permitted assigns. As used herein, the singular number includes the plural and the masculine gender includes the feminine and neuter.

4.6 Captions. The paragraph captions utilized herein are in no way intended to interpret or limit the terms and conditions hereof; rather, they are intended for purposes of convenience only.

4.7 Partial Invalidity. If any term, provision or condition contained in this First Amendment shall, to any extent, be invalid or unenforceable, the remainder of this First Amendment, or the application of such term, provision or condition to persons or circumstances other than those with respect to which it is invalid or unenforceable, shall not be affected thereby, and each and every other term, provision and condition of this First Amendment shall be valid and enforceable to the fullest extent permitted by law.

4.8 Attorneys' Fees. If either party commences litigation against the other for the specific performance of this First Amendment, for damages for the breach hereof or otherwise for enforcement of any remedy hereunder, the parties hereto agree to and hereby do waive any right to a trial by jury and, in the event of any such commencement of litigation, the prevailing party shall be entitled to recover from the other party such costs and reasonable attorneys' fees as may have been incurred.

4.9 Conflicts. Notwithstanding anything in this First Amendment to the contrary, as between Tenant and Subtenant, (a) nothing in this First Amendment shall modify the terms and conditions of the Sublease First Amendment, and (b) in the event of any conflict between this First Amendment and the Sublease First Amendment, the Sublease First Amendment shall control.

IN WITNESS WHEREOF, the parties have executed this Consent to Sublease First Amendment as of the day and year first above written.

"Landlord"

BRITANNIA POINTE GRAND LIMITED PARTNERSHIP

By: HCP-Pointe Grand, Incorporated
its general partner

By: /s/ Jonathan M. Bergschneider

Its: Executive Vice President

"Tenant"

EXELIXIS, INC.,
a Delaware corporation

By: /s/ Frank Karbe

Its: EVP & CFO

"Subtenant"

THRESHOLD PHARMACEUTICALS, INC.,
a Delaware corporation

By: /s/ Harold E. Selick, Ph.D.

Its: Chief Executive Officer

EXHIBIT A

THE SUBLEASE FIRST AMENDMENT

See Exhibit 10.4 to Form 10-Q filed August 11, 2015

Exhibit 10.6

SECOND AMENDMENT TO SUBLEASE

THIS SECOND AMENDMENT TO SUBLEASE (this "**Second Amendment**") is made as of July 1, 2015 (the "**Effective Date**"), by and between **EXELIXIS, INC.**, a Delaware corporation ("**Sublandlord**"), and **THRESHOLD PHARMACEUTICALS, INC.**, a Delaware corporation ("**Subtenant**").

RECITALS

A. Sublandlord and Subtenant entered into that certain Sublease dated as of July 25, 2011, as amended by that certain First Amendment to Sublease dated as of October 1, 2013 (together, the "**Sublease**"). Pursuant to the Sublease, Subtenant subleases certain premises consisting of approximately 28,650 rentable square feet ("**Subleased Premises**") in a building located at 170 Harbor Way, South San Francisco, California. The Subleased Premises are more particularly described in the Sublease. Capitalized terms used herein without definition shall have the meanings defined for such terms in the Sublease.

B. Sublandlord and Subtenant desire, subject to the terms and conditions set forth below, to amend the Sublease to, among other things, increase the rentable square footage subleased by Subtenant by adding to the Subleased Premises the area (the "**Expansion Space**") containing 2,454 rentable square feet in the aggregate that are located on the first floor of Building 170 and are designated as "Hallway 151," "Open Office 152," "Shared Office 153," "Office 154," "Office 155," "Office 156," "Office 157," and "Office 158" on Exhibit A attached to this Second Amendment.

NOW, THEREFORE, in consideration of the foregoing Recitals, which are incorporated herein by this reference, the mutual promises and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sublandlord and Subtenant hereby agree as follows, as of the Effective Date:

1. **Rentable Square Footage**. The Subleased Premises are expanded to include the Expansion Space. Accordingly, the last sentence of Section 1 of the Sublease is hereby deleted in its entirety and replaced with the following:

> "The parties hereto agree to the rentable square footage of the Subleased Premises is 31,104, and such rentable square footage, and any of the economic terms hereof based thereon, shall not be adjusted based on further re-measurement."

2. **Base Rent**. The following section is added to the base rent calculations set forth in Section 4(a):

> "First Floor Office Space Sublease Premises (2,454 RSF):
>
> | | | |
> |---|---|---|
> | Months 46-47 | $2.15/rsf/mo. | $5,276.10 |
> | Months 48-59 | $2.21/rsf/mo. | $5,434.38 |
> | Months 60-67 | $2.28/rsf/mo. | $5,597.41" |

3. **Additional Rent**. The first sentence of Section 4(b) of the Sublease is hereby deleted in its entirety and replaced with the following:

> "During the Sublease Term, if Sublandlord shall be charged for additional rent or other sums pursuant to any of the provisions of the Master Lease, including, without limitation, "Operating Expenses", as defined in Section 7.2 of the Master Lease, and real property taxes, as set forth in Section 6.2 of the Master Lease, as each is incorporated herein by reference, but excepting those sums incurred by Sublandlord as a result of Sublandlord's breach of the Master Lease, Subtenant shall pay, as "**Additional Rent**," 100% of such additional rent or sums that relate to the Subleased Premises, and if the same cannot be so allocated then 44.4% of those charges that relate generally to Building 170

or 26.1% of those charges that relate generally to the Master Premises (as applicable, "**Subtenant's Share**"); provided, however, that Subtenant shall be entitled to a proportional share of any refund of such additional rent or sums received by Sublandlord from Master Landlord in accordance with Section 7.4 of the Master Lease."

4. **Map of Subleased Premises.** Exhibit A to the Sublease is hereby deleted in its entirety and replaced with the Exhibit A attached to this Second Amendment.

5. **Condition of Expansion Space**. On the Effective Date, Sublandlord shall deliver possession of the Expansion Space to Subtenant in broom-clean condition. For clarity, the personal property existing in the Expansion Space on the Effective Date shall be considered to be the personal property of Subtenant for purposes of the Sublease and shall be treated as such in accordance with the terms of the Sublease. Section 3(a) of the Sublease shall apply to the Expansion Space as if fully set forth in this Second Amendment, except that "Effective Date" is substituted for "Start Date" wherever that term appears in such section.

6. **Miscellaneous**.

a. Sublandlord and Subtenant expressly acknowledge and agree that this Second Amendment is subject to Master Landlord's prior written consent to this Second Amendment, on a form to be provided by Master Landlord that is reasonably acceptable to Sublandlord and Subtenant ("**Master Landlord's Consent**"). Sublandlord shall use commercially reasonable efforts to obtain Master Landlord's Consent, and Subtenant agrees to cooperate in all reasonable respects in connection therewith. If Sublandlord fails to obtain Master Landlord's Consent within thirty (30) days after execution of this Sublease by both Subtenant and Sublandlord, then either Sublandlord or Subtenant may terminate this Second Amendment by giving written notice thereof to the other, and Sublandlord shall return to Subtenant any amounts delivered by Subtenant under this Second Amendment. Neither party shall have any liability to the other for any termination or cancellation of this Second Amendment as a result of Master Landlord's failure or refusal to consent to this Second Amendment, unless such party by its willful act caused Master Landlord to refuse timely consent to this Second Amendment. No termination or cancellation of this Second Amendment as provided in this Section 6(a) shall terminate or cancel the Sublease. Upon any such termination or cancellation of this Second Amendment, the Sublease shall remain in full force and effect unmodified by this Second Amendment.

b. Sublandlord and Subtenant expressly acknowledge and agree that, notwithstanding the full execution and delivery of this Second Amendment by Sublandlord and Subtenant, this Second Amendment is expressly conditioned upon the (i) full execution and delivery of a sublease amendment by Sublandlord and Nodality, Inc., a Delaware corporation ("**Nodality**") amending the amount of subleased space to exclude the Expansion Space and (ii) the Master Landlord's prior written consent to such amendment on a form to be provided by Master Landlord that is reasonably acceptable to Sublandlord and Nodality (together, the "**Condition Precedent**"). Sublandlord shall have no liability whatsoever to Subtenant relating to or arising from Sublandlord's inability or failure to cause all or any portion of the Condition Precedent to be satisfied. The Sublease shall remain unmodified and in full force and effect until such time as the Condition Precedent is satisfied.

c. This Second Amendment is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous oral and written agreements and discussions. This Second Amendment may be amended only by an agreement in writing, signed by the parties hereto.

d. This Second Amendment is binding upon and shall inure to the benefit of the parties hereto, their respective agents, employees, representatives, officers, directors, divisions, subsidiaries, affiliates, assigns, heirs, successors in interest and shareholders.

e. This Second Amendment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument. The

signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon provided such signature page is attached to any other counterpart identical thereto except having additional signature pages executed by other parties to this Second Amendment attached thereto.

f. Except as amended and/or modified by this Second Amendment, the Sublease is hereby ratified and confirmed and all other terms of the Sublease shall remain in full force and effect, unaltered and unchanged by this Second Amendment. In the event of any conflict between the provisions of this Second Amendment and the provisions of the Sublease, the provisions of this Second Amendment shall prevail.

[Signatures are on the next page.]

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as of the Effective Date.

SUBLANDLORD:

EXELIXIS, INC.,
a Delaware corporation

By: /s/ Deborah Burke

Name: Deborah Burke
Title: SVP & CFO

Date: 7/1/15

SUBTENANT:

THRESHOLD PHARMACEUTICALS, INC.,
a Delaware corporation

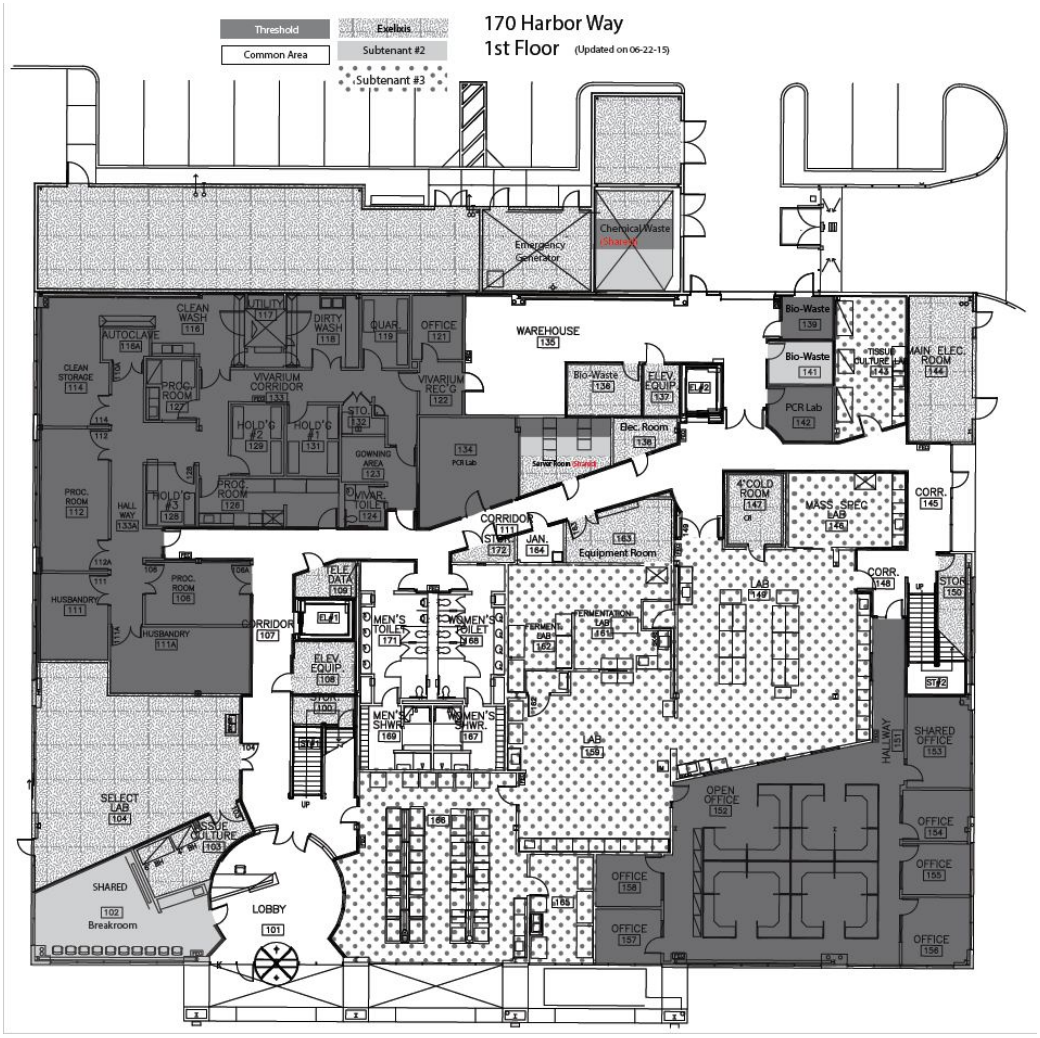
By: /s/ Harold E. Selick, Ph.D

Name: Harold E. Selick, Ph.D.
Title: Chief Executive Officer

Date: 7/1/15

EXHIBIT A

MAP OF SUBLEASED PREMISES



Threshold Pharma | Exelixis | Common Area

170 Harbor Way
3rd Floor

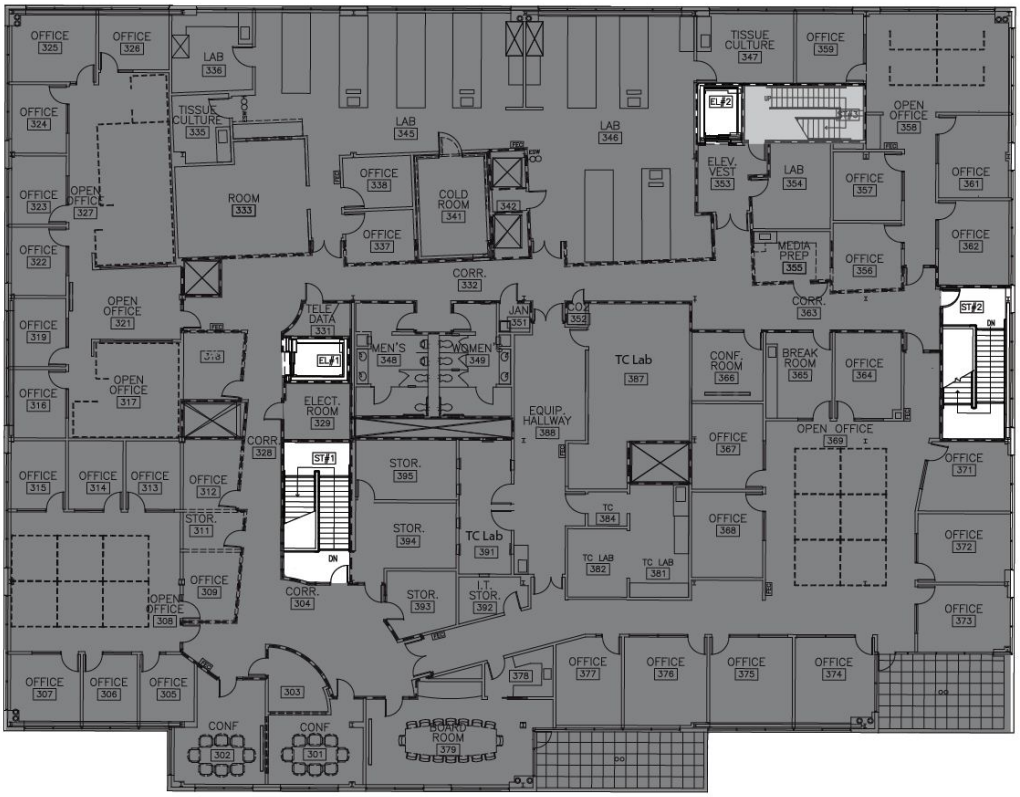


Exhibit 10.7

SECOND AMENDMENT TO CONSENT TO SUBLEASE AGREEMENT

THIS SECOND AMENDMENT TO CONSENT TO SUBLEASE AGREEMENT (this "**Second Amendment**") is made as of July 1, 2015, by and among BRITANNIA POINTE GRAND LIMITED PARTNERSHIP, a Delaware limited partnership ("**Landlord**"), EXELIXIS INC., a Delaware corporation ("**Tenant**"), and THRESHOLD PHARMACEUTICALS, INC., a Delaware corporation ("**Subtenant**").

R E C I T A L S

A. Reference is hereby made to that certain Build-to-Suit Lease dated as of May 12, 1999, between Landlord and Tenant (the "**Original Lease**"), as amended by that certain First Amendment to Build-to-Suit Lease dated as of March 29, 2000 ("**First Amendment**"), that certain Second Amendment to Build-to-Suit Lease dated as of January 31, 2001 ("**Second Amendment**"), and that certain Third Amendment to Build-to-Suit Lease dated as of May 24, 2001 ("**Third Amendment**," together with the Original Lease, the First Amendment and the Second Amendment, collectively, the "**Lease**"), for certain buildings located at 169 Harbor Way and 170 Harbor Way (each, a "**Building**" and collectively, the "**Premises**"), in South San Francisco, California.

B. On August 19, 2011, Landlord (referenced as HCP Life Science REIT, Inc. in the Consent, which entity is Landlord's parent company), Tenant and Subtenant entered into that certain Consent to Sublease Agreement ("**Original Consent**"), whereby Landlord consented to the subletting by Subtenant of a portion of the Premises as described in that certain Sublease dated July 25, 2011 between Tenant, as sublandlord, and Subtenant, as subtenant (the "**Original Sublease**").

C. On October 1, 2013, Landlord, Tenant and Subtenant entered into that certain First Amendment to Consent to Sublease Agreement ("**First Consent Amendment**," and together with the Original Consent, collectively, the "**Consent**"), whereby Landlord consented to that First Amendment to Sublease dated as of October 1, 2013 (the "**Sublease First Amendment**," together with the Original Sublease, collectively, the "**Sublease**").

D. Pursuant to Section 3 of each of the Original Consent and the First Consent Amendment (which incorporates the terms of Section 3 of the Original Consent) and Article 13 of the Lease, Tenant has requested Landlord's consent to that certain Second Amendment to Sublease dated July 1, 2015, between Tenant and Subtenant (the "**Sublease Second Amendment**"), with respect to a subletting by Subtenant of an additional 2,454 rentable square feet of space on the first floor of the Building located at 170 Harbor Way, as more particularly described in the Sublease Second Amendment (the "**Sublet Expansion Premises**"). A copy of the Sublease Second Amendment is attached hereto as Exhibit A. Landlord is willing to consent to the Sublease Second Amendment on the terms and conditions contained herein.

E. All defined terms not otherwise expressly defined herein shall have the respective meanings given in the Lease.

A G R E E M E N T

1. Landlord's Consent. Landlord hereby consents to the Sublease Second Amendment; provided, however, notwithstanding anything contained in the Sublease Second Amendment to the contrary, such consent is granted by Landlord only upon the terms and conditions set forth in this Second Amendment. The Sublease Second Amendment is subject and subordinate to the Lease. Landlord shall not be bound by any of the terms, covenant, conditions, provisions or agreements of the Sublease Second Amendment. Subtenant acknowledges for the benefit of Landlord that Subtenant accepts the Sublet Expansion Premises in their presently existing, "as-is" condition and that Landlord has made no representation or warranty to Subtenant as to the compliance of the Sublet Expansion Premises with any law, statute, ordinance, rule or regulation. Tenant and Subtenant hereby represent and warrant to Landlord that the copy of the Sublease Second Amendment attached hereto is a full, complete and accurate copy of the Sublease

Second Amendment, and that there are no other documents or instruments relating to the use of the Sublet Expansion Premises by Subtenant other than the Sublease and the Sublease Second Amendment.

2. Reimbursement of Landlord. Within five (5) days after invoice, Tenant shall reimburse Landlord all of Landlord's reasonable costs and expenses incurred in connection with its review and consent of the Sublease Second Amendment and preparation and negotiation of this Second Amendment.

3. Incorporation of Terms of Consent. The parties hereto acknowledge and agree that the terms set forth in Sections 3 and 4 (including Sections 4.1 through 4.8) of the Original Consent are incorporated herein and each time the word "Sublease" is used in such Sections, the same shall mean both the Original Sublease and this Sublease Second Amendment.

4. General Provisions.

4.1 Consideration for Sublease. Tenant and Subtenant represent and warrant that there are no additional payments of rent or any other consideration of any type payable by Subtenant to Tenant with regard to the Sublet Expansion Premises other than as disclosed in the Sublease Second Amendment.

4.2 Brokerage Commission. Tenant and Subtenant covenant and agree that under no circumstances shall Landlord be liable for any brokerage commission or other charge or expense in connection with the Sublease and Tenant and Subtenant agree to protect, defend indemnify and hold Landlord harmless from and against the same and from any cost or expense (including, but not limited to, attorney's fees) incurred by Landlord in resisting any claim for any such brokerage commission.

4.3 Recapture. This consent shall in no manner be construed as limiting Landlord's ability to exercise any rights to recapture any portion of the Premises, as set forth in the Lease, in the event of a proposed future sublease or assignment of such portion of the Premises.

4.4 Controlling Law. The terms and provisions of this Second Amendment shall be construed in accordance with and governed by the laws of the State of California.

4.5 Binding Effect. This Second Amendment shall be binding upon and inure to the benefit of the parties hereto, their heirs, successors and permitted assigns. As used herein, the singular number includes the plural and the masculine gender includes the feminine and neuter.

4.6 Captions. The paragraph captions utilized herein are in no way intended to interpret or limit the terms and conditions hereof; rather, they are intended for purposes of convenience only.

4.7 Partial Invalidity. If any term, provision or condition contained in this Second Amendment shall, to any extent, be invalid or unenforceable, the remainder of this Second Amendment, or the application of such term, provision or condition to persons or circumstances other than those with respect to which it is invalid or unenforceable, shall not be affected thereby, and each and every other term, provision and condition of this Second Amendment shall be valid and enforceable to the fullest extent permitted by law.

4.8 Attorneys' Fees. If either party commences litigation against the other for the specific performance of this Second Amendment, for damages for the breach hereof or otherwise for enforcement of any remedy hereunder, the parties hereto agree to and hereby do waive any right to a trial by jury and, in the event of any such commencement of litigation, the prevailing party shall be entitled to recover from the other party such costs and reasonable attorneys' fees as may have been incurred.

4.9 Conflicts. Notwithstanding anything in this Second Amendment to the contrary, as between Tenant and Subtenant, (a) nothing in this Second Amendment shall modify the terms and conditions of the Sublease Second Amendment, and (b) in the event of any conflict between this Second Amendment and the Sublease Second Amendment, the Sublease Second Amendment shall control.

IN WITNESS WHEREOF, the parties have executed this Consent to Sublease Second Amendment as of the day and year first above written.

"Landlord"

BRITANNIA POINTE GRAND LIMITED PARTNERSHIP

By: HCP-Pointe Grand, Incorporated
its general partner

By: /s/ Jonathan M. Bergschneider

Its: Executive Vice President

"Tenant"

EXELIXIS, INC.,
a Delaware corporation

By: /s/ Deborah Burke

Its: SVP & CFO

"Subtenant"

THRESHOLD PHARMACEUTICALS, INC.,
a Delaware corporation

By: /s/ Harold E. Selick, Ph.D.

Its: Chief Executive Officer

1.

EXHIBIT A

THE SUBLEASE SECOND AMENDMENT

See Exhibit 10.6 to Form 10-Q filed August 11, 2015

Exhibit 10.8

June 30, 2015

Christopher Senner
7212 W. Woodbury Court
Pleasanton, CA 94566

Dear Chris:

We are proud to invite you to join our team.

Our offer of employment is to join Exelixis, Inc. Your title will be that of Executive Vice President and Chief Financial Officer, in our Executive Finance Administration department reporting to Michael Morrissey, President and Chief Executive Officer in our Executive Administration department. Other terms of employment include:

Compensation: Your base salary will be nineteen thousand two hundred thirty dollars and seventy seven cents ($19,230.77) per pay period. We are on a bi-weekly pay schedule. This equates to a base compensation of five hundred thousand dollars and two cents ($500,000.02) on an annual basis. This is an exempt position.

Equity: As an inducement that we understand is material to your entering into employment with Exelixis, you will be eligible to receive a stock option to purchase three hundred fifty thousand (350,000) shares of Exelixis common stock pursuant to our 2014 Equity Incentive Plan and subject to approval by the Board of Directors. The standard vesting schedule for our stock options is ¼ following the one year anniversary of your hire date and 1/48th of the original number of shares subject to the stock option every month thereafter over a total of four years, provided that vesting ceases upon termination of employment. You will also be eligible to receive an RSU award for one hundred thousand (100,000) shares of Exelixis common stock pursuant to our 2014 Equity Incentive Plan and subject to approval by the Board of Directors. The vesting schedule for this RSU award is 100% of the original number of shares subject to the RSU following the one year anniversary of your actual start date, provided that vesting ceases upon termination of employment.

Benefits: All full-time employees of Exelixis, Inc. enjoy a generous benefits package, which is outlined on the attached Summary of Benefits.

Performance Review: Focal reviews will take place annually. If eligible for a performance review increase, the merit increase will typically be effective in March.

Bonus Target: You will be eligible for a bonus target of 45%.

Start Date: To be determined.

Confidentiality and Company Policies: As you are aware, it is very important for us to protect our confidential information and proprietary material. Therefore, as a condition of employment, you will need to sign the attached Confidential Disclosure Agreement. You will also be required to abide by the Company's policies and procedures, including the Code of Business Conduct and Ethics.

Reference Verification: This offer is contingent upon verification of your references.

Background Check: This offer is contingent upon successfully passing your background check.

Other: This offer expires on Tuesday, July 7, 2015 unless accepted by you prior to this date. In addition to performing the duties and responsibilities of your position, you will be expected to perform other duties and responsibilities that may be assigned to you from time to time. No provision of this letter shall be construed to create or express an implied employment contract for a specific period of time. Either you or the Company may terminate this employment relationship at any time, with or without cause. This letter shall be governed by the laws of the State of California. Also, by signing this letter, you are indicating that you are legally authorized to work in the U.S.

Employment Authorization: Our offer of employment is at will and contingent upon your ability to document your employment authorization in the United States. If you are unable to document your right to work within the United States within three days of your date of hire, your employment will be terminated.

You may accept this offer of employment by signing both copies of this letter and Proprietary Information and Invention Agreements and returning one of each in the envelope provided to Linda Ibe, Senior Human Resources Programs Manager, 210 East Grand Avenue, South San Francisco, CA 94080.

Chris, we look forward to your coming on board.

Sincerely,

/s/ Laura Dillard

Laura Dillard
Senior Vice President, Human Resources

ACCEPTED BY:

/s/ Christopher J. Senner 7/1/15
Christopher Senner Date

Enclosures:
Benefit Summary
Confidentiality Agreement
DE-4 (optional)
Direct Deposit Form (optional)
Employee Information Form
I-9
Insider Trading Policy
W-4
Holiday Schedule
Payroll Schedule

CONFIDENTIAL EXHIBIT 10.9
EXECUTION VERSION
[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

TERMINATION AGREEMENT

This termination agreement (this "**Termination Agreement**") dated December 23, 2014 (the "**Signing Date**") is effective as of July 17, 2014 (the "**Termination Date**") by and between **EXELIXIS, INC.,** a Delaware corporation located at 210 East Grand Avenue, South San Francisco, California 94080 ("**Exelixis**"), and **GLAXOSMITHKLINE, LLC,** a Delaware corporation and successor to **SMITHKLINE BEECHAM CORPORATION,** located at 5 Crescent Drive, Philadelphia, PA 19112 ("**GSK**"). Exelixis and GSK are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**".

A. On October 28, 2002, Exelixis and GSK entered into a Product Development and Commercialization Agreement (such agreement, as amended, the "**PDCA**") and related agreements.

B. GSK previously had notified Exelixis of its decision to terminate development of foretinib, a product in-licensed by GSK from Exelixis under the PDCA, to return all rights to the product to Exelixis, and to terminate the PDCA in its entirety. GSK and Exelixis now desire to confirm termination of the PDCA, effective as of the Termination Date, on the terms and conditions set forth in this Termination Agreement.

In consideration of the mutual covenants and agreements provided in this Termination Agreement, and for good and valuable consideration, the receipt and sufficiency of which is acknowledged by both Parties, Exelixis and GSK agree as follows:

1. **DEFINITIONS**. For purposes of this Termination Agreement, the following definitions will be applicable. Capitalized terms used in this Termination Agreement (other than the headings of the Sections or Articles) have the following meanings set forth in this Article 1, or, if not listed in this Article 1, the meaning designated in the Termination Agreement, or, if not listed in the Termination Agreement, the meaning designated in the PDCA.

1.1 **"Acquiror"** has the meaning described in Section 9.1(b).

1.2 **"Acquiror Affiliate"** has the meaning described in Section 9.1(b).

1.3 **"Affiliate"** means, with respect to a particular Party, a person, corporation, partnership, or other entity that controls, is controlled by or is under common control with such Party. For the purposes of the definition in this Section 1.3, the word "**control**" (including, with correlative meaning, the terms "**controlled by**" or "**under the common control with**") means the actual power, either directly or indirectly through one (1) or more intermediaries, to direct or cause the direction of the management and policies of such entity, whether by the ownership of at least fifty percent (50%) of the voting stock of such entity, or by contract or otherwise.

1.4 **"Applicable Law"** means all applicable statutes, laws, ordinances, codes, rules orders and regulations of any kind whatsoever of any domestic, foreign, federal, state, local or other governmental entity or Regulatory Authority as may be amended from time to time, which apply to a Party's obligations under this Termination Agreement or the activities carried out under this Termination Agreement.

1.5 **"Assigned Patents"** means the Patents listed on Schedule 1.5.

1.6 **"cabozantinib"** means the chemical compound Controlled by Exelixis as of the Termination Date that was developed during the Term of the PDCA and returned by GSK to Exelixis as a "Refused Candidate" under the PDCA.

1.7 **"Cabozantinib Product"** means any product incorporating cabozantinib, or any formulations, mixtures or compositions incorporating cabozantinib.

1.8 **"Calendar Quarter"** means any consecutive 3-month period ending March 31, June 30, September 30 or December 31.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

1.9 **"Calendar Year"** means any consecutive 12-month period beginning January 1 and ending December 31.

1.10 "**Combination Product**" means a product that is a preparation incorporating two (2) or more therapeutically active ingredients, one (1) of which is either cabozantinib or foretinib. Notwithstanding the foregoing, ingredients or components other than active ingredients, including drug delivery vehicles, adjuvants, and excipients, shall not be deemed to be "therapeutically active ingredients," and their presence shall not be deemed to create a Combination Product for purposes of this Section 1.9.

1.11 **"Confidential Information"** has the meaning described in Section 6.1.

1.12 "**Controlled**" means, with respect to any Patent or Know-How, that the Party owns or has a license to such Patent or Know-How and has the ability to grant to the other Party a license or a sublicense (as applicable) to such Patent or Know-How, without violating the terms of any agreement or other arrangements with any Third Party existing as of the Termination Date.

1.13 **"Cover"** and its cognates thereof means, with respect to any product, process, method, use or composition, which, in the absence of a license, the manufacture, use, offer for sale, sale, or importation thereof or the practice thereof would infringe a Valid Claim of a referenced Patent (or in the case of a Patent that is a patent application, would infringe a Valid Claim in such patent application if it were to issue as a Patent).

1.14 **"CRO"** has the meaning described in Section 5.2.

1.15 **"Disputed Matter"** has the meaning described in Section 8.6.

1.16 **"Exelixis Foretinib Know-How**" means any Know-How Controlled by GSK or any of its Affiliates, during the Term and as of the Termination Date, relating to the Foretinib Product, that is transferred or assigned by GSK to Exelixis under this Termination Agreement.

1.17 **"Exelixis Patent Rights**" means any Patent Controlled by Exelixis or any of its Affiliates, during the Term and as of the Termination Date, that Covers the composition of matter, method of using, or method of making foretinib.

1.18 **"FDA"** means the U.S. Food and Drug Administration, and any successor entity thereto.

1.19 "**First Commercial Sale**" means, with respect to each Cabozantinib Product or Foretinib Product (as applicable), the first sale for which payment has been received for use or consumption by the general public of such product in any country in the world after all required Marketing Approvals have been granted, or such sale is otherwise permitted, by the Regulatory Authority in such country, excluding registration samples, compassionate use sales and the like.

1.20 **"foretinib"** means the chemical compound licensed by Exelixis to GSK under the PDCA that GSK was developing during the Term and as of the Termination Date.

1.21 "**Foretinib Product**" means any product incorporating foretinib, or any formulations, mixtures or compositions incorporating foretinib.

1.22 **"Foretinib Research Agreements"** means the material transfer agreements, or other material research agreements, (in each case related to foretinib) listed on Schedule 1.20.

1.23 "**Know-How**" means information, results and data of any type whatsoever, in any tangible or intangible form whatsoever, including, databases, practices, methods, techniques, specifications, formulations, formulae, knowledge, know-how, skill, experience, test data including pharmacological, biological, chemical, biochemical,

toxicological and clinical test data, analytical and quality control data, stability data, studies, procedures, materials or reagents. For clarity, Know-How excludes any Patents.

1.24 "**IND**" means any investigational new drug application filed with the FDA pursuant to Part 312 of Title 21 of the U.S. Code of Federal Regulations, including any amendments thereto. References in this Termination Agreement to IND will include, to the extent applicable, any comparable ex-U.S. filings.

1.25 **"Indemnitee"** has the meaning described in Section 8.4.

1.26 **"Injunctive Relief"** has the meaning described in Section 8.8.

1.27 **"Liability"** has the meaning described in Section 8.2.

1.28 **"Marketing Approval"** means all approvals, licenses, registrations or authorizations of any federal, state or local Regulatory Authority, department, bureau or other governmental entity, necessary for the manufacturing, use, storage, import, transport and sale of a Cabozantinib Product or Foretinib Product (as applicable) in a regulatory jurisdiction. "Marketing Approval" will be deemed to occur upon first receipt of notice from a Regulatory Authority that a Cabozantinib Product or Foretinib Product (as applicable) has been approved for commercial sale. For countries where governmental approval is required for pricing or for the Cabozantinib Product or Foretinib Product (as applicable) to be reimbursed by national health insurance (i.e., other than the United States), "Marketing Approval" will not be deemed to occur until such pricing or reimbursement approval is obtained. Marketing Approval will be deemed to have occurred in such country where government approval of pricing or reimbursement has not been obtained if, at any time, the Party begins the commercial sale of such Cabozantinib Product or Foretinib Product (as applicable) in the country without obtaining pricing approval or reimbursement, with the date of such Marketing Approval to be deemed to occur on the date of the First Commercial Sale of the Cabozantinib Product or Foretinib Product (as applicable) in the country.

1.29 **"Marketing Approval Application"** means a New Drug Application (as defined in Title 21 of the U.S. Code of Federal Regulations, Section 314.50, et. seq.), or a comparable filing for Marketing Approval (not including pricing or reimbursement approval) in a country, in each case with respect to a Cabozantinib Product or Foretinib Product (as applicable) in the world.

"Net Sales" means, **[*]**.

In the event a Cabozantinib Product or Foretinib Product (as applicable) is sold which is a Combination Product, for purposes of determining payments due hereunder, Net Sales of Combination Products will be calculated by multiplying the Net Sales of the Combination Product by the fraction A over A+B, in which A is the Gross Selling Price of the Cabozantinib Product or Foretinib Product (as applicable)when such product is sold in substantial quantities comprising either cabozantinib or foretinib (as applicable) as the sole therapeutically active ingredient during the applicable accounting period in which the sales of the product were made, and B is the sum of the Gross Selling Price of the other therapeutically active ingredients contained in the Combination Product sold separately in substantial quantities during the accounting period in question. All Gross Selling Prices of the therapeutically active ingredients of the Cabozantinib Product or Foretinib Product (as applicable) and Combination Products will be calculated as the average Gross Selling Price of the therapeutically active ingredients in such products and Combination Products during the applicable accounting period for which the Net Sales are being calculated. In the event that no separate sale of either the Cabozantinib Product or Foretinib Product (as applicable) comprising cabozantinib or foretinib (as applicable) as the sole therapeutically active ingredient or the other therapeutically active ingredients of the Combination Product are made during the accounting period in which the sale was made or if the Gross Selling Price for a particular therapeutically active ingredient included in a Combination Product cannot be determined for an accounting period, Net Sales allocable to each of the therapeutically active ingredients in the Combination Product will be determined by mutual agreement reached in good faith by the Parties prior to the end of the accounting period in question based on an equitable method of determining same that takes into account, in the world, variations in potency, the relative contribution of each therapeutically active ingredient in the Combination Product, and relative value to the end-user of each therapeutically active ingredient. For purposes of this Section 1.30, **"Gross Selling Price"** means **[*]**.

1.30 "**Patent**" means all: (a) unexpired letters patent (including inventor's certificates) which have not been held invalid or unenforceable by a court of competent jurisdiction from which no appeal can be taken or has been taken within the required time period (and which have not been admitted to be invalid or unenforceable through reissue, disclaimer or otherwise, or been abandoned), including any substitution, extension, registration, confirmation, reissue, re-examination, supplementary protection certificates, confirmation patents, patent of additions, renewal or any like filing thereof; (b) pending applications for letters patent which have not been canceled, withdrawn from consideration, finally determined to be unallowable by the applicable governmental authority or court for whatever reason (and from which no appeal is or can be taken), and/or abandoned, including any continuation, division or continuation-in-part thereof and any provisional applications; and (c) any international counterparts to (a) and (b) above.

1.31 **"Regulatory Authority"** means the FDA in the U.S., and any health regulatory authority(ies) in any other country in the world that is a counterpart to the FDA and holds responsibility for granting Marketing Approval for a Cabozantinib Product or Foretinib Product (as applicable) in such country, and any successor(s) thereto.

1.32 **"Remaining Studies"** has the meaning described in Section 5.1.

1.33 **"Rules"** has the meaning described in Section 8.7.

1.34 **"Term"** has the meaning described in Section 7.1.

1.35 "T**hird Part(y/ies)**" will mean any person or entity other than GSK, Exelixis, or their respective Affiliates.

1.36 **"Valid Claim"** means: (a) a claim in an issued Patent that has not: (i) expired or been canceled; (ii) been declared invalid by an unreversed and unappealable or unappealed decision of a court or other appropriate body of competent jurisdiction; (iii) been admitted to be invalid or unenforceable through reissue, disclaimer or otherwise; or (iv) been abandoned in by a Party; or (b) a claim under an application for a Patent that has been pending five (5) years or less from the date that the prosecuting Party first receives an action on the merits for such Patent, and which has not been canceled, withdrawn from consideration, finally determined to be unallowable by the applicable governmental authority or court for whatever reason (and from which no appeal is or can be taken), or abandoned.

2. **TERMINATION**.

2.1 **Termination of the PDCA.** Effective as of the Termination Date, the PDCA, and all rights and obligations of both Parties under the PDCA, are hereby terminated (including all past, current and future payment obligations under Article 6 of the PDCA), except for: (a) any defined terms of the PDCA that are expressly incorporated herein by reference; and (b) those provisions of the PDCA referred to in Section 7.3, which will survive termination of the PDCA in accordance with the terms and conditions of this Termination Agreement.

2.2 **Return of Foretinib**. As part of terminating development of foretinib and the PDCA, GSK is returning foretinib to Exelixis as a Returned Licensed Product. As of the Termination Date, Exelixis is free to develop and commercialize Foretinib Products throughout the world, either alone, through an Affiliate or with any Third Party, subject to the payment obligations set forth in Section 3.1(b).

3. **FINANCIAL CONSIDERATION**.

3.1 **Royalty Payments**.

(a) **Cabozantinib Product Royalties**. Subject to Section 3.2, with respect to any Cabozantinib Product that is commercialized by Exelixis, its Affiliates or Sublicensees or other Third Parties who obtain rights from Exelixis or an Affiliate to market or sell any Cabozantinib Product, Exelixis will pay to GSK a royalty of three percent (3%) of total Net Sales in the Territory of all such Cabozantinib Products. Exelixis' obligation to pay royalties for each Cabozantinib Product so commercialized will terminate, on a country-by-country and Cabozantinib Product-by-Cabozantinib Product basis, upon the expiration of the later of: (i) the expiration of **[*]** claiming or Covering the

manufacture, use or sale of such Cabozantinib Product in such country; or (ii) **[*]** in such country; provided, however, the royalty rate set forth herein will be applicable for **[*]**described above claiming or Covering the manufacture, use or sale of such Cabozantinib Product, and, thereafter, the royalty rate will be **[*]** for such Cabozantinib Product for the remainder, if any, of the royalty term for such Cabozantinib Product set forth in this Section 3.1(a).

(b) **Foretinib Product Royalties**. Subject to Section 3.2, with respect to any Foretinib Product that is commercialized by Exelixis, or its Affiliates or Sublicensees or other Third Parties who obtain rights from Exelixis or an Affiliate to market or sell any Foretinib Product, Exelixis will pay to GSK a royalty of four percent (4%) of total Net Sales in the Territory of all such Foretinib Products. Exelixis' obligation to pay royalties for each Foretinib Product so commercialized will terminate, on a country-by-country basis, upon the expiration of the later of: (i) the expiration of **[*]** claiming or Covering the manufacture, use or sale of such Foretinib Product in such country; or (ii) **[*]** in such country; provided, however, the royalty rate set forth herein will be applicable for **[*]** described above claiming or Covering the manufacture, use or sale of such Foretinib Product, and, thereafter, the royalty rate will be **[*]** for such Foretinib Product for the remainder, if any, of the royalty term for such Foretinib Product set forth in this Section 3.1(b).

(c) **Obligation on Third Parties.** Any Third Party, including Sublicensees, who obtains rights from Exelixis or an Affiliate to market or sell any Cabozantinib Product or Foretinib Product, whether by sale or transfer of rights to the Cabozantinib Product or Foretinib Product or assignment of Patents Covering any Cabozantinib Product or Foretinib Product, or Change in Control of Exelixis, shall be obligated to pay royalties to GSK under Sections 3.1(a) and 3.1(b) on Net Sales of any Cabozantinib Product or Foretinib Product.

3.2 **Royalties Offsets**. If, during the Term, Exelixis deems it necessary to seek or obtain a license from any Third Party in order to develop and commercialize any Cabozantinib Product or Foretinib Product under this Termination Agreement, Exelixis will be entitled to offset against royalties otherwise due GSK under Section 3.1 **[*]** of any royalties or other fees paid by Exelixis to such Third Party under such license; provided, however, in no event will such deduction reduce the royalties otherwise payable to GSK during any Calendar Year by more than **[*]**; further provided, however, that any deductible amounts not applied in a particular Calendar Year will be carried over and applied in subsequent Calendar Years until the full deduction has been taken.

3.3 **Commencement**. Beginning with the Calendar Quarter in which the First Commercial Sale for a Cabozantinib Product or Foretinib Product (as applicable) is made and for each Calendar Quarter thereafter, royalty payments will be made to GSK pursuant to Section 3.1 within **[*]** following the end of each such Calendar Quarter. Each royalty payment will be accompanied by a report, summarizing the total Net Sales for the Cabozantinib Product or Foretinib Product (as applicable) during the relevant Calendar Quarter and the calculation of royalties, if any, due thereon. In the event that no royalties are payable in respect of a given Calendar Quarter, Exelixis will submit a royalty report so indicating.

3.4 **Mode of Payment.** All payments due under this Termination Agreement will be payable, in full, in U.S. dollars, regardless of the country(ies) in which sales are made or in which payments are originated. For the purposes of computing Net Sales of a Cabozantinib Product or Foretinib Product (as applicable) sold in a currency other than U.S. dollars, such currency will be converted into U.S. dollars as calculated at the actual average rates of exchange for the pertinent quarter or year to date, as the case may be, as used by Exelixis in producing its quarterly and annual accounts, as confirmed by Exelixis' auditors. Subject to Section 3.2 and Section 3.8, such payments will be without deduction of exchange, collection or other charges.

3.5 **Records Retention.** Commencing with the First Commercial Sale of a Cabozantinib Product or Foretinib Product (as applicable), Exelixis will keep complete and accurate records pertaining to the sale of such products, for a period of **[*]** after the year in which such sales occurred, and in sufficient detail to permit GSK to confirm the accuracy of the royalties paid by Exelixis hereunder.

3.6 **Expatriated Payments.** If by law, regulation, or fiscal policy of a particular country, conversion into United States dollars or transfer of funds of a convertible currency to the United States is restricted or forbidden, Exelixis will give GSK prompt written notice of such restriction, which notice will satisfy the payment deadlines in this Termination Agreement. Exelixis will pay any amounts due to GSK through whatever lawful method it chooses,

including making such payments in the local currency of such country, provided such choice is consistent with seeking to make the payment in the most expeditious manner possible.

3.7 **Audits.** During the term of this Termination Agreement and for a period of **[*]** thereafter, at the request and expense of GSK, Exelixis will permit an independent, certified public accountant of nationally recognized standing appointed by GSK, and reasonably acceptable to Exelixis, at reasonable times and upon reasonable notice, but in no case no more than once per calendar year thereafter, to examine such records as may be necessary for the sole purpose of verifying the calculation and reporting of Net Sales and the correctness of any royalty payment made under this Termination Agreement for any period within the preceding **[*]**. Results of any such examination will be made available to both Exelixis and GSK. The independent, certified public accountant will disclose to GSK only the royalty amounts which the independent auditor believes to be due and payable hereunder to GSK and will disclose no other information revealed in such audit. Any and all records examined by such independent accountant will be deemed Exelixis' Confidential Information which may not be disclosed by such independent, certified public accountant to any Third Party. If, as a result of any inspection of the books and records of Exelixis, it is shown that a Payee's payments under this Termination Agreement were less than the amount which should have been paid, then Exelixis will make all payments required to be made to eliminate any discrepancy revealed by such inspection within **[*]**. The Payee will pay for such audits, except that in the event that the royalty payments made by Exelixis were less than **[*]** of the undisputed amounts that should have been paid during the period in question, Exelixis will pay the reasonable costs of the audit.

3.8 **Taxes**.

(a) **Sales or Other Transfers.** Exelixis, as the recipient of any transfer under this Termination Agreement of any Exelixis Foretinib Know-How or Returned Licensed Products, as the case may be, will be solely responsible for any sales, use, value added, excise or other non-income taxes applicable to such transfer.

(b) **Withholding**. In the event that Exelixis or any of its Affiliates or Sublicensees is required to withhold any tax to the tax or revenue authorities in any country regarding any payment to GSK due to the laws of such country: (i) such amount will be promptly paid by Exelixis or its Affiliate or Sublicensee for and on behalf of GSK to the appropriate governmental authority; (ii) such amount will be deducted from the payment to be made by Exelixis; and (iii) Exelixis will promptly notify GSK of such withholding and, within a reasonable amount of time after making such deduction, furnish GSK with proof of payment of such tax together with copies of any tax certificate or other documentation evidencing such withholding sufficient to enable GSK to support a claim, if permissible, for income tax credit in respect of any amount so withheld. Each of Exelixis and GSK agree to cooperate with the other in claiming exemptions from such deductions or withholdings under any agreement or treaty from time to time in effect. However, any such deduction or withholding will be an expense of and borne solely by GSK.

4. **TRANSFER OF FORETINIB TO EXELIXIS.**

4.1 **Foretinib Transfer**.

(a) **Exelixis Data and Materials**. As of the Signing Date, GSK has returned to Exelixis or destroyed all data and materials transferred by Exelixis to GSK under the PDCA that contain Confidential Information of Exelixis relating to foretinib. Promptly after the Signing Date, to the extent it has not already done so, GSK shall transfer to Exelixis the data and materials set forth in Schedule 4.1(a).

(b) **Drug Substance**. GSK hereby transfers and assigns to Exelixis, at GSK's reasonable cost, all of GSK's right, title and interest to foretinib bulk drug substance in GSK's possession, as set forth in Schedule 4.1(b). As of the Signing Date, GSK has transferred all foretinib bulk drug substance in its possession as set forth in Schedule 4.1(b) to Exelixis. GSK shall transfer no finished drug product material to Exelixis that is necessary for the conduct and completion of the Remaining Studies. After the conclusion of the Remaining Studies, GSK shall destroy any remaining foretinib finished drug product material.

(c) **Clinical Data and Regulatory Filings**. Subject to Section 5.1 and Section 5.2, GSK hereby transfers and assigns to Exelixis, at GSK's reasonable cost, all of GSK's right, title and interest to: (i) all clinical study

data and results from clinical studies of foretinib conducted by GSK and (ii) all regulatory filings filed by GSK or on behalf of GSK relating to foretinib; provided, however, that GSK shall not transfer or assign to Exelixis any regulatory filings necessary for GSK to continue to conduct and complete the Remaining Studies reflected in Section 5.1. GSK will transfer and assign to Exelixis or terminate, as appropriate, any regulatory filings needed for the Remaining Studies, as set forth in Section 5.1. Notwithstanding the foregoing, GSK hereby retains the right at any time during and after the Term, and shall have a license from Exelixis pursuant to Section 4.2, to **(**i**)** publish the results or summaries of results of all clinical trials, observational studies and other studies such as meta analyses, conducted by GSK or on behalf of GSK with respect to cabozantinib and foretinib in any clinical trial register maintained by GSK or its Affiliates and the protocols of clinical trials conduct by GSK or on behalf of GSK relating to cabozantinib and foretinib on www.ClinicalTrials.gov and, in each case, publish the results, summaries and protocols of such clinical trials or studies on such other websites and repositories and at scientific congresses and in a peer-reviewed journal within such timeframe as required by law or GSK's or its Affiliate's standard operating procedures, regardless of the outcome of such clinical trials; and **(**ii**)** make information from clinical trials and studies conducted by or on behalf of GSK with respect to foretinib available to provide to researchers on a coded or an anonymized basis. All GSK publications made under this Section 4.1(c) shall be subject to the publication requirements of the PDCA, including, without limitation, Section 9.6 of the PDCA.

(d) **Assigned Patents**. To the extent it has not already done so prior to the Signing Date, GSK hereby assigns to Exelixis all of GSK's right, title and interest to the Assigned Patent Rights. GSK hereby covenants and agrees that it will, at its reasonable expense, sign all papers and documents including the Intellectual Property Assignment Agreement attached as Schedule 4.1(d), take all lawful oaths, and do all acts reasonably necessary or required to be done for the recordation of this assignment of the Assigned Patent Rights to Exelixis.

(e) **Research Agreements**. GSK represents and warrants to Exelixis, to the best of its knowledge, that all research activities regarding foretinib under the Foretinib Research Agreements have terminated as of the Signing Date. Promptly after the Signing Date, GSK itself, or investigators working under the Foretinib Research Agreements, will provide to Exelixis all data generated under the Foretinib Research Agreements relating to foretinib, to the extent such data has not already been provided to Exelixis.

(f) **Further Cooperation**. GSK will use commercially reasonable efforts, at no cost to Exelixis, to cooperate with Exelixis to provide Exelixis with any other Know-How that is Controlled by GSK, that is related specifically to foretinib, that exists as of the Termination Date, and that is reasonably related to Exelixis' ongoing development and commercialization of foretinib.

(g) **Additional Items**. If Exelixis reasonably requests GSK to provide Exelixis with any materials or services beyond those set forth in Section 4.1(e), such materials and/or services will be provided by GSK to Exelixis on such terms and conditions, including cost, as may be mutually agreed between the Parties at the time of any such request. GSK shall be under no obligation to provide any further materials or services unless agreement is reached with Exelixis on terms and conditions acceptable to GSK, in its reasonable discretion.

4.2 **License to GSK.** Subject to the terms and conditions of this Termination Agreement, Exelixis hereby grants to GSK a non-exclusive, worldwide, royalty-free license under the Exelixis Patent Rights and the Exelixis Foretinib Know-How solely to perform GSK's obligations described in Section 5.1. The license will begin as of the Termination Date and will end when GSK completes Study 645 described in Section 5.1. Notwithstanding the foregoing, GSK shall have a perpetual, non-exclusive worldwide, royalty-free license under the Exelixis Patent Rights, Exelixis Foretinib Know-How and any Know-How Controlled by Exelixis relating to cabozantinib solely for the purposes set forth in, and in accordance with, the last sentence of Section 4.1(c).

4.3 **No Implied License.** Except as expressly set forth in this Termination Agreement, neither Party will acquire any license or other intellectual property interest (by implication, estoppel or otherwise) under any Patents or Know-How owned or Controlled by the other Party.

5. **REMAINING STUDIES.**

5.1 **Disposition of Remaining Studies**. As of the Signing Date, there are two ongoing clinical studies involving foretinib: a) GSK-sponsored Study MET11645 being conducted in Thailand which involves 2 patients ("Study 645") and which is in the process of being closed; and b) a study to provide compassionate use of foretinib under a Named Patient Protocol ("NPP") MET116178 ("Study 178") (Study 645 and Study 178 referred to together herein as the "**Remaining Studies)**. One patient in the US in Study 178 is being treated under an IND which cross-references the IND filed by GSK with FDA for foretinib. In order to continue a supply of foretinib to the two patients in Study 645 after the study has completed, plans are being implemented for the Principal Investigator in Study 645 to initiate a NPP to supply foretinib to the two patients as they transition off Study 645. GSK will be responsible for conducting and closing Study 645, including supply of foretinib, safety reporting, managing the database lock, and amending the Clinical Study Report of 13 March 2013, in accordance with Applicable Law. At the same time as the close out of the study at the Thailand Study 645 site, the two remaining patients will be transitioned onto the NPP Study 178. The investigator for Study 178 will be responsible for conducting Study 178 in accordance with Applicable Law until the current formulated supply of foretinib expires in January 2017. GSK will be responsible for expenses incurred in the conduct and close-out of Study 645 and the supply of foretinib to patients in the Remaining Studies in the US and Thailand under a contract with the Global Pharmacy IDIS. Promptly after all close-out activities for Study 645 and Study 178 have been completed and supply of foretinib has expired, GSK will take steps to inactivate the IND for foretinib in the US.

5.2 **Data Management for Remaining Studies**. As of the Signing Date, GSK has transferred to Exelixis the clinical data set forth in Schedule 4.1(a). GSK will, at its expense, be responsible for maintaining the clinical databases for Study 645 and archiving as required by Applicable Law and GSK's standard operating procedures through close-out, after which GSK will have the trial master files for Study 645 transferred from GSK's contract research organization ("**CRO**") to Exelixis, for storage at Exelixis' cost. GSK will, at its expense, be responsible for maintaining the safety database for Study 645 and archiving as required by Applicable Law and GSK's standard operating procedures through close-out, after which GSK will have the safety database transferred from GSK to Exelixis, or to a CRO of Exelixis' choice, for storage at Exelixis' cost. The investigators for Study 178 will be responsible for reporting any serious adverse events to FDA (for US patients) and as otherwise required by Applicable Law.

6. CONFIDENTIALITY.

6.1 **Nondisclosure of Confidential Information.** All Know-How disclosed by one Party to the other Party pursuant to this Termination Agreement will be "**Confidential Information**" under this Termination Agreement; provided, however, that any Know-How of GSK that is transferred to Exelixis under Section 4.1 will be Confidential Information of Exelixis. Subject to Section 6.2, the Parties agree that during the Term of this Termination Agreement, and for a period of five (5) years thereafter, a Party receiving Confidential Information of the other Party will: (a) maintain in confidence such Confidential Information (using efforts no less than those such Party uses to maintain in confidence its own proprietary industrial information of similar kind and value) and not disclose such Confidential Information to any Third Party without prior written consent of the other Party; and (b) not use such other Party's Confidential Information without prior written consent of the other Party (it being understood that this Section 6.1 will not create or imply any right to use such Confidential Information).

6.2 **Exceptions.** The obligations in Section 6.1 will not apply with respect to any portion of the Confidential Information that the receiving Party can show by competent written proof:

(a) Is publicly disclosed by the disclosing Party, either before or after it is disclosed to the receiving Party hereunder; or

(b) Was known to the receiving Party or any of its Affiliates, without obligation to keep it confidential, prior to disclosure by the disclosing Party; or

(c) Is subsequently disclosed to the receiving Party or any of its Affiliates by a Third Party lawfully in possession thereof and without obligation to keep it confidential; or

(d) Is published by a Third Party or otherwise becomes publicly available or enters the public domain, either before or after it is disclosed to the receiving Party, and is not directly or indirectly supplied by the receiving Party in violation of this Termination Agreement or the PDCA;

(e) Has been independently developed by employees or contractors of the receiving Party or any of its Affiliates without the aid, application or use of the disclosing Party's Confidential Information; or

(f) Is permitted to be disclosed by GSK under Section 4.1(c).

6.3 **Authorized Disclosure.** A Party may disclose the Confidential Information belonging to the other Party to the extent such disclosure is reasonably necessary in the following instances; provided that notice of any such disclosure will be provided as soon as practicable to the other Party:

(a) Prosecuting or defending litigation;

(b) Complying with applicable governmental laws and regulations; and

(c) Disclosure to: Affiliates of the disclosing Party; potential or actual collaborators, partners, and licensees (including potential co-marketing and co-promotion contractors); potential or actual investment bankers, acquirers, lenders or investors; employees; consultants; and agents, each of whom, prior to disclosure, must be bound by similar obligations of confidentiality and non-use; provided that a confidentiality and non-use period of five (5) years will be sufficient. In any event, the Parties agree to take all reasonable action to avoid disclosure of Confidential Information except as permitted hereunder.

6.4 **Public Announcement.** Any press release, news release or other public announcement relating to this Termination Agreement or to the performance of the Parties under the PDCA, will first be reviewed and approved by both Parties; provided, however, that any disclosure which is required by law, including disclosures required by the U.S. Securities and Exchange Commission or made pursuant to the requirements of the national securities exchange or other stock market on which such Party's securities are traded, as advised by the disclosing Party's counsel may be made without the prior consent of the other Party, although the other Party will be given prompt notice of any such legally required disclosure and to the extent practicable will provide the other Party an opportunity to comment on the proposed disclosure.

7. **TERM AND TERMINATION.**

7.1 **Term.** This Termination Agreement will become effective on the Termination Date and will remain in effect until the expiration of the last royalty payment with respect to the last Cabozantinib Product or Foretinib Product (whichever is later), as provided in Section 3.1 ("**Term**").

7.2 **Survival; Effect of Termination.**

(d) **Survival.** In the event of termination of this Termination Agreement for any reason, the following provisions of this Termination Agreement will survive: Articles 1, 3, 6, and 8; and Sections 4.1(c), 4.2, 7.2, 7.3, 9.1, 9.3, 9.4, 9.5, 9.6, 9.7, 9.8 and 9.9.

(e) **General Effects**. In any event, termination of this Termination Agreement will not relieve the Parties of any liability which accrued hereunder prior to the effective date of such termination nor preclude either Party from pursuing all rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Termination Agreement nor prejudice either Party's right to obtain performance of any obligation.

7.3 **Survival of Provisions in the PDCA**. The following provisions of the PDCA survive termination: Articles 1 and 9; and Sections 11.1-11.4 (solely with respect to conduct that occurred under the PDCA prior to the Termination Date), and Sections 12.6.5 and 14.2.

8. **REPRESENTATIONS, WARRANTIES AND INDEMNIFICATION**.

8.1 **Mutual Authority.** Exelixis and GSK each represents and warrants to the other as of the Signing Date that: (a) it has the authority and right to enter into and perform this Termination Agreement; (b) this Termination Agreement is a legal and valid obligation binding upon it and is enforceable in accordance with its terms, subject to applicable limitations on such enforcement based on bankruptcy laws and other debtors' rights; and (c) its execution, delivery and performance of this Termination Agreement will not conflict in any material fashion with the terms of any other agreement or instrument to which it is or becomes a Party or by which it is or becomes bound, nor violate any law or regulation of any court, governmental body or administrative or other agency having authority over it.

8.2 **Indemnification by GSK**. Subject to Section 8.4, GSK will indemnify, defend and hold harmless Exelixis and each of its employees, officers, directors and agents from and against any and all Third Party suits, claims, actions, demands, liabilities, expenses and/or losses, including reasonable legal expenses and reasonable attorneys' fees (collectively, "**Liability**") to the extent such Liability results from: (a) the conduct of GSK's obligations under this Termination Agreement; or (b) any negligence or willful misconduct by GSK, its Affiliates, licensees, sublicensees, successors or agents, except, in each of (a) and (b), to the extent such Liability results from any negligence or willful misconduct by Exelixis, its Affiliates, licensees, sublicensees or agents.

8.3 **Indemnification by Exelixis**. Subject to Section 8.4, Exelixis will indemnify, defend and hold harmless GSK and each of its employees, officers, directors and agents from and against any and all Liability to the extent such Liability results from: (a) the research, development, manufacture, use, handling, storage, sale or other disposition of Cabozantinib Products or Foretinib Products by Exelixis or its Affiliates, licensees, sublicensees, successors or agents; or (b) any negligence or willful misconduct by Exelixis, its Affiliates, licensees, sublicensees, successors or agents, except, in each of (a) and (b), to the extent such Liability results from any negligence or willful misconduct by GSK, its Affiliates, licensees, sublicensees or agents.

8.4 **Conditions to Indemnification**. As used herein, "**Indemnitee**" will mean a Party entitled to indemnification under the terms of Section 8.2 or 8.3. A condition precedent to each Indemnitee's right to seek indemnification under such Section 8.2 or 8.3 is that such Indemnitee will:

(a) inform the indemnifying Party under such applicable Section of a Liability as soon as reasonably practicable after it receives notice of the Liability;

(b) if the indemnifying Party acknowledges that such Liability falls within the scope of its indemnification obligations hereunder, permit the indemnifying Party to assume direction and control of the defense, litigation, settlement, appeal or other disposition of the Liability (including the right to settle the claim solely for monetary consideration); provided, that the indemnifying Party will seek the prior written consent (such consent to not be unreasonably withheld, delayed or conditioned) of any such Indemnitee as to any settlement that would require any payment by such Indemnitee, would require an admission of legal wrongdoing in any way on the part of an Indemnitee, or would effect an amendment of this Termination Agreement; and

(c) fully cooperate (including providing access to and copies of pertinent records and making available for testimony relevant individuals subject to its control) as reasonably requested by, and at the expense of, the indemnifying Party in the defense of the Liability.

Provided that an Indemnitee has complied with all of the conditions described in subsections (a) – (c), as applicable, the indemnifying Party will provide attorneys reasonably acceptable to the Indemnitee to defend against any such Liability. Subject to the foregoing, an Indemnitee may participate in any proceedings involving such Liability using attorneys of the Indemnitee's choice and at the Indemnitee's expense. In no event may an Indemnitee settle or compromise any Liability for which the Indemnitee intends to seek indemnification from the indemnifying Party hereunder without the prior written consent of the indemnifying Party (such consent to not be unreasonably withheld, delayed or conditioned), or the indemnification provided under such Section 8.2 or 8.3 as to such Liability will be null and void.

8.5 **Limitation of Liability**. EXCEPT FOR AMOUNTS PAYABLE TO THIRD PARTIES BY A PARTY FOR WHICH IT SEEKS REIMBURSEMENT OR INDEMNIFICATION PROTECTION FROM THE OTHER PARTY

PURSUANT TO SECTION 8.2 OR SECTION 8.3, AND EXCEPT FOR BREACH OF ARTICLE 6, IN NO EVENT WILL EITHER PARTY, ITS DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR AFFILIATES BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, INCIDENTAL, SPECIAL, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES, WHETHER BASED UPON A CLAIM OR ACTION OF CONTRACT, WARRANTY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT, OR OTHERWISE, ARISING OUT OF THIS TERMINATION AGREEMENT.

8.6 **Dispute Resolution**. Subject to Section 8.8, in the event of any dispute, controversy or claim arising out of, relating to or in connection with any provision of the Termination Agreement ("**Disputed Matter**"), the Parties will try to settle their differences amicably between themselves first, by referring the Disputed Matter to the CEO of Exelixis (or his designee) and the CEO of GSK (or his designee). Either Party may initiate such informal dispute resolution by sending written notice of the dispute to the other Party, and, within **[*]** after such notice, such CEOs (or their respective designees) of the Parties will meet for attempted resolution by good faith negotiations. If such CEOs (or their respective designees) are unable to resolve such Disputed Matter within **[*]** of their first meeting for such negotiations, either Party may seek to have such dispute resolved as set forth in Section 8.7 below.

8.7 **Binding Arbitration**. Subject to Section 8.8, if the Parties are unable to resolve a Disputed Matter using the process described in Section 8.6, then a Party seeking further resolution of the Disputed Matter will submit the Disputed Matter to resolution by final and binding arbitration administered by the American Arbitration Association, in accordance with its Commercial Arbitration Rules then in effect (the "**Rules**"), except as otherwise provided herein and applying the substantive law specified in Section 9.7. Whenever a Party will decide to institute arbitration proceedings, it will give written notice to that effect to the other Party, and the arbitration will be held in New York, New York, USA. The arbitration will be conducted by a single arbitrator, who will be appointed in accordance with the Rules if the Parties are unable to agree on an arbitrator within forty (45) days after the institution of the arbitration proceedings. The arbitrator must have significant business or legal experience in the pharmaceutical business. After conducting any hearing and taking any evidence deemed appropriate for consideration, the arbitrator will be requested to render an opinion within thirty (30) days of the final arbitration hearing. The arbitrator will not have the power to award damages excluded pursuant to Section 8.5 and any arbitral award that purports to award such damages is expressly prohibited and void ab initio. Decisions of the arbitrator that conform to the terms of this Section 8.7 will be final and binding on the Parties, and judgment on the award so rendered may be entered in any court of competent jurisdiction. The losing Party, as determined by the arbitrator, will pay all of the administrative costs and fees of the arbitration and the fees and costs of the arbitrator, and the arbitrator will be directed to provide for payment or reimbursement of such fees and costs by the losing Party. If the arbitrator determines that there is no losing Party, the Parties will each bear or pay one-half of those costs and fees and the arbitrator's award will so provide. Notwithstanding the foregoing, each Party is to bear or pay its own attorneys' fees, expert or witness fees, and any other fees and costs, and no such fees or costs will be shifted to the other Party.

8.8 **Injunctive Relief**. Notwithstanding the terms of and procedures set forth in Section 8.6 or Section 8.7, any applications, motions or orders to show cause seeking temporary restraining orders, preliminary injunctions or other similar preliminary or temporary legal or equitable relief ("**Injunctive Relief**") concerning a Disputed Matter (including, but not limited to, Disputed Matters arising out of a potential or actual breach of the confidentiality and non-use provisions in Article 6) may immediately be brought in the first instance and without invocation or exhaustion of the procedures set forth in Section 8.6 or Section 8.7 for hearing and resolution in and by a court of competent jurisdiction. Once the Injunctive Relief proceedings have been conducted, and a decision rendered thereon by the court, the Parties will, if the Disputed Matter is not finally resolved by the Injunctive Relief, proceed to resolve the Disputed Matter in accordance with the terms of Section 8.6 or Section 8.7.

9. **MISCELLANEOUS**.

9.1 **Assignment**.

(a) Neither Party may assign or transfer this Termination Agreement or any obligations hereunder without the prior written consent of the other (such consent to not be unreasonably withheld, delayed or conditioned), except a Party may make such an assignment without the other Party's consent to an Affiliate or to a Third Party

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

successor to substantially all of the business of such Party to which this Termination Agreement relates, whether in a merger, sale of stock, sale of assets or other transaction; provided that any such permitted successor or assignee of rights and/or obligations hereunder is obligated, by reason of operation of law or pursuant to a written agreement with the other Party, to assume performance of this Termination Agreement or such rights and/or obligations; and provided, further, that if assigned to an Affiliate, the assigning Party will remain jointly and severally responsible for the performance of this Termination Agreement by such Affiliate. Any permitted assignment will be binding on the successors of the assigning Party. Any assignment or attempted assignment by either Party in violation of the terms of this Section 9.1 will be null and void and of no legal effect.

(b) If a Party is acquired by or merged with a Third Party (such Third Party, hereinafter referred to as an **"Acquiror"** and each person, corporation, partnership or other entity that would, immediately prior to such acquisition, have qualified as an Affiliate of the Acquiror if the Acquiror were a Party, hereinafter referred to as an "**Acquiror Affiliate**"), the Parties agree that the intellectual property of such Acquiror or any Acquiror Affiliate held or developed by such Acquiror or any Acquiror Affiliate (whether prior to or after such acquisition or merger) will not be included in the intellectual property definitions of this Termination Agreement, and such Acquiror and all Acquiror Affiliates will be excluded from "Affiliate" solely for purposes of the applicable components of the intellectual property definitions in this Termination Agreement.

9.2 **Further Actions.** Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Termination Agreement.

9.3 **Severability.** If any of the provisions of this Termination Agreement are held to be invalid or unenforceable by any court of competent jurisdiction from which no appeal can be or is taken, the provision will be considered severed from this Termination Agreement and will not serve to invalidate any remaining provisions hereof. The Parties will make a good faith effort to replace any invalid or unenforceable provision with a valid and enforceable one such that the objectives contemplated by the Parties when entering this Termination Agreement may be realized.

9.4 **No Waiver.** Any delay in enforcing a Party's rights under this Termination Agreement, or any waiver as to a particular default or other matter, will not constitute a waiver of such Party's rights to the future enforcement of its rights under this Termination Agreement, excepting only as to a written waiver that describes the Section of this Termination Agreement that is being waived and the time period of such waiver and that is signed by an authorized officer of each Party.

9.5 **Notices.** Any notices given under this Termination Agreement will be in writing, addressed to the Parties at the following addresses, and delivered by person, by facsimile (with receipt confirmation), or by FedEx or other reputable courier service. Any such notice will be deemed to have been given: (a) as of the day of personal delivery; (b) one (1) day after the date sent by facsimile service; or (c) on the day of successful delivery to the other Party confirmed by the courier service. Unless otherwise specified in writing, the mailing addresses of the Parties will be as described below.

For Exelixis: Exelixis, Inc.
210 East Grand Avenue
South San Francisco, CA 94080
Attention: Executive Vice President and General Counsel
Fax: **[*]**

For GSK: GlaxoSmithKline
Worldwide Business Development
709 Swedeland Road
King of Prussia, PA 19406
Attn : Vice President, Alliance Management
Fax : **[*]**

With a copy to : GlaxoSmithKline
Legal Corporate Functions-Business Development Transactions
2301 Renaissance Blvd. (Bldg. #510)
King of Prussia, PA 19406
Attn: Vice President & Associate General Counsel
Fax: **[*]**

9.6 **Amendment**. No subsequent alteration, amendment, change or addition to this Termination Agreement will be binding upon the Parties unless it is: (a) reduced to writing, specifying the Section of this Termination Agreement that is altered, amended, changed or added to; and (b) signed by an authorized officer of each Party.

9.7 **Governing Law**. Resolution of all disputes, controversies or claims arising out of, relating to or in connection with the Termination Agreement or the performance, enforcement, breach or termination of the Termination Agreement and any remedies relating thereto, will be governed by and construed under the substantive laws of the State of New York, without regard to conflicts of law rules.

9.8 **Entire Agreement.** This Termination Agreement sets forth the complete, final and exclusive agreement and all the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties with respect to the subject matter of this Termination Agreement and supersedes and terminates all prior agreements and understandings between the Parties with respect to such subject matter. There are no covenants, promises, agreements, warranties, representations, conditions or understandings, either oral or written, between the Parties with respect to such subject matter other than as are set forth in this Termination Agreement.

9.9 **Construction of this Termination Agreement.** Except where the context otherwise requires, wherever used, the use of any gender will be applicable to all genders, and the word "**or**" is used in the inclusive sense. When used in this Termination Agreement, "**including**" means "**including without limitation**". References to either Party include the successors and permitted assigns of that Party. The headings of this Termination Agreement are for convenience of reference only and in no way define, describe, extend or limit the scope or intent of this Termination Agreement or the intent of any provision contained in this Termination Agreement. The Parties have each consulted counsel of their choice regarding this Termination Agreement, and, accordingly, no provisions of this Termination Agreement will be construed against either Party on the basis that the Party drafted this Termination Agreement or any provision thereof. If the terms of this Termination Agreement conflict with the terms of any Exhibit, then the terms of this Termination Agreement will govern. The official text of this Termination Agreement and any Exhibits hereto, any notice given or accounts or statements required by this Termination Agreement, and any dispute proceeding related to or arising hereunder, will be in English. In the event of any dispute concerning the construction or meaning of this Termination Agreement, reference will be made only to this Termination Agreement as written in English and not to any other translation into any other language.

9.10 **Counterparts.** This Termination Agreement may be executed in two (2) or more counterparts, each of which will be an original and all of which will constitute together the same document. Counterparts may be signed and delivered by facsimile, or electronically in PDF format, each of which will be binding when sent.

Signature page follows.

The Parties have caused this Termination Agreement to be executed by their duly authorized officers effective as of the Termination Date.

EXELIXIS, INC.	**GLAXOSMITHKLINE, LLC**
By: /s/ Jeffrey Hessekiel	By: /s/ Justin T. Huang
Name: Jeffrey Hessekiel	Name: Justin T. Huang
Title: EVP & GC	Title: Assistant Secretary

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Schedule 1.5

List of Assigned Patent Rights

GSK Docket	Title	Serial/ Publication/ Patent No.
LU63754	Crystalline Forms of N-[3-fluoro-4-({6-(methyloxy)-7-[(3-morpholin-4-ylpropyl)oxy]-quinolin-4-yl}oxy)phenyl]-N'-(4-fluorophenyl)cyclopropane-1,1-dicarboxamide **Owned by Exelixis**	US 13/384451 PCT/US2010/042353
LU63868	Methods of preparing quinoline derivatives **Owned by Exelixis**	13/129183 WO2010/056960
LU64250	Hydrated Crystalline Forms of N-[3-fluoro-4-([6-(methyloxy)-7-[{3-morpholin-4-ylpropyl)oxy]-quinolin-4-yl]oxy)phenyl]-N'-(4-fluorophenyl)cyclopropane-1, 1-dicarboxamide **Owned by Exelixis**	US13/634,275 WO2011/112896
LU64498	C-MET MODULATORS AND METHODS OF USE **Owned by Exelixis**	US8178532 – Composition of Matter WO 2005-030140
PU62986	Method of Treating Cancer using a cMet Inhibitor and an ErbB Inhibitor	12/435473 WO2009/137429
PU63205	Preparation of a Quinolinyloxydiphenylcyclopropanedicarboxamide	12/566707 WO2010/036831
PU64436	METHODS OF TREATING CANCER	HCC specific PCT/US2011/061636 WO 2012/071321
PU65354	METHOD OF ADMINISTRATION AND TREATMENT	Ros1 PCT/US2013/074889
PU65356	METHOD OF ADMINISTRATION AND TREATMENT	14/173973 CAT haplotype in NR1I3
PU65609P	METHODS OF TREATMENT	61/915597 Erlotinib and Foretinib
PU65650P	METHOD OF ADMINISTRATION AND TREATMENT	61/938373 NTRK 1-3

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Schedule 1.20

List of Foretinib Research Agreements

[*]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Schedule 4.1(a)

Data and Materials to be Transferred

Category	Description	Remarks
Clinical	List and of all clinical trials, status of trials, list of sites and Principal Investigators	Completed July 15, 2014
Clinical	Agreed materials for study MET 111516	Completed July 17, 2014
Clinical	Agreed materials for studies MET 111643 - 111648	All files transferred except for certain files for MET 111645 (see next Schedule); these files will be transferred once the final study report is written (expected 2015)
Clinical	Agreed materials for studies National Cancer Institute of Canada (NCIC) studies	Completed June 2, 2014
Clinical	Investigators' Brochures	Completed August 26, 2014
Regulatory	Regulatory correspondence, including Annual Reports	Completed April 25, 2014
Publications	All publications and presentations with GSK involvement	Completed May 6, 2014
CMC	Status of current API and clinical supplies (amounts, expiration, stability tests)	Completed July 30, 2014
CMC	Samples of synthetic intermediates	There are 4-5 samples of 5g each that are scheduled to be transferred to Exelixis by November 30, 2014
CMC	Foretinib synthetic route information	Completed July 30, 2014
CMC	Foretinib formulation information	Completed July 30, 2014
CMC	All technical reports related to solid forms of foretinib (e.g., polymorphs, hydrates and solvates)	Completed September 24, 2014
CMC	Transfer of remaining API in GSK's possession to Exelixis	40 kilos of API were received by Biocair per Exelixis on October 1, 2014
Pre-Clinical	GSK and GSK-sponsored non-clinical safety study reports	Completed June 19, 2014
Pre-Clinical	List of Material Transfer Agreements (MTAs) and any reports/data from preclinical collaborative studies	Completed June 4, 2014
Pre-Clinical	In-house preclinical studies (not involving proprietary GSK compounds), including informal research reports or internal GSK presentations where available	Not applicable
Patents	List of all patent applications and status	Completed April 2014
Patents	List of any trademarks or trademark applications related to foretinib	Not applicable
Patents	Assignment of all patent cases / dockets to Exelixis	The dockets have been transferred; ownership will transfer upon execution of Termination Agreement and Intellectual Property Assignment Agreement

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Schedule 4.1(a) (cont'd)

Data and Materials to be Transferred
Foretinib Clinical Trials Detail

	MET 111516		MET 111643		MET 111644		MET 111645		MET 111646		MET 111647		MET 111648		MET112141 (NCIC-IND1867) NSCLC		MET112140 (NCIC-IND1866) TNBC		MET112265 (NCIC-IN Her2+ BC	
Item	**Source**	**Status**	**Source**	**Status**	**Source**	**Status**	**Source**	**Status**	**Source**	**Status**	**Source**	**Status**	**Source**	**Status**	**Source**	**Status**	**Source**	**Status**	**Who**	**Status**
Clinical Study Reports: Protocol / Amendments	GSK	X-ferred 5/1/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	NCIC	Exelixis will need to follow-up w/ NCIC	NCIC	Exelixis will need to follow-up w/ NCIC	NCIC	Exelixis wi need to follow-up w NCIC
Clinical Study Reports: Source Documents	GSK	X-ferred 5/1/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	NCIC	X-ferred 6/12/2014	GSK	X-ferred 6/12/2014	GSK	X-ferred 6/12/2014
Clinical Study Report: Final Signed Report	GSK	X-ferred 5/1/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/12/2014	GSK	X-ferred 6/12/2014	GSK	X-ferred 6/12/2014
Trial Master Files	GSK	X-ferred 7/15/2014	GSK	X-ferred 7/15/2014	GSK	X-ferred 7/15/2014	GSK	X-ferred 10/3/2014	GSK	X-ferred 7/15/2014	GSK	X-ferred 7/15/2014	GSK	X-ferred 7/15/2014	NCIC		NCIC		NCIC	
Clinical Trial Registry Publications	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	GSK	X-ferred 6/2/2014	NCIC		NCIC		NCIC	
Clinical Database (raw data sets)	GSK	X-ferred 6/11/2014	PPD	X-ferred 9/18/2014	PPD	X-ferred 9/18/2014	PPD	TBD - 2015	PPD	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	NCIC		NCIC		NCIC	
External Vendors (raw data sets)	GSK	n/a: none	PPD	N/A	PPD	N/A	PPD	TBD - 2015	PPD	N/A	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	NCIC		NCIC		NCIC	
Safety Database (raw data sets)	GSK	X-ferred 6/8/2014	PPD	X-ferred 9/18/2014	PPD	X-ferred 9/18/2014	PPD	TBD - 2015	PPD	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	NCIC	Exelixis will need to follow-up w/ NCIC	NCIC	Exelixis will need to follow-up w/ NCIC	NCIC	
Raw Data Specs / Transfer Agreements	GSK	n/a: no central labs used; all data in INFORM	PPD	X-ferred 9/18/2014	PPD	X-ferred 9/18/2014	PPD	TBD - 2015	PPD	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	NCIC		NCIC		NCIC	
List of CSR Data Sources	GSK	See separate Data inventory file for this study	PPD		PPD		PPD	TBD - 2015	PPD	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	NCIC		NCIC		NCIC	
List of Raw Data Sets	GSK		PPD	X-ferred 9/19/2014	PPD	X-ferred 9/19/2014	PPD	TBD - 2015	PPD	X-ferred 9/19/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	NCIC		NCIC		NCIC	
List of Analysis Data Sets	GSK		PPD	X-ferred 9/19/2014	PPD	X-ferred 9/19/2014	PPD	TBD - 2015	PPD	X-ferred 9/19/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	NCIC		NCIC		NCIC	
Annotated CRFs (raw data)	GSK	X-ferred 6/17/2014	PPD	X-ferred 9/18/2014	PPD	X-ferred 9/18/2014	PPD	TBD - 2015	PPD	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	NCIC		NCIC		NCIC	
Analysis Data Sets	GSK	X-ferred 6/9/2014	PPD	X-ferred 9/18/2014	PPD	X-ferred 9/18/2014	PPD	TBD - 2015	PPD	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	NCIC		NCIC		NCIC	
Analysis Data Set Specifications	GSK	X-ferred 6/9/2014	PPD	X-ferred 9/18/2014	PPD	X-ferred 9/18/2014	PPD	TBD - 2015	PPD	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	NCIC		NCIC		NCIC	
SAP - Final Signed Version	GSK	X-ferred 6/2/2014	PPD	X-ferred 9/18/2014	PPD	X-ferred 9/18/2014	PPD	TBD - 2015	PPD	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	X-ferred 9/18/2014	NCIC		NCIC		NCIC	

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Schedule 4.1(b)

Foretinib Drug Substance/ Drug Product to be Transferred

40 kilos of API were received by Biocair per Exelixis on October 1, 2014; No further materials will be transferred to Exelixis

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Schedule 4.1(d)

INTELLECTUAL PROPERTY ASSIGNMENT AGREEMENT

This intellectual property assignment agreement ("***Assignment***") is effective as of July 17, 2014 ("***Assignment Effective Date***"), by and among **GLAXOSMITHKLINE, LLC,** a Delaware corporation and successor to **SMITHKLINE BEECHAM CORPORATION,** located at 5 Crescent Drive, Philadelphia, PA 19112 ("***Assignor***") and **EXELIXIS, INC.,** a Delaware corporation located at 210 East Grand Ave, South San Francisco, California 94080("***Assignee***").

A. Assignor and Assignee are parties to Termination Agreement effective as of July 17, 2014 (the "***Termination Agreement***") pursuant to which Assignee has acquired all of Assignor's right, title and interest in and to the patents and patent applications listed on Schedule 1.4 of the Termination Agreement (all such patents and patent applications referred to collectively as the "***Assigned Patents***").

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Assignors and Assignee each hereby agree as follows:

1. Assignment. Assignor hereby sells, assigns, transfers, conveys and delivers to Assignee and its successors and assigns, and Assignee hereby purchases and accepts from Assignor, all of Assignor's right, title and interest in, to and under the Assigned Patents, including the right to file for continuations, continuations-in-part, divisionals, reexaminations and reissues thereof and foreign counterparts thereto, and all patents issuing therefrom, together with the right to sue and recover damages for future or past infringements of the Assigned Patents and to fully and entirely stand in the place of Assignor in all matters related thereto.

2. Further Assurances. Assignor agrees to execute and deliver such other documents and to take all such other actions as Assignee, its successors and assigns may reasonably request to effect the terms of this Assignment and to execute and deliver any and all affidavits, testimonies, declarations, oaths and other documentation as may be reasonably required to effect the terms of this Assignment. Assignee, or its successor or assign, as the case may be, will be responsible for all costs incurred by Assignor in executing and delivering any of the foregoing.

3. Miscellaneous. This Assignment, and all claims or causes of action (whether at law, in contract or in tort) that may be based upon, arise out of or relate to this Assignment or the negotiation, execution or performance hereof, will be governed by and construed in accordance with the laws of the State of New York without giving effect to conflicts of laws principles that would result in the application of the law of any other state. This Assignment may not be supplemented, altered or modified in any manner except by a writing signed by all parties hereto. The failure of any party to enforce any terms or provisions of this Assignment will not waive any of its rights under such terms or provisions. This Assignment will bind and inure to the benefit of the respective parties and their assigns, transferees and successors. This Assignment and any amendments hereto may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute on and the same instrument.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

IN WITNESS WHEREOF, each of the Assignor and Assignee has executed this Assignment as of the Assignment Effective Date.

GLAXOSMITHKLINE, LLC
a Delaware corporation

By: __

Name: __

Title: __

EXELIXIS, INC.
a Delaware corporation

By: __

Name: __

Title: __

State of _____) ss.:
County of _____)

On the ____ day of _____ in the year 2014 before me, the undersigned, a Notary Public in and for such State, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that this individual executed the same in this individual's capacity, and that by this individual's signature on the instrument, the individual, or the person upon behalf of which this individual acted, executed the instrument.

_____
Notary Public

My commission expires: _____

Dated: _____

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

Exhibit 12.1

EXELIXIS, INC.
STATEMENT RE COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(in thousands)

Our earnings were insufficient to cover fixed charges for the six months ended June 30, 2015, and the years ended December 31, 2014, 2013 and 2012. The following table sets forth our ratio of earnings to fixed charges for the year ended December 31, 2011 and our deficiency of earnings to cover fixed charges for the six months ended June 30, 2015 and the years ended December 31, 2014, 2013 and 2012.

	Six Months Ended June 30,	Year Ended December 31,			
	2015	2014	2013	2012	2011
Fixed charges:					
Interest expense	$ 24,362	$ 48,607	$ 45,347	$ 27,088	$ 16,259
Interest portion of rental expense	372	886	935	2,948	606
Total fixed charges	$ 24,734	$ 49,493	$ 46,282	$ 30,036	$ 16,865
Earnings:					
Net income (loss) before income taxes	$ (78,532)	$ (268,724)	$ (244,856)	$ (147,538)	$ 76,992
Fixed charges per above	24,734	49,493	46,282	30,036	16,865
Earnings	$ (53,798)	$ (219,049)	$ (198,574)	$ (117,502)	$ 93,857
Ratio of earnings to fixed charges					5.57
Deficiency of earnings available to cover fixed charges	$ (78,532)	$ (268,542)	$ (244,856)	$ (147,538)	

Exhibit 31.1

CERTIFICATION

I, Michael M. Morrissey, Ph.D., Chief Executive Officer of Exelixis, Inc., certify that:

1. I have reviewed this Form 10-Q of Exelixis, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ MICHAEL M. MORRISSEY

Michael M. Morrissey, Ph.D.

President and Chief Executive Officer
(Principal Executive Officer)

Date: August 11, 2015

Exhibit 31.2

CERTIFICATION

I, Christopher J. Senner, Chief Financial Officer of Exelixis, Inc., certify that:

1. I have reviewed this Form 10-Q of Exelixis, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CHRISTOPHER J. SENNER

Christopher J. Senner

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: August 11, 2015

Exhibit 32.1

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and Section 1350 of Chapter 63 of Title 18 of the United States Code, Michael M. Morrissey, Ph.D., the Chief Executive Officer of Exelixis, Inc. (the "Company"), and Christopher J. Senner, the Chief Financial Officer of the Company, each hereby certifies that, to the best of his/her knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended July 3, 2015, to which this Certification is attached as Exhibit 32.1 (the "Quarterly Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In Witness Whereof, the undersigned have set their hands hereto as of the 11th day of August 2015.

/s/ MICHAEL M. MORRISSEY

Michael M. Morrissey, Ph.D.

Chief Executive Officer
(Principal Executive Officer)

/s/ CHRISTOPHER J. SENNER

Christopher J. Senner

Chief Financial Officer
(Principal Financial Officer)