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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 April 1, 2016

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 April 28, 2016, there were 228,739,657 shares of the registrant's common stock outstanding.

EXELIXIS, INC.
QUARTERLY REPORT ON FORM 10-Q
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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2016 (unaudited)	December 31, 2015*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 276,882	$ 141,634
Short-term investments	45,235	25,426
Trade and other receivables	10,088	5,183
Inventory	2,472	2,616
Prepaid expenses and other current assets	4,791	3,806
Total current assets	339,468	178,665
Long-term investments	82,850	83,600
Long-term restricted cash and investments	2,650	2,650
Property and equipment, net	1,813	1,434
Goodwill	63,684	63,684
Other long-term assets	2,068	2,309
Total assets	$ 492,533	$ 332,342
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 5,657	$ 6,401
Accrued clinical trial liabilities	16,135	18,071
Accrued collaboration liability	14,674	10,938
Accrued compensation and benefits	6,042	3,629
Other accrued liabilities	13,671	10,007
Current portion of convertible notes	27,500	—
Current portion of deferred revenue	14,371	—
Current portion of restructuring	3,017	3,205
Total current liabilities	101,067	52,251
Long-term portion of convertible notes	281,156	301,435
Term loan payable	80,000	80,000
Long-term portion of deferred revenue	184,431	—
Long-term portion of restructuring	516	1,385
Other long-term liabilities	1,317	1,575
Total liabilities	648,487	436,646
Commitments		
Stockholders' deficit:		
Preferred stock	—	—
Common stock, $0.001 par value; 400,000,000 shares authorized; issued and outstanding: 228,681,197 and 227,960,943 shares at March 31, 2016 and December 31, 2015, respectively	228	228
Additional paid-in capital	1,842,248	1,832,741
Accumulated other comprehensive loss	(42)	(232)
Accumulated deficit	(1,998,388)	(1,937,041)
Total stockholders' deficit	(155,954)	(104,304)
Total liabilities and stockholders' deficit	$ 492,533	$ 332,342

* The condensed consolidated balance sheet as of December 31, 2015 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 March 31,	
	2016	2015
Revenues:		
Net product revenues	$ 9,099	$ 9,388
License and contract revenues	6,328	—
Total revenues	15,427	9,388
Operating expenses:		
Cost of goods sold	685	766
Research and development	28,926	22,282
Selling, general and administrative	34,857	9,531
Restructuring charge (recovery)	94	(431)
Total operating expenses	64,562	32,148
Loss from operations	(49,135)	(22,760)
Other income (expense), net:		
Interest income and other, net	202	(7)
Interest expense	(12,414)	(12,403)
Total other income (expense), net	(12,212)	(12,410)
Net loss	$ (61,347)	$ (35,170)
Net loss per share, basic and diluted	$ (0.27)	$ (0.18)
Shares used in computing basic and diluted net loss per share	228,304	195,904

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 March 31,	
	2016	2015
Net loss	$ (61,347)	$ (35,170)
Other comprehensive income (1)	190	60
Comprehensive loss	$ (61,157)	$ (35,110)

(1) Other comprehensive 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 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)

	Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities:		
Net loss	$ (61,347)	$ (35,170)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	229	297
Stock-based compensation expense	11,185	1,660
Accretion of debt discount	5,285	7,675
Accrual of interest paid in kind	1,936	—
Gain on sale of equity investment	—	(95)
Change in the fair value of warrants	—	549
Other	(1,474)	637
Changes in assets and liabilities:		
Trade and other receivables	(4,938)	1,292
Inventory	144	(212)
Prepaid expenses and other current assets	(985)	(1,731)
Other long term assets	241	(115)
Accounts payable, accrued compensation and benefits, and other accrued liabilities	5,333	(6,382)
Clinical trial liabilities	(1,936)	(10,569)
Accrued collaboration liability	3,736	2,966
Restructuring liability	(1,057)	(3,024)
Other long-term liabilities	(258)	(288)
Deferred revenue	198,802	(2,576)
Net cash provided by (used in) operating activities	154,896	(45,086)
Cash flows from investing activities:		
Purchases of property and equipment	(682)	(31)
Proceeds from sale of property and equipment	107	639
Proceeds from equity investment	—	95
Proceeds from maturities of restricted cash and investments	2,004	10,748
Purchase of restricted cash and investments	(2,004)	(2,684)
Proceeds from sale of investments	17	—
Proceeds from maturities of investments	30,108	54,410
Purchases of investments	(49,235)	(13,282)
Net cash (used in) provided by investing activities	(19,685)	49,895
Cash flows from financing activities:		
Proceeds from issuance of common stock, net	37	—
Principal payments on debt	—	(217)
Net cash provided by (used in) financing activities	37	(217)
Net increase in cash and cash equivalents	135,248	4,592
Cash and cash equivalents at beginning of period	141,634	80,395
Cash and cash equivalents at end of period	$ 276,882	$ 84,987

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 the discovery, development and commercialization of new medicines with the potential to improve care and outcomes for people with cancer. Since its founding in 1994, three medicines discovered at Exelixis have progressed through clinical development to receive regulatory approval. Currently, we are focused on advancing cabozantinib, an inhibitor of multiple tyrosine kinases including MET, AXL and VEGF receptors, which has shown clinical anti-tumor activity in more than 20 forms of cancer and is the subject of a broad clinical development program. Two separate formulations of cabozantinib have received regulatory approval to treat certain forms of kidney and thyroid cancer and are marketed for those purposes as CABOMETYX™ tablets in the United States and COMETRIQ® capsules in both the Unites States and European Union, respectively. Another Exelixis-discovered compound, cobimetinib, a selective inhibitor of MEK marketed as COTELLIC™ has been approved in major territories including the United States and European Union, and is being evaluated for further potential indications by Roche and Genentech (a member of the Roche Group) under a collaboration with Exelixis.

Basis of Consolidation

The condensed 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 condensed 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.

We adopted a 52- or 53-week fiscal year that generally ends on the Friday closest to December 31st. Fiscal year 2016 will end on December 30, 2016, and fiscal year 2015, ended on January 1, 2016. For convenience, references in this report as of and for the fiscal periods ended April 1, 2016 and March 28, 2015, and as of and for the fiscal years ended December 30, 2016 and January 1, 2016, are indicated as being as of and for the periods ended March 31, 2016, March 31, 2015, December 31, 2016, and December 31, 2015, respectively.

Operating results for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 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, 2015, included in our Annual Report on Form 10-K filed with the SEC on February 29, 2016.

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 revenue recognition, including for deductions from revenues (such as rebates, chargebacks, sales returns and sales allowances) and the period of performance, identification of deliverables and evaluation of milestones with respect to our collaborations, recoverability of inventory, certain accrued liabilities including clinical trial and collaboration liability accruals, and share-based compensation. 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.

Limited Sources of Revenues and the Need to Raise Additional Capital

We have incurred net losses since inception through March 31, 2016, with the exception of the 2011 fiscal year. We anticipate net losses for the foreseeable future. For the three months ended March 31, 2016, we incurred a net loss of $61.3 million and as of March 31, 2016, we had an accumulated deficit of $2.0 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. Excluding fiscal 2011, our research and development expenditures and selling, general and administrative expenses have exceeded our revenues for each 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 launched COMETRIQ for the treatment of progressive, metastatic medullary thyroid cancer ("MTC") in the United States in January 2013, and from the commercial launch through March 31, 2016, we have generated $83.4 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. Furthermore, while CABOMETYX was approved by the FDA for the treatment of advanced renal cell carcinoma ("RCC") on April 25, 2016, and was shipped to wholesalers and pharmacies within three days of such approval, we have only just begun to generate revenue from the sale of CABOMETYX.

The amount of our net losses will depend, in part, on: the level of sales of CABOMETYX in the U.S. for the treatment of advanced RCC; our sales of COMETRIQ; achievement of clinical, regulatory and commercial milestones and the amount of royalties, if any, from sales of cabozantinib under our collaboration with Ipsen Pharma SAS ("Ipsen"); our share of the net profits and losses for the commercialization of COTELLIC in the U.S. under our collaboration with Genentech (a member of the Roche group); the amount of royalties from COTELLIC sales outside the U.S. under our collaboration with Genentech; other license and contract revenues; and, the level of our expenses, primarily with respect to expanded commercialization activities for cabozantinib.

As of March 31, 2016, we had $407.6 million in cash and investments, which included $323.3 million available for operations, $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, will enable us to maintain our operations for a period of at least 12 months following the filing date of this report. 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 product sales and from license fees, milestones, contingent payments and royalties earned on research, collaboration and license 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, 2015 for a description of our revenue recognition policies for product sales discounts and allowances, license and contract revenues under our collaboration agreement with Genentech, Inc. and our Patient Assistance Program.

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 to the specialty pharmacy. For product sales in Europe, this generally occurs when our European distribution partner, Swedish Orphan Biovitrum ("Sobi"), has accepted 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. 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 under the "sell-through" revenue recognition model, resulting in the additional recognition of gross product revenues of $2.6 million and a nominal amount of cost of goods sold for the three months ended March 31, 2015; there were no such additional amounts recorded during the comparable period in 2016.

We also utilize the "sell-in" revenue recognition model for sales to Sobi for all periods presented. Once Sobi has accepted the product, the product is generally no longer subject to return; therefore, we record revenue at the time Sobi has accepted the product. As described further in "Note 2 - Research and Collaboration Agreements", we are required to provide Sobi with notice of termination under the terms of our collaboration and license agreement with Ipsen for the commercialization and further development of cabozantinib. Pursuant to our commercialization agreement with Sobi, we expect to repurchase the remaining product on hand from Sobi at the termination of that agreement.

During the three months ended March 31, 2016, we recorded reserves for expected future returns from Sobi and our specialty pharmacy in the United States totaling $0.5 million; there were no such reserves recorded during the comparable period in 2015.

License and Contract Revenues

We enter into corporate collaboration and license agreements under which we may obtain upfront license fees, research funding, and contingent, milestone and royalty payments. Our deliverables under these arrangements may include intellectual property rights, distribution rights, delivery of manufactured product, participation on joint steering committees and/or research and development services. In order to account for the multiple-element arrangements, we identify the deliverables included within the arrangement and evaluate whether the delivered elements under these arrangements have value to our collaboration partner on a stand-alone basis and represent separate units of accounting. Analyzing the arrangement to identify deliverables requires the use of judgment, and each deliverable may be an obligation to deliver future goods or services, a right or license to use an asset, or another performance obligation. If we determine that multiple deliverables exist, the consideration is allocated to one or more units of accounting based upon the best estimate of the selling price of each deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence, if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific or third-party evidence is available. A delivered item or items that do not qualify as a separate unit of accounting within the arrangement shall be combined with the other applicable undelivered items within the arrangement. The allocation of arrangement consideration and the recognition of revenue then shall be determined for those combined deliverables as a single unit of accounting. For a combined unit of accounting, non-refundable upfront fees are recognized in a manner consistent with the final deliverable, which has generally been ratably over the period of continued involvement. Amounts received in advance of performance are recorded as deferred revenue. Upfront fees are classified as license revenues in our consolidated statements of operations.

We consider sales-based contingent payments to be royalty revenue which is generally recognized at the date the contingency is achieved. Royalties are classified as license revenues in our consolidated statements of operations.

For certain contingent payments under collaboration and license arrangements, we recognize revenue using the milestone method. Under the milestone method a payment that is contingent upon the achievement of a substantive milestone is recognized in its entirety in the period in which the milestone is achieved. A milestone is an event: (i) that can be achieved based in whole or in part on either our performance or on the occurrence of a specific outcome resulting from our performance, (ii) for which there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved and (iii) that would result in additional payments being due to us. The determination that a milestone is substantive requires estimation and judgment and is made at the inception of the arrangement. Milestones are considered substantive when the consideration earned from the achievement of the milestone is: (i) commensurate with either our performance to achieve the milestone or the enhancement of value of the item delivered as a result of a specific outcome resulting from our performance to achieve the milestone, (ii) relates solely to past performance and (iii) reasonable relative to all deliverables and payment terms in the arrangement. In making the determination as to whether a milestone is substantive or not, we consider all facts and circumstances relevant to the arrangement, including factors such as the scientific, regulatory, commercial and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required to achieve the respective milestone and whether any portion of the milestone consideration is related to future performance or deliverables.

Recently Issued Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2016-09, *Improvements to Employee Share-Based Payment Accounting*, ("ASU 2016-09"). ASU 2016-09 is aimed at the simplification of several aspects of the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for all interim and annual reporting periods beginning after December 15, 2016. Early adoption is permitted. We are currently evaluating the impact that the adoption of ASU 2016-09 will have on our consolidated financial statements and related disclosures.

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"). ASU 2015-05 provides guidance to customers about whether a cloud computing arrangement includes a software license. 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. 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 was effective for all interim and annual reporting periods beginning after December 15, 2015 and therefore we adopted ASU 2015-05 in the three months ended March 31, 2016 on a prospective basis. The adoption of ASU 2015-05 did not have a material impact on our Condensed Consolidated Statements of Operations for the three months ended March 31, 2016 and is not expected to have a material effect on our Consolidated Financial Statements in future periods.

NOTE 2: RESEARCH AND COLLABORATION AGREEMENTS

Ipsen Collaboration

On February 29, 2016, we entered into a collaboration and license agreement (the "Agreement") with Ipsen for the commercialization and further development of cabozantinib. Pursuant to the terms of the Agreement, Ipsen will have exclusive commercialization rights for current and potential future cabozantinib indications outside of the United States, Canada and Japan. We have agreed to collaborate on the development of cabozantinib for current and potential future indications.

In consideration for the exclusive license and other rights contained in the Agreement, Ipsen paid us an upfront nonrefundable payment of $200.0 million in March 2016. We will be eligible to receive development and regulatory milestones, totaling up to $252.5 million, including a $60.0 million milestone payment upon approval of cabozantinib by the EMA in second-line RCC, milestone payments of $10.0 million and $40.0 million upon the filing and the approval of cabozantinib in second-line hepatocellular carcinoma, and additional milestones for other future indications. We will also be eligible to receive two $10.0 million milestone payments upon the launch of the product in the first two of the following countries: Germany, France, Italy, Spain and the United Kingdom. The Agreement also provides that we will be eligible to receive contingent payments of up to $525.0 million associated with the achievement of specified sales volumes. We will also receive royalties on net sales of cabozantinib outside of the United States, Canada and Japan. We will receive a 2% royalty on the initial $50.0 million of net sales, and a 12% royalty on the next $100.0 million of net sales. After the initial $150.0 million of sales, we will receive a tiered royalty of 22% to 26% on annual net sales; these tiers will reset each calendar year. We are primarily responsible for funding cabozantinib related development costs for existing trials; global development costs for potential future trials will be shared between the parties, with Ipsen to reimburse us for 35% of such costs. Pursuant to the terms of the Agreement, we will remain responsible for the manufacture and supply of cabozantinib for all development and commercialization activities under the Agreement. As part of the Agreement, we entered into a supply agreement which provides that through the end of the second quarter of 2018, we will supply finished, labeled product to Ipsen for distribution in the territories outside of the United States, Canada and Japan, and from the end of the second quarter of 2018 forward, we will supply primary packaged bulk tablets to Ipsen. No manufacturing rights were granted to Ipsen.

The agreement contains multiple elements, and the deliverables under the Agreement consist of intellectual property licenses, delivery of cabozantinib to Ipsen for all development and commercial activities, research and development services, and participation on the joint steering and development committees (as defined in the Agreement) with Ipsen. These deliverables are non-contingent in nature. The Company determined that these deliverables do not have stand-alone value, because each one of them has value only if the Company meets its obligation to provide Ipsen with cabozantinib, which the Company deems to be the predominant deliverable under the Agreement. The Company also determined that the level of effort required of the Company to meet its obligations under the Agreement is not expected to vary significantly over the life of the Agreement. Accordingly, the Company combined these deliverables into a single unit of accounting and allocated the entire arrangement consideration to that combined unit of accounting. As a result, the upfront payment of $200.0 million, received in the first quarter of 2016 is being recognized ratably over the effective term of the agreement, which is early 2030, the current estimated patent expiration of cabozantinib in the European Union. We have also determined that the $60.0 million milestone payment we are eligible to receive upon the approval of cabozantinib by the EMA in second-line RCC is not substantive due to

the relatively low degree of uncertainty and relatively low amount of effort required on our part to achieve the milestone as of the date the agreement; Upon achieving the milestone, the $60.0 million to which we are contractually entitled will be deferred and recognized ratably over the remaining term of the Agreement. We have determined that the remaining development and regulatory milestones are substantive and will be recognized as revenue in the periods in which they are achieved. We consider the contingent payments due to us upon the achievement of specified sales volumes to be similar to royalty payments. During the three months ended March 31, 2016, we have recognized $1.2 million in license revenue under the Agreement. As of March 31, 2016, short- and long-term deferred revenue relating to the Agreement was $14.4 million and $184.4 million, respectively.

In connection with the establishment of the Agreement with Ipsen, we are required to provide Sobi with notice of termination as Ipsen will become responsible for the continued distribution and commercialization of COMETRIQ for the approved MTC indication in territories supported by Sobi. Pursuant to our commercialization agreement with Sobi we are required to pay a termination fee. During the three months ended March 31, 2016, we recorded a $2.8 million accrual for the estimated termination fee to be paid to Sobi, which is included in Selling, general and administrative expenses in the accompanying Condensed Consolidated Statements of Operations. Additionally, pursuant to our commercialization agreement with Sobi, we expect to repurchase unsold product from Sobi and have recorded a returns reserve of $0.4 million during the three months ended March 31, 2016, which is included in Net product revenues in the accompanying Condensed Consolidated Statements of Operations.

Genentech Collaboration

In December 2006, we out-licensed the development and commercialization of cobimetinib to Genentech (a member of the Roche group) pursuant to a worldwide collaboration agreement. We discovered cobimetinib internally and advanced the compound to investigational new drug (“IND”) status.

Genentech paid upfront and milestone payments of $25.0 million in December 2006 and $15.0 million in January 2007 upon signing of the collaboration agreement and with the submission of the IND application for cobimetinib. Under the terms of the agreement, we were responsible for developing cobimetinib through the determination of the maximum-tolerated dose in a phase 1 clinical trial, and Genentech had the option to co-develop cobimetinib, which Genentech could exercise after receipt of certain phase 1 data from us. In March 2008, Genentech exercised its option to co-develop cobimetinib. In March 2009, we granted to Genentech an exclusive worldwide revenue-bearing license to cobimetinib, at which point Genentech became responsible for completing the phase 1 clinical trial and subsequent clinical development.

The U.S. Food and Drug Administration approved cobimetinib in the United States under the brand name COTELLIC on November 10, 2015. It is indicated in combination with vemurafenib as a treatment for patients with BRAF V600E or V600K mutation-positive advanced melanoma. COTELLIC in combination with vemurafenib has also been approved in multiple other territories including the European Union and Canada.

Under the terms of our collaboration agreement with Genentech for cobimetinib, we are entitled to a share of U.S. profits and losses for cobimetinib. The profit and loss share has multiple tiers: we are entitled to 50% of profits and losses from the first $200.0 million of U.S. actual sales, decreasing to 30% of profits and losses from U.S. actual sales in excess of $400.0 million. 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 United States, if commercialized. Following the approval of COTELLIC in the United States in November 2015, we began fielding 25% of the sales force promoting COTELLIC in combination with vemurafenib as a treatment for patients with BRAF V600E or V600K mutation-positive advanced melanoma.

We recorded net losses of $7.3 million and $3.0 million under the collaboration agreement during the three months ended March 31, 2016 and 2015, respectively; those costs are included in Selling, general and administrative expenses on the accompanying Condensed Consolidated Statements of Operations. A portion of the liability for those costs, identified as Accrued collaboration liability on the accompanying Condensed Consolidated Balance Sheets, includes commercialization expenses that Genentech has allocated to the collaboration but are in dispute. To date, we believe Genentech’s cost and revenue allocations for COTELLIC, as determined exclusively by Genentech, have been contrary to the applicable terms of the collaboration agreement. We have raised this concern with Genentech, along with other material concerns regarding Genentech’s performance under the collaboration agreement, but thus far have been unable to come to resolution on any of these issues. Accordingly, on May 3, 2016, we issued a formal notice of dispute to Genentech, per the collaboration agreement’s dispute resolution procedures. This notice asserts claims against Genentech related to its clinical development, pricing and commercialization of COTELLIC, and cost and revenue allocations arising from COTELLIC’s commercialization in the United States. If the dispute is not resolved within thirty days of Genentech’s receipt of this notice, we intend to initiate an arbitration.

We also recognized license revenues of $0.1 million for royalties on ex-U.S. net sales of COTELLIC during the three months ended March 31, 2016. We recognized no such royalties during the same period in 2015.

Other Collaborations

During the three months ended March 31, 2016, we recognized $5.0 million in contract revenues from a contingent payment received from Merck related to its worldwide license of our PI3K-delta program. 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, 2015 for a description of our existing collaboration agreements.

NOTE 3: RESTRUCTURINGS

Between March 2010 and May 2013, we implemented five restructurings (which we refer 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. In September 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 a restructuring (which we refer to as the "2014 Restructuring") to enable us to focus our financial resources on the phase 3 pivotal trials of cabozantinib in advanced renal cell carcinoma and advanced hepatocellular carcinoma. See "Note 3 - Restructurings" to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2015 for additional information about the restructurings.

For the three months ended March 31, 2016 and 2015, we recorded a restructuring charge of $0.1 million and a recovery of $0.4 million, respectively, for the restructurings. Both periods included 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 three months ended March 31, 2015 we recorded $0.9 million in recoveries related to the sale of fully depreciated assets, net of asset impairments, which was partially offset by $0.3 million in additional charges due to changes in assumptions regarding anticipated sublease activities.

The total outstanding restructuring liability is included in the current and long-term portion of restructuring on the accompanying Condensed Consolidated Balance Sheets. The changes of these liabilities, which related primarily to facility charges during the three months ended March 31, 2016, are summarized in the following table (in thousands):

	2010 Restructurings	2014 Restructuring	Total
Restructuring liability as of December 31, 2015	$ 4,087	$ 503	$ 4,590
Restructuring charge	87	7	94
Proceeds from sale of assets	—	34	34
Cash payments, net	(846)	(305)	(1,151)
Other items	—	(34)	(34)
Restructuring liability as of March 31, 2016	$ 3,328	$ 205	$ 3,533

We expect to pay accrued facility charges of $3.5 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 $0.2 million relating to the effect of accretion expense through to the end of the building lease terms.

NOTE 4: CASH AND INVESTMENTS

All of our cash equivalents and investments are classified as available-for-sale. The following tables summarize cash and cash equivalents, investments, and restricted cash and investments by balance sheet line item as of March 31, 2016 and December 31, 2015 (in thousands):

	March 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash and cash equivalents	$ 276,881	$ 1	$ —	$ 276,882
Short-term investments	45,179	74	(18)	45,235
Long-term investments	82,841	9		82,850
Long-term restricted cash and investments	2,650	—		2,650
Total cash and investments	$ 407,551	$ 84	$ (18)	$ 407,617

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash and cash equivalents	$ 141,634	$ —	$ —	$ 141,634
Short-term investments	25,484	5	(63)	25,426
Long-term investments	83,665	2	(67)	83,600
Long-term restricted cash and investments	2,650	—	—	2,650
Total cash and investments	$ 253,433	$ 7	$ (130)	$ 253,310

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 were $81.6 million as of both March 31, 2016 and December 31, 2015 and are reflected in our Condensed Consolidated Balance Sheets in short- and long-term investments. See “Note 7 - Debt” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2015, for more information regarding the collateral balance requirements under our Silicon Valley Bank loan and security agreement.

The following tables summarize our cash equivalents and investments by security type as of March 31, 2016 and December 31, 2015. The amounts presented exclude cash, but include investments classified as cash equivalents (in thousands):

	March 31, 2016			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 129,887	$ —	$ —	$ 129,887
Commercial paper	177,934	1	—	177,935
Corporate bonds	68,297	46	(18)	68,325
U.S. Treasury and government sponsored enterprises	29,073	37	—	29,110
Total investments	$ 405,191	$ 84	$ (18)	$ 405,257

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 72,000	$ —	$ —	$ 72,000
Commercial paper	78,155	—	—	78,155
Corporate bonds	72,205	4	(118)	72,091
U.S. Treasury and government sponsored enterprises	28,434	1	(12)	28,423
Marketable equity security	16	2	—	18
Total investments	$ 250,810	$ 7	$ (130)	$ 250,687

During the three months ended March 31, 2016, we sold a single marketable equity security; we realized a loss on the sale of less than $1,000. There were no other sales of investments during the three months ended March 31, 2016 and 2015.

All of our investments are subject to a quarterly impairment review. During the three months ended March 31, 2016 and 2015, we did not record any other-than-temporary impairment charges on our available-for-sale securities. As of March 31, 2016, there were 19 investments in an unrealized loss position with gross unrealized losses of $18 thousand and an aggregate fair value $37.9 million. Investments in an unrealized loss position are primarily comprised of corporate bonds. 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 March 31, 2016 (in thousands):

	Mature within One Year	After One Year through Two Years	Fair Value
Money market funds	$ 129,887	$ —	$ 129,887
Commercial paper	177,935	—	177,935
Corporate bonds	66,323	2,002	68,325
U.S. Treasury and government sponsored enterprises	27,860	1,250	29,110
Total investments	$ 402,005	$ 3,252	$ 405,257

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 5. INVENTORY

Inventory consists of the following (in thousands):

	March 31, 2016	December 31, 2015
Raw materials	$ 1,032	$ 1,037
Work in process	1,720	2,251
Finished goods	734	583
Total	3,486	3,871
Less: non-current portion included in Other assets	(1,014)	(1,255)
Inventory	$ 2,472	$ 2,616

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 nominal for three months ended March 31, 2016 and 2015. The non-current portion of inventory recorded as other assets consists of raw materials and a portion of the active pharmaceutical ingredient which is included in work in process. There were no other write-downs for obsolete or excess inventory.

NOTE 6. DEBT

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

	March 31, 2016	December 31, 2015
Convertible Senior Subordinated Notes due 2019	$ 203,900	$ 198,708
Secured Convertible Notes due 2018	104,756	102,727
Term loan payable	80,000	80,000
Total debt	388,656	381,435
Less: current portion	(27,500)	—
Long-term debt	$ 361,156	$ 381,435

See “Note 7 - Debt” to our Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2015, 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 both March 31, 2016 and December 31, 2015, $287.5 million of aggregate principal amount of the 2019 Notes remains outstanding. The 2019 Notes bear interest at a rate of 4.25% per annum, payable semi-annually in arrears on February 15 and August 15 of each year.

The following is a summary of the liability component of the 2019 Notes (in thousands):

	March 31, 2016	December 31, 2015
Net carrying amount of the liability component	$ 203,900	$ 198,708
Unamortized discount of the liability component	83,600	88,792
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 March 31,	
	2016	2015
Stated coupon interest	$ 3,055	$ 3,055
Amortization of debt discount and debt issuance costs	5,191	4,721
Total interest expense	$ 8,246	$ 7,776

The balance of unamortized fees and costs was $2.4 million and $2.6 million as of March 31, 2016 and December 31, 2015, respectively, which is recorded as a reduction of the carrying amount of the 2019 Notes on the accompanying Condensed Consolidated Balance Sheets.

Secured Convertible Notes due June 2018

As of March 31, 2016 and December 31, 2015, the outstanding principal balance on the Deerfield Notes was $105.8 million and $103.8 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 March 31,	
	2016	2015
Stated coupon interest paid in cash	$ 1,936	$ 1,479
Amortization of debt discount, debt issuance costs and accrual of interest paid in kind	2,029	2,947
Total interest expense	$ 3,965	$ 4,426

The balance of unamortized fees and costs was $0.6 million and $0.7 million as of March 31, 2016 and December 31, 2015, respectively, which is recorded as a reduction of the carrying amount of the Deerfield Notes on the accompanying Condensed Consolidated Balance Sheets. Effective March 4, 2015, upon notification of our election to 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 15.3%.

We were required to make an additional mandatory prepayment on the Deerfield Notes in January 2015 and 2016 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 made no such mandatory prepayments due to the fact that we received no such revenues during the fiscal year ended December 31, 2014 and Deerfield's election not to receive the mandatory prepayment in January 2016. 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 January 2017 and January 2018. However, we will only be obligated to make any such annual mandatory prepayment if the note holders provide notice to us of their election to receive the prepayment. Pursuant to this requirement, we may be required make a mandatory prepayment of $27.5 million in January 2017 as a result of the upfront payment of $200.0 million received in March 2016 in consideration for the exclusive license and other rights contained in the collaboration and license agreement with Ipsen. That portion of the Deerfield Notes is included in current liabilities. 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 Sale, but would include our share of the net profits from the commercialization of cobimetinib in the U.S. and the receipt of royalties from cobimetinib sales outside the U.S., if any.

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 March 31, 2016 and December 31, 2015. We did not have any financial liabilities that were measured and recorded on a recurring basis or Level 3 investments as of March 31, 2016. The amounts presented exclude cash, but include investments classified as cash equivalents (in thousands):

	March 31, 2016		
	Level 1	Level 2	Total
Money market funds	$ 129,887	$ —	$ 129,887
Commercial paper	—	177,935	177,935
Corporate bonds	—	68,325	68,325
U.S. Treasury and government sponsored enterprises	—	29,110	29,110
Total financial assets	$ 129,887	$ 275,370	$ 405,257

	December 31, 2015		
	Level 1	Level 2	Total
Money market funds	$ 72,000	$ —	$ 72,000
Commercial paper	—	78,155	78,155
Corporate bonds	—	72,091	72,091

U.S. Treasury and government sponsored enterprises	—	28,423	28,423
Marketable equity securities	18	—	18
Total financial assets	$ 72,018	$ 178,669	$ 250,687

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):

	March 31, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
2019 Notes	$ 203,900	$ 286,149	$ 198,708	$ 336,260
Deerfield Notes	$ 104,756	$ 105,166	$ 102,727	$ 101,096
Term loan payable	$ 80,000	$ 79,929	$ 80,000	$ 79,815

The carrying amounts of cash, trade and other receivables, accounts payable, accrued clinical trial liabilities, accrued compensation and benefits, accrued collaboration liability, 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 term loan, 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 16.1%, which we estimate as our current borrowing rate for similar debt as of March 31, 2016, which is a Level 3 input.

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 March 31,	
	2016	2015
Research and development expense	$ 5,564	$ 627
Selling, general and administrative expense	5,621	1,033
Total employee stock-based compensation expense	$ 11,185	$ 1,660

We use the Black-Scholes Merton option pricing model to value our stock options. The weighted average grant-date fair value of our stock options and ESPP purchases was as follows:

	Three Months Ended March 31,	
	2016	2015
Stock options	$ 2.51	$ 1.35
ESPP	$ 2.31	$ 0.70

The fair value of employee stock option awards and ESPP purchases was estimated using the following assumptions:

	Stock Options	
	Three Months Ended March 31,	
	2016	2015
Risk-free interest rate	1.16%	1.20%
Dividend yield	—%	—%
Volatility	79%	95%
Expected life	4.3 years	4.5 years

	Employee Stock Purchase Plan	
	Three Months Ended March 31,	
	2016	2015
Risk-free interest rate	0.51%	0.11%
Dividend yield	—%	—%
Volatility	81%	96%
Expected life	6 months	6 months

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.

A summary of all stock option activity for the three months ended March 31, 2016 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, 2015	27,425,854	$ 4.22		
Granted	2,062,850	$ 4.17		
Exercised	(21,500)	$ 1.70		
Forfeited	(116,788)	$ 3.26		
Options outstanding at March 31, 2016	29,350,416	$ 4.22	4.97 years	$ 28,038
Exercisable at March 31, 2016	18,979,572	$ 4.23	4.34 years	$ 20,380

As of March 31, 2016, a total of 3,439,435 shares were available for grant under our stock option plans.

As of March 31, 2016, $18.0 million of total unrecognized compensation expense related to employee stock options was expected to be recognized over a weighted-average period of 2.82 years.

On March 7, 2016, as a result of the FDA's acceptance of our NDA submission, the Compensation Committee of the Board of Directors of Exelixis convened to determine we had met certain performance objectives related to performance-based stock options granted to employees in 2014 and 2015. As a result of this determination, 2,955,464 performance-based stock options vested on March 7, 2016. Previously, we had expensed $3.3 million in employee stock-based compensation expense related to those options, and we recorded an additional $0.4 million during the three months ended March 31, 2016.

We have an additional 2,914,839 outstanding unvested stock options as of March 31, 2016 with an estimated grant date fair value of $3.7 million which were granted to employees in 2014 and 2015 and are subject to performance objectives set by the Compensation Committee of our Board of Directors. As of March 31, 2016, we considered the achievement of the performance objectives was probable and had, therefore, recorded $3.4 million of stock-based compensation expense in connection with such awards. On April 28, 2016, as a result of the FDA's approval of our NDA submission, the Compensation Committee of the Board of Directors of Exelixis convened to determine we had met those performance objectives. The remaining $0.3 million of the expense for these awards will be recognized during the three months ended June 30, 2016.

A summary of all restricted stock unit ("RSU") activity for the three months ended March 31, 2016 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, 2015	1,002,188	$ 5.16		
Awarded	1,996,441	$ 4.23		
Released	(1,110,549)	$ 4.25		
Forfeited	(3,559)	$ 5.87		
Awards outstanding at March 31, 2016	1,884,521	$ 4.71	1.80 years	$ 7,632

As of March 31, 2016, $4.1 million of total unrecognized compensation expense related to employee RSUs was expected to be recognized over a weighted-average period of 2.92 years.

During the three months ended March 31, 2016, we made a bonus payment made to our employees in the form of 1,072,833 shares of fully-vested restricted stock units which have a grant date fair value of $4.5 million.

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 March 31,	
	2016	2015
Numerator:		
Net loss	$ (61,347)	$ (35,170)
Denominator:		
Shares used in computing basic and diluted net loss per share	228,304	195,904
Net loss per share, basic and diluted	$ (0.27)	$ (0.18)

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):

	March 31	
	2016	2015
Convertible Senior Subordinated Notes due 2019	54,118	54,118
Secured Convertible Notes due 2018	33,890	33,890
Outstanding stock options, unvested RSUs and ESPP contributions	31,364	29,591
Warrants	1,000	1,000
Total potentially dilutive shares	120,372	118,599

The warrants are participating securities and the warrant holders do not have a contractual obligation to share in our losses.

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 March 31, 2016, 40% of our trade receivables are with the specialty pharmacy that sells COMETRIQ in the United States and 4% 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. The following table shows the percentage of revenues earned in the United States and European Union.

	Three Months Ended March 31,	
	2016	2015
Percentage of revenues earned in the United States	88%	86%
Percentage of revenues earned in the European Union	12%	14%

We recorded a $0.2 million loss and a $0.2 million gain relating to foreign exchange fluctuations for three months ended March 31, 2016 and 2015, respectively.

The following table sets forth the percentage of revenues recognized by customer that represent 10% or more of total revenues:

	Three Months Ended March 31,	
	2016	2015
Product sales:		
Diplomat Specialty Pharmacy	55%	86%
Swedish Orphan Biovitrum	4%	14%
Collaboration agreements:		
Merck	32%	—%

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 "expect," "potential," "will," "intend," "continues," "objective," "anticipate," "may be," "initiate," "believe," "could," "plan," "trend," 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, 2015, filed with the Securities and Exchange Commission, or SEC, on February 29, 2016. 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

Exelixis, Inc. ("Exelixis," "we," "our" or "us") is a biopharmaceutical company committed to the discovery, development and commercialization of new medicines with the potential to improve care and outcomes for people with cancer. Since its founding in 1994, three medicines discovered at Exelixis have progressed through clinical development to receive regulatory approval. Currently, we are focused on advancing cabozantinib, an inhibitor of multiple tyrosine kinases including MET, AXL and VEGF receptors, which has shown clinical anti-tumor activity in more than 20 forms of cancer and is the subject of a broad clinical development program. Two separate formulations of cabozantinib have received regulatory approval to treat certain forms of kidney and thyroid cancer and are marketed for those purposes as CABOMETYX™ tablets in the United States and COMETRIQ® capsules in both the Unites States and European Union, respectively. Another Exelixis-discovered compound, cobimetinib, a selective inhibitor of MEK marketed as COTELLIC™ has been approved in major territories including the United States and European Union, and is being evaluated for further potential indications by Roche and Genentech (a member of the Roche Group) under a collaboration with Exelixis.

The U.S. Food and Drug Administration, or FDA, approved cabozantinib tablets for the treatment of patients with advanced renal cell carcinoma, or RCC, who have received prior anti-angiogenic therapy, under the brand name CABOMETYX™ on April 25, 2016, and was shipped to wholesalers and pharmacies within three days of approval. The approval of CABOMETYX is based on results of our phase 3 pivotal trial METEOR (Metastatic RCC Phase 3 Study Evaluating Cabozantinib vs. Everolimus), which met its primary endpoint of improving progression-free survival, or PFS. The median PFS was 7.4 months for the cabozantinib arm versus 3.8 months for the everolimus arm, and the hazard ratio [HR] was 0.58 (95% confidence interval [CI] 0.45-0.74, p<0.0001), corresponding to a 42% reduction in the rate of disease progression or death for cabozantinib compared to everolimus. CABOMETYX also significantly improved the objective response rate, or ORR, and demonstrated a statistically significant and clinically meaningful increase in overall survival, or OS. Compared with everolimus, CABOMETYX was associated with a 34% reduction in the rate of death and median OS was 21.4 months for patients receiving CABOMETYX versus 16.5 months for those receiving everolimus (HR=0.66, 95% CI 0.53-0.83, P=0.0003). CABOMETYX, which was granted Fast Track and Breakthrough Therapy designations by the FDA, is the first therapy to demonstrate in a phase 3 trial for patients with advanced RCC, robust and clinically meaningful improvements in all three key efficacy parameters - OS, PFS and ORR. A review of adverse events, or AEs, demonstrated that the frequency of AEs of any grade regardless of causality was approximately balanced between study arms, and the rate of treatment discontinuation due to adverse events was 10% for each of the cabozantinib and everolimus arms. Given the strength of cabozantinib's clinical profile in advanced RCC, we rapidly expanded our commercialization capabilities in the United States and shipped CABOMETYX to wholesalers and pharmacies within three days of such approval.

In January 2016, our Marketing Authorization Application, or MAA, for cabozantinib as a treatment for patients with advanced RCC who have received prior anti-angiogenic therapy was accepted for review and granted accelerated assessment by the European Medicines Agency, or EMA. On February 29, 2016, we entered into a collaboration and license agreement, or the Agreement, with Ipsen Pharma SAS, or Ipsen, for the commercialization and further development of cabozantinib. Pursuant to the terms of the Agreement, Ipsen will have exclusive commercialization rights for current and potential future cabozantinib indications outside of the United States, Canada and Japan. We have agreed to collaborate on the development of cabozantinib for current and potential future indications. With respect to remaining markets, we are evaluating opportunities to partner cabozantinib in Japan and intend to seek regulatory approval for cabozantinib in Canada and commercialize the drug there ourselves.

Beyond the FDA-approved indications of RCC and MTC, we are engaged in a broad development program comprising over 45 ongoing or planned clinical trials to explore the clinical potential of cabozantinib in additional tumor types. The most notable study of this program is our company-sponsored phase 3 trial of cabozantinib in advanced hepatocellular carcinoma, or HCC, called CELESTIAL (Cabozantinib Phase 3 Controlled Study In Hepatocellular Carcinoma). In addition, we support earlier stage trials conducted through our Cooperative Research and Development Agreement, or CRADA, with the National Cancer Institute's Cancer Therapy Evaluation Program, or NCI-CTEP, or our investigator sponsored trial, or IST, program. We intend to use these earlier stage trials to prioritize decision-making for our late stage development program.

Significant progress continues to be made with respect to the clinical development, regulatory status and commercial potential of certain of our other partnered compounds. For example, cobimetinib, a compound we out-licensed in 2006 to Genentech, Inc. (a member of the Roche Group), or Genentech, was approved by the FDA on November 10, 2015, under the brand name COTELLIC, in combination with vemurafenib, as a treatment for patients with BRAF V600E or V600K mutation-positive advanced melanoma. COTELLIC in combination with vemurafenib has also been approved in multiple other territories including the European Union and Canada. Genentech has launched COTELLIC in these markets, and in the United States we contribute 25% of the sales force to the commercialization effort. Cobimetinib is also being evaluated in a broad development program comprising several clinical trials investigating cobimetinib in combination with a variety of agents in multiple tumor types. On May 3, 2016, we issued a formal notice of dispute to Genentech asserting claims against Genentech related to its clinical development, pricing and commercialization of COTELLIC, and cost and revenue allocations arising from COTELLIC's commercialization in the United States. For additional information on our dispute with Genentech please see, "– Collaborations – *Cobimetinib Collaboration*."

Our Strategy

Our immediate objective is to build cabozantinib into a significant oncology franchise as a single agent, and potentially in combination with other therapies. The FDA approval of CABOMETYX is a very significant advance for us because we will now be able to commercialize cabozantinib in the large and growing advanced RCC market in the United States. The collaboration we announced with Ipsen in February 2016 is also highly significant because

Ipsen is already engaged in the global distribution of oncology medicines and will enable the commercialization of cabozantinib in other territories outside the United States, Canada, and Japan, if and when regulatory approvals are secured in those territories.

The next major therapeutic opportunity that we are currently exploring with cabozantinib is in advanced HCC, a sizable second-line market that represents an area of substantial unmet medical need due to the lack of any existing second-line treatment. We anticipate top-line results from CELESTIAL in 2017.

Beyond HCC, we expect results in 2016 from several earlier stage clinical studies being conducted under our collaboration with NCI-CTEP, including a phase 2 trial comparing cabozantinib to sunitinib in the first-line treatment of intermediate or poor risk RCC patients, a phase 1b trial of cabozantinib plus nivolumab alone, or in combination with ipilimumab, in patients with genitourinary tumors, including bladder cancer and RCC and a phase 2 trial evaluating single agent cabozantinib in recurrent endometrial cancer.

Cabozantinib was approved in the United States in 2012 as COMETRIQ, for patients suffering from progressive, metastatic medullary thyroid cancer, or MTC, and in the European Union in 2014 for patients suffering from progressive, unresectable, locally advanced, or metastatic medullary thyroid cancer under the same COMETRIQ brand name. We refer to these indications together as the “approved MTC indications.” Although the combined patient population is relatively small, COMETRIQ has become an important treatment option for these patients and the COMETRIQ opportunity in the approved MTC indications has afforded us valuable commercialization experience. In addition, revenue from COMETRIQ sales contributes to the working capital we require to operate our day-to-day business activities. We therefore intend to continue to execute on our COMETRIQ commercialization plans in the United States, and internationally with our collaboration partner, Ipsen, by promoting this medicine’s use appropriately and ensuring that patients have access.

Beyond our efforts for cabozantinib, 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 be of significant value to us if their development programs progress successfully. For additional information regarding our work with our corporate partners, please see the section entitled *Collaborations*.

Collaborations

We have established collaborations with Ipsen for cabozantinib, Genentech (a member of the Roche group) 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. Excluding our collaboration agreement with Ipsen for cabozantinib and our co-promotion agreement with Genentech, we have fully out-licensed compounds or programs to a partner for further development and commercialization under these collaborations and have no further development cost obligations under our collaborations. Under each of our collaborations, we are entitled to receive milestones and royalties or, in the case of cobimetinib, a share of profits (or losses) from commercialization.

Cabozantinib Collaboration

On February 29, 2016, we entered into a collaboration and license agreement, or the Agreement, with Ipsen for the commercialization and further development of cabozantinib. Pursuant to the terms of the Agreement, Ipsen will have exclusive commercialization rights for current and potential future cabozantinib indications outside of the United States, Canada and Japan. We have agreed to collaborate on the development of cabozantinib for current and potential future indications.

In consideration for the exclusive license and other rights contained in the Agreement, Ipsen paid us an upfront nonrefundable payment of $200.0 million in March 2016. We will be eligible to receive development and regulatory milestones, totaling up to $252.5 million, including a $60.0 million milestone payment upon approval of cabozantinib by the EMA in second-line RCC, milestone payments of $10.0 million and $40.0 million upon the filing and the approval of cabozantinib in second-line hepatocellular carcinoma, and additional milestones for other future indications. We will also be eligible to receive two $10.0 million milestone payments upon the launch of the product in the first two of the following countries: Germany, France, Italy, Spain and the United Kingdom. The Agreement also provides that we will be eligible to receive contingent payments of up to $525.0 million associated with the achievement of specified sales volumes. We will also receive royalties on net sales of cabozantinib outside of the United States, Canada and Japan. We will receive a 2% royalty on the initial $50.0 million of net sales, and a 12% royalty on the next $100.0 million of net sales. After the initial $150.0 million of sales, we will receive a tiered royalty of 22% to 26% on annual net sales; these tiers will reset each calendar year. We are primarily responsible for funding cabozantinib related development costs for existing trials; global development costs for potential future trials will be shared between the parties, with Ipsen to reimburse us for 35% of such costs. Pursuant to the terms of the Agreement, we will remain responsible for the manufacture and supply of cabozantinib for all development and commercialization activities under the Agreement. As part of the Agreement, we entered into a supply agreement which provides that through the end of the second quarter of 2018, we will supply finished, labeled product to Ipsen for distribution in the territories outside of the United States, Canada and Japan, and from the end of the second quarter of 2018 forward, we will supply primary packaged bulk tablets to Ipsen. No manufacturing rights were granted to Ipsen.

Cobimetinib Collaboration

Cobimetinib in combination with vemurafenib has been approved in multiple territories, including the United States, European Union and Canada as a treatment for patients with advanced melanoma harboring a BRAF V600E or V600K mutation, and is marketed as COTELLIC. Results from coBRIM, the phase 3 pivotal trial conducted by Genentech (a member of the Roche group) evaluating cobimetinib in combination with vemurafenib in previously untreated patients with unresectable locally advanced or metastatic melanoma harboring a BRAF V600E or V600K mutation served as the basis for such regulatory approvals.

In addition to the coBRIM trial, additional Phase 1 and Phase 2 clinical trials are ongoing studying the combination of cobimetinib with a variety of agents in multiple tumor types. These include:

- The combination of cobimetinib and vemuarfenib in additional melanoma patient populations and settings;
- A phase 2 trial of cobimetinib in combination with paclitaxel in triple negative breast cancer; and
- Phase 1 studies of cobimetinib in combination with atezolizumab in melanoma, NSCLC and colorectal cancer, in combination with MEHD7945A in KRAS mutant solid tumors including NSCLC and colorectal cancer and in combination with GDC-0994 in advanced metastatic solid tumors.

A complete listing of all ongoing trials can be found at www.clinicaltrials.gov.

Under the terms of our collaboration agreement with Genentech for cobimetinib, we are entitled to a share of U.S. profits and losses for cobimetinib. The profit share has multiple tiers: we are entitled to 50% of profits and losses from the first

$200.0 million of U.S. actual sales, decreasing to 30% of profits and losses from U.S. actual sales in excess of $400.0 million. 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 United States, if commercialized. Following the approval of COTELLIC in the United States in November 2015, we began fielding 25% of the sales force promoting COTELLIC in combination with vemurafenib as a treatment for patients with BRAF V600E or V600K mutation-positive advanced melanoma.

We believe that cobimetinib has the potential to provide us with a second meaningful source of revenue. Our objective, therefore, is and has been to work with Genentech on the execution of the U.S. COTELLIC commercial plan in order to maximize the product's revenue potential. However, to date, we believe Genentech's cost and revenue allocations for COTELLIC, as determined exclusively by Genentech, have been contrary to the applicable terms of the collaboration agreement. We have raised this concern with Genentech, along with other material concerns regarding Genentech's performance under the collaboration agreement, but thus far have been unable to come to resolution on any of these issues. Accordingly, on May 3, 2016, we issued a formal notice of dispute to Genentech, per the collaboration agreement's dispute resolution procedures. This notice asserts claims against Genentech related to its clinical development, pricing and commercialization of COTELLIC, and cost and revenue allocations arising from COTELLIC's commercialization in the United States. If the dispute is not resolved within thirty days of Genentech's receipt of this notice, we intend to initiate an arbitration.

Other Collaborations

With respect to our partnered compounds, other than cabozantinib and cobimetinib, we are eligible to receive potential contingent payments totaling approximately $3.1 billion in the aggregate on a non-risk adjusted basis, of which 8% are related to clinical development milestones, 39% are related to regulatory milestones and 53% 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 March 31, 2016 and Recent Events

FDA Approves CABOMETYX Tablets for Patients with Previously Treated Advanced RCC.

On April 25, 2016, the FDA approved CABOMETYX tablets for the treatment of patients with advanced RCC who have received prior anti-angiogenic therapy. The approval of CABOMETYX is based on results of our phase 3 pivotal trial METEOR, which met its primary endpoint of improving PFS. CABOMETYX also significantly improved the ORR, and demonstrated a statistically significant and clinically meaningful increase in OS.

Positive Data Presented from Subgroup Analyses from METEOR Trial.

In January 2016, positive results from subgroup analyses of the METEOR trial were presented at the American Society of Clinical Oncology 2016 Genitourinary Cancers Symposium. This analysis contributed important details to the previously-released results conducted at the time of primary endpoint, demonstrating that the PFS and ORR benefits derived from cabozantinib treatment were consistent across various prespecified and post-hoc analysis subgroups. Importantly, observed benefits were independent of the location and number of organ metastases, tumor burden, the type, duration and number of prior VEGF receptor TKI therapies, and prior PD-1/PD-L1 therapy.

EMA Validates MAA for Cabozantinib for Advanced RCC and Grants Accelerated Assessment.

In January 2016, our MAA for cabozantinib as a treatment for patients with advanced RCC who have received one prior therapy was accepted for review; CHMP had previously granted accelerated assessment for the application. The MAA is eligible for a 150-day review, versus the standard 210 days (excluding clock stops when information is requested by the EMA).

Additional Regulatory Approvals for COTELLIC.

In April and May 2016, Australia's Therapeutic Goods Administration and Brazil's ANVISA, respectively, approved COTELLIC in combination with vemurafenib for the treatment of patients with unresectable or metastatic melanoma with a BRAF V600 mutation. As previously announced, in February 2016 Health Canada approved COTELLIC in combination with vemurafenib for the treatment of patients with unresectable or metastatic melanoma with a BRAF V600 mutation.

Entry into Exclusive Licensing Agreement with Ipsen to Commercialize and Develop Cabozantinib

On February 29, 2016, we entered into a collaboration and license agreement with Ipsen, for the commercialization and further development of cabozantinib. Pursuant to the terms of this agreement, Ipsen will have exclusive commercialization rights for current and potential future cabozantinib indications outside of the United States, Canada and Japan. The companies have agreed to collaborate on the development of cabozantinib for current and potential future indications.

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

Successful development and commercialization of drugs is inherently difficult and uncertain. Products often fail during the research and development process and, if and when they are approved by regulatory authorities, they must then compete in highly competitive therapeutic 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 "Item 1A - Risk Factors" below.

Limited Sources of Revenues and the Need to Raise Additional Capital

We have incurred net losses since inception through March 31, 2016, with the exception of the 2011 fiscal year. We anticipate net losses for the foreseeable future. For the three months ended March 31, 2016, we incurred a net loss of $61.3 million and as of March 31, 2016, we had an accumulated deficit of $2.0 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. Excluding fiscal 2011, our research and development expenditures and selling, general and administrative expenses have exceeded our revenues for each 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 launched COMETRIQ for the treatment of progressive, metastatic MTC in the United States in January 2013, and from the commercial launch through March 31, 2016, we have generated $83.4 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. Furthermore, while CABOMETYX was approved by the FDA for the treatment of advanced RCC on April 25, 2016, and was shipped to wholesalers and pharmacies within three days of such approval, we have only just begun to generate revenue from the sale of CABOMETYX.

The amount of our net losses will depend, in part, on: the level of sales of CABOMETYX in the U.S. for the treatment of advanced RCC; our sales of COMETRIQ; achievement of clinical, regulatory and commercial milestones and the amount of royalties, if any, from sales of cabozantinib under our collaboration with Ipsen; our share of the net profits and losses for the commercialization of COTELLIC in the U.S. under our collaboration with Genentech (a member of the Roche group); the amount of royalties from COTELLIC sales outside the U.S. under our collaboration with Genentech; other license and contract revenues; and, the level of our expenses, primarily with respect to expanded commercialization activities for cabozantinib.

As of March 31, 2016, we had $407.6 million in cash and investments, which included $323.3 million available for operations, $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, will enable us to maintain our operations for a period of at least 12 months following the filing date of this report. 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, an inhibitor of multiple receptor tyrosine kinases, currently approved under the brand name CABOMETYX for the treatment of advanced RCC in the United States and under the brand name COMETRIQ in the United States and the European Union for the treatment of the approved MTC indications. 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 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 cabozantinib depends upon the degree of market acceptance of both CABOMETYX and COMETRIQ among physicians, patients, health care payers such as Medicare and Medicaid, and the medical community. It

also depends upon how cabozantinib fares in competition with other products. We view nivolumab as the principal competition for CABOMETYX for the treatment of advanced RCC and vandetanib as the principal competition for COMETRIQ for the treatment of the approved MTC indications. In anticipation of the FDA's approval for cabozantinib for the treatment of patients with advanced RCC who have received prior anti-angiogenic therapy, we increased our sales, marketing and distribution capabilities. 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 and may have an adverse impact on our results of operations.

For a description of the competition CABOMETYX and COMETRIQ face in the market for products treating advanced RCC and the approved MTC indications, respectively, and may face in the future should cabozantinib be approved for other indications, please see "Part II, Item 1A. Risk Factors - Risks Related to Cabozantinib and Cobimetinib - Our competitors may develop products and technologies that impair the value of cabozantinib and cobimetinib - Competition for cabozantinib."

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. 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.

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 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. 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, affiliates of the Original Deerfield Purchasers, which we refer to as the New Deerfield Purchasers, acquired the $100.0 million principal amount of the Original Deerfield Notes and we issued restated notes, which we refer to as 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 March 31, 2016 and December 31, 2015, the outstanding principal balance on the Deerfield Notes was $105.8 million and $103.8 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.

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.

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

	Three Months Ended March 31,	
	2016	2015
Stated coupon interest	$ 1,936	$ 1,479
Amortization of debt discount and debt issuance costs	2,029	2,947
Total interest expense	$ 3,965	$ 4,426

The balance of unamortized fees and costs was $0.6 million and $0.7 million as of March 31, 2016 and December 31, 2015, respectively, which is recorded as a reduction of the carrying amount of the 2019 Notes on the accompanying Condensed Consolidated Balance Sheets. 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 15.34%.

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 and 2016 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 made no such mandatory prepayments due to the fact that we received no such revenues during the fiscal year ended December 31, 2014 and Deerfield's election not to receive the mandatory prepayment in January 2016. 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 January 2017 and January 2018. However, we will only be obligated to make any such annual mandatory prepayment if the note holders provide notice to us of their election to receive the prepayment. Pursuant to this requirement, we may be required make a mandatory prepayment of $27.5 million in January 2017 as a result of the upfront nonrefundable payment of $200.0 million received in March 2016 in consideration for the exclusive license and other rights contained in the collaboration and license agreement with Ipsen. That portion of the Deerfield Notes is included in current liabilities. 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 Sale, but would include our share of the net profits from the commercialization of cobimetinib in the U.S. and the receipt of royalties from cobimetinib sales outside the U.S., if any.

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 Warrants, to purchase an aggregate of 1,000,000 shares of our common stock at an exercise price of $9.70 per share. Subsequent to our election to extend the maturity date of the Deerfield Notes, the exercise price of the 2014 Warrants was reset to $3.445 per share and the term was extended by two years to January 22, 2018. In August 2015 the New Deerfield Purchasers assigned the 2014 Warrants to OTA LLC. The 2014 Warrants contain certain limitations that prevent the holder from acquiring shares upon exercise 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. In addition, upon certain changes in control of Exelixis, to the extent the 2014 Warrants are not assumed by the acquiring entity, or upon certain defaults under the 2014 Warrants, the holder has the right to net exercise the 2014 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 Warrants.

In connection with the issuance of the 2014 Warrants, we entered into a registration rights agreement with Deerfield, pursuant to which we filed a registration statement with the Securities and Exchange Commission, or SEC, covering the resale of the shares of common stock issuable upon exercise of the 2014 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 June 2, 2010, we amended the loan and security agreement to provide for a new seven-year term loan in the amount of $80.0 million. As of both March 31, 2016 and December 31, 2015, the outstanding principal balance due under the term loan was $80.0 million. All other amounts due under the agreement were repaid prior to December 31, 2015. 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 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. 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, if any, 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.

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 revenue recognition, including for deductions from revenues (such as rebates, chargebacks, sales returns and sales allowances) and the period of performance, identification of deliverables and evaluation of milestones with respect to our collaborations, recoverability of inventory, certain accrued liabilities including clinical trial and collaboration liability accruals, and share-based compensation. 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.

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

Licenses and Contracts

We enter into corporate collaboration and license agreements under which we may obtain upfront license fees, research funding, and contingent, milestone and royalty payments. Our deliverables under these arrangements may include intellectual property rights, distribution rights, delivery of manufactured product, participation on joint steering committees and/or research and development services. In order to account for the multiple-element arrangements, we identify the deliverables included within the arrangement and evaluate whether the delivered elements under these arrangements have value to our collaboration partner on a stand-alone basis and represent separate units of accounting. Analyzing the arrangement to identify deliverables requires the use of judgment, and each deliverable may be an obligation to deliver future goods or services, a right or license to use an asset, or another performance obligation. If we determine that multiple deliverables exist, the consideration is allocated to one or more units of accounting based upon the best estimate of the selling price of each deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence, if available, third-

party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific or third-party evidence is available. A delivered item or items that do not qualify as a separate unit of accounting within the arrangement shall be combined with the other applicable undelivered items within the arrangement. The allocation of arrangement consideration and the recognition of revenue then shall be determined for those combined deliverables as a single unit of accounting. For a combined unit of accounting, non-refundable upfront fees are recognized in a manner consistent with the final deliverable, which has generally been ratably over the period of continued involvement. Amounts received in advance of performance are recorded as deferred revenue. Upfront fees are classified as license revenues in our consolidated statements of operations.

We consider sales-based contingent payments to be royalty revenue which is generally recognized at the date the contingency is achieved. Royalties are classified as license revenues in our consolidated statements of operations.

For certain contingent payments under collaboration and license arrangements, we recognize revenue using the milestone method. Under the milestone method a payment that is contingent upon the achievement of a substantive milestone is recognized in its entirety in the period in which the milestone is achieved. A milestone is an event: (i) that can be achieved based in whole or in part on either our performance or on the occurrence of a specific outcome resulting from our performance, (ii) for which there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved and (iii) that would result in additional payments being due to us. The determination that a milestone is substantive requires estimation and judgment and is made at the inception of the arrangement. Milestones are considered substantive when the consideration earned from the achievement of the milestone is: (i) commensurate with either our performance to achieve the milestone or the enhancement of value of the item delivered as a result of a specific outcome resulting from our performance to achieve the milestone, (ii) relates solely to past performance and (iii) reasonable relative to all deliverables and payment terms in the arrangement. In making the determination as to whether a milestone is substantive or not, we consider all facts and circumstances relevant to the arrangement, including factors such as the scientific, regulatory, commercial and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required to achieve the respective milestone and whether any portion of the milestone consideration is related to future performance or deliverables.

There have been no significant changes in our critical accounting policies and estimates during the three months ended March 31, 2016, 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, 2015.

Fiscal Year Convention

We adopted a 52- or 53-week fiscal year that generally ends on the Friday closest to December 31st. Fiscal year 2016 will end on December 30, 2016, and fiscal year 2015, ended on January 1, 2016. For convenience, references in this report as of and for the fiscal periods ended April 1, 2016 and March 28, 2015, and as of and for the fiscal years ended December 30, 2016 and January 1, 2016, are indicated as being as of and for the periods ended March 31, 2016, March 31, 2015, December 31, 2016, and December 31, 2015, respectively.

Results of Operations

Revenues

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

	Three Months Ended March 31,	
	2016	2015
Gross product revenues	$ 10,614	$ 10,133
Discounts and allowances	(1,515)	(745)
Net product revenues	9,099	9,388
License revenues [1]	1,328	—
Contract revenues [2]	5,000	—
Total revenues	$ 15,427	$ 9,388
Dollar change	$ 6,039	
Percentage change	64%	

(1) Includes royalties and amortization of upfront payments.
(2) Includes contingent and milestone payments.

Product revenues relate to the sale of COMETRIQ. The increase in gross product revenues for the three months ended March 31, 2016, as compared to the same period in 2015, reflects the impact of an increase in sales volume and average sales price which was partially offset by the impact of a change during three months ended March 31, 2015 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 during the period.

The increase in discounts and allowances during the three months ended March 31, 2016 was primarily related to reserves recorded for expected future returns of COMETRIQ from Sobi and our specialty pharmacy in the United States totaling $0.5 million; there were no such reserves recorded during the comparable period in 2015.

License revenues for the three months ended March 31, 2016 primarily related to the amortization of $1.2 million for the three months ended March 31, 2016 from the non-refundable up-front payment of $200.0 million we received during March 2016 pursuant to our collaboration and license agreement with Ipsen. Contract revenues for the three months ended March 31, 2016 reflects a $5.0 million milestone earned from Merck related to its worldwide license of our PI3K-delta program. There was no such license or contract revenue during the comparable period in 2015.

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

	Three Months Ended March 31,	
	2016	2015
Diplomat Specialty Pharmacy	$ 8,464	$ 8,075
Merck	5,000	—
Ipsen	1,198	—
Sobi	635	1,313
Other	130	—
	$ 15,427	$ 9,388
Dollar change	$ 6,039	
Percentage change	64%	

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 pursuant to the terms of our product development and commercialization agreement that terminated during 2014, indirect labor costs, the cost of manufacturing, write-downs related to expiring and excess inventory, 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 in the United States 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 March 31,	
	2016	2015
Cost of goods sold	$ 685	$ 766
Gross margin	92%	92%

The cost of goods sold and gross margin we have experienced in this early stage of our product launch may not be representative of what we may experience going forward.

Research and Development Expenses

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

	Three Months Ended March 31,	
	2016	2015
Research and development expenses	$ 28,926	$ 22,282
Dollar change	$ 6,644	
Percentage change	30%	

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

The increase in research and development expenses for the three months ended March 31, 2016 primarily related to stock-based compensation, personnel expenses, and consulting and outside services. Stock-based compensation increased by $4.9 million for the three months ended March 31, 2016 as compared to the comparable period in 2015 primarily due to performance-based stock-options tied to the acceptance and anticipated approval of our NDA filing with the FDA and a bonus to our employees in the form of fully-vested restricted stock units. Personnel expenses increased by $1.1 million for the three months ended March 31, 2016 as compared to the comparable period in 2015 primarily due to the hiring of medical science liaisons in anticipation of the launch of CABOMETYX. Consulting and outside services increased by $1.1 million for the three months ended March 31, 2016 as compared to the comparable period in 2015 primarily due to increases in activities related to medical affairs and drug safety. Those increases were partially offset by a decrease in the allocation of general corporate costs, which decreased by $1.4 million for the three months ended March 31, 2016 as compared to the comparable period in 2015, primarily due to the decrease in allocable administrative costs.

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. 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 45 ongoing or planned clinical trials across multiple indications. The most notable study of this program is our company-sponsored phase 3 trial of cabozantinib in advanced hepatocellular carcinoma, or HCC, called CELESTIAL. In addition, postmarketing commitments in connection with the approval of COMETRIQ in progressive, metastatic MTC dictate that we conduct an additional study in that indication.

We anticipate that research and development expenses will stay flat during 2016 with a decrease in clinical trial costs offset by an increase in costs associated with Medical Affairs to support the launch of CABOMETYX for the treatment of advanced RCC.

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 March 31,	
	2016	**2015**
Selling, general and administrative expenses	$ 34,857	$ 9,531
Dollar change	$ 25,326	
Percentage change	266%	

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

The increase in selling, general and administrative expenses for the three months ended March 31, 2016 related to personnel expenses, marketing, consulting and outside services and stock-based compensation. Personnel expenses increased by $8.2 million for the three months ended March 31, 2016 as compared to the comparable period in 2015 primarily due to the expansion of our U.S. sales force in anticipation of the launch of CABOMETYX. Marketing expenses increased by $5.4 million for the three months ended March 31, 2016 as compared to the comparable period in 2015 due to an increase in COTELLIC commercialization expenses under the collaboration with Genentech and pre-launch marketing activities for CABOMETYX. Consulting and outside services increased by $5.3 million for the three months ended March 31, 2016 as compared to the comparable period in 2015, which includes our accrual for a termination fee to be paid to Sobi and additional pre-launch activities for CABOMETYX. Stock-based compensation increased by $4.6 million for the three months ended March 31, 2016 as compared to the comparable period in 2015 primarily due to performance-based stock-options tied to the acceptance and anticipated approval of our NDA filing with the FDA and a bonus to our employees in the form of fully-vested restricted stock units.

We anticipate selling, general and administrative expenses for the remainder of 2016 will be in-line with our first quarter results.

Total Other Income (Expense), Net

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

	Three Months Ended March 31,	
	2016	**2015**
Interest income and other, net	$ 202	$ (7)
Interest expense	(12,414)	(12,403)
Total other expense, net	$ (12,212)	$ (12,410)
Dollar change	$ 198	
Percentage change	(2)%	

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.

Liquidity and Capital Resources

Sources and Uses of Cash

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

	Three Months Ended March 31,	
	2016	2015
Net loss	$ (61,347)	$ (35,170)
Net cash provided by (used in) operating activities	154,896	(45,086)
Net cash (used in) provided by investing activities	(19,685)	49,895
Net cash provided by (used in) financing activities	37	(217)
Net increase in cash and cash equivalents	135,248	4,592
Cash and cash equivalents at beginning of period	141,634	80,395
Cash and cash equivalents at end of period	$ 276,882	$ 84,987

We launched COMETRIQ for the treatment of progressive, metastatic MTC in the United States in January 2013, and from the commercial launch through March 31, 2016 we have generated $83.4 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 provided cash of $154.9 million for the three months ended March 31, 2016, compared to cash used of $45.1 million for the same period in 2015. Operating cash flows can differ from our consolidated net loss as a result of differences in the timing of cash receipts and non-cash charges.

Cash provided by operating activities for the three months ended March 31, 2016 was primarily the result of the $200.0 million upfront payment Ipsen paid us in consideration for the exclusive license and other rights contained in the collaboration and license agreement we entered into on February 29, 2016 and cash receipts from net product revenues. Those proceeds were partially offset by operating expenses of $64.6 million for the period, excluding non-cash expenses for stock-based compensation totaling $11.2 million and the accretion of debt discounts totaling $5.3 million. Our operating expenses were largely attributable to the development and commercialization of cabozantinib. In addition, cash provided by operating activities also increased as a result a $5.3 million increase in accounts payable, accrued compensation, and other accrued liabilities and a $3.7 million increase in our accrued collaboration liability, and was partially offset by a $4.9 million increase of other receivables, a $1.9 million reduction in accrued clinical trial liabilities and a $1.1 million reduction in restructuring liabilities.

Cash used in operating activities for the three months ended March 31, 2015 related primarily to our $32.1 million operating expenses for the period, excluding non-cash expenses for accretion of debt discount totaling $7.7 million on the Deerfield Notes and the 2019 Notes and stock-based compensation totaling $1.7 million. Our operating expenses were largely attributable to the development of cabozantinib. In addition, we made cash payments that resulted in a $10.6 million reduction in accrued clinical trial liabilities, a $6.4 million reduction in accounts payable and other accrued expenses, and a $1.8 million increase in prepaid expenses and other assets during the period. We also paid $2.0 million for restructuring activities.

Investing Activities

Our investing activities used cash of $19.7 million for the three months ended March 31, 2016, compared to $49.9 million cash provided for the same period in 2015.

Cash used by investing activities for the three months ended March 31, 2016 was primarily due to investment purchases of $51.2 million, less cash from the maturity of unrestricted and restricted investments of $32.1 million.

Cash provided by investing activities for the three months ended March 31, 2015 was primarily due to the maturity of unrestricted and restricted investments of $65.2 million, less investment purchases of $16.0 million.

Financing Activities

Cash provided by financing activities was $37,000 for the three months ended March 31, 2016, compared to $0.2 million cash used for the same period in 2015.

Cash provided by financing activities for the three months ended March 31, 2016 was a result of the issuance of common stock under our equity incentive plans.

Cash used for financing activities for the three months ended March 31, 2015 was due to principal payments on debt of $0.2 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 March 31, 2016, with the exception of the 2011 fiscal year. We anticipate net losses for the foreseeable future. For the three months ended March 31, 2016, we incurred a net loss of $61.3 million and as of March 31, 2016, we had an accumulated deficit of $2.0 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. Excluding fiscal 2011, our research and development expenditures and selling, general and administrative expenses have exceeded our revenues for each 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 launched COMETRIQ for the treatment of progressive, metastatic MTC in the United States in January 2013, and from the commercial launch through March 31, 2016, we have generated $83.4 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. Furthermore, while CABOMETYX was approved by the FDA for the treatment of advanced RCC on April 25, 2016, and was shipped to wholesalers and pharmacies within three days of such approval, we have only just begun to generate revenue from the sale of CABOMETYX.

The amount of our net losses will depend, in part, on: the level of sales of CABOMETYX in the U.S. for the treatment of advanced RCC; our sales of COMETRIQ; achievement of clinical, regulatory and commercial milestones and the amount of royalties, if any, from sales of cabozantinib under our collaboration with Ipsen; our share of the net profits and losses for the commercialization of COTELLIC in the U.S. under our collaboration with Genentech (a member of the Roche group); the amount of royalties from COTELLIC sales outside the U.S. under our collaboration with Genentech; other license and contract revenues; and, the level of our expenses, primarily with respect to expanded commercialization activities for cabozantinib.

As of March 31, 2016, we had $407.6 million in cash and investments, which included $323.3 million available for operations, $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, will enable us to maintain our operations for a period of at least 12 months following the filing date of this report. 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. Our capital requirements will depend on many factors including but not limited to:

- the commercial success of both CABOMETYX and COMETRIQ and the revenues we generate from those approved products;
- costs associated with maintaining our expanded sales, marketing, medical affairs and distribution capabilities for CABOMETYX in advanced RCC and COMETRIQ in the approved MTC indications;
- the achievement of stated regulatory and commercial milestones, under our collaboration with Ipsen;
- the commercial success of COTELLIC and the calculation of our share of related profits and losses for the commercialization of COTELLIC in the U.S. and royalties from COTELLIC sales outside the U.S. under our collaboration with Genentech (a member of the Roche group);
- the speed of a potential regulatory approval for cabozantinib for the treatment of advanced RCC in the European Union and in other indications both in the United States and abroad;

- future clinical trial results, notably the results from CELESTIAL, our phase 3 pivotal trial in patients with advanced HCC;
- repayment of the Deerfield Notes (see "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Certain Factors Important to Understanding Our Financial Condition and Results of Operations - Deerfield Facility" for a description of these notes) which mature on July 1, 2018, subject to a requirement to make a mandatory prepayment in each of 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 4.25% Convertible Senior Subordinated Notes due 2019, or the 2019 Notes, (see "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Certain Factors Important to Understanding Our Financial Condition and Results of Operations - Convertible Senior Subordinated Notes" for a description of these notes), which mature on August 15, 2019, unless earlier converted, redeemed or repurchased;
- repayment of our term loan from Silicon Valley Bank, which had an outstanding balance at March 31, 2016, 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;
- the cost of clinical drug supply for our clinical trials;
- trends and developments in the pricing of oncologic therapeutics in the United States and abroad, especially in the European Union;
- 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.

Contractual Obligations

We have contractual obligations in the form of debt, operating leases, purchase obligations and other long-term liabilities. There were no material changes outside of the ordinary course of business in our contractual obligations from those as of December 31, 2015.

Off-Balance Sheet Arrangements

As of March 31, 2016, 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 March 31, 2016 have not changed significantly from those discussed in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission on February 29, 2016.

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio and our long-term debt. As of March 31, 2016, and December 31, 2015, 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 $8.2 million and $8.7 million, respectively.

In addition, we have exposure to fluctuations in certain foreign currencies in countries in which we conduct clinical trials. As of March 31, 2016, and December 31, 2015, approximately $3.3 million and $3.2 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 $0.2 million loss and a $0.2 million gain relating to foreign exchange fluctuations for three months ended March 31, 2016 and 2015, 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 at the reasonable assurance level.

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 currently 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 1, 2016 filed with the Securities and Exchange Commission on February 29, 2016.

Risks Related to Cabozantinib and Cobimetinib

In the short-term, our prospects are critically dependent upon our ability to undertake a successful commercial launch of CABOMETYX for advanced RCC in the United States and obtain regulatory approval for cabozantinib in the same indication in the European Union.*

The success of our business is dependent upon the successful development and commercialization of cabozantinib. Of greatest short-term importance is the commercialization of CABOMETYX for advanced RCC in the United States following approval by the FDA on April 25, 2016. The commercial potential of CABOMETYX for the treatment of advanced RCC remains subject to a variety of factors, most importantly, CABOMETYX's perceived benefit/risk profile as compared to the benefit/risk profiles of other available competitive treatments. The principal competition for CABOMETYX for the treatment of advanced RCC includes nivolumab, axitinib and everolimus, which are already approved in this indication, as well as other agents currently approved for 1st-line RCC including sunitinib, sorafenib, pazopanib, temsirolimus, and bevacizumab. Other agents being investigated in 2nd line advanced RCC, including Eisai's lenvatinib, may also become competitive treatments if they are approved.

With respect to regulatory and commercialization activities for cabozantinib in the European Union, in January 2016, our MAA for cabozantinib as a treatment for patients with advanced RCC who have received prior anti-angiogenic therapy was accepted for review; CHMP had previously granted accelerated assessment for the application. In February 2016, we entered into a collaboration with Ipsen to enable us to capitalize on the potential opportunity of cabozantinib in advanced RCC and potentially other indications, if approved by the EMA and elsewhere internationally outside of the U.S., Canada, and Japan. As a result, we now rely heavily upon Ipsen's regulatory, commercial, medical affairs, and other expertise and resources. If Ipsen is unable to, or does not invest the resources necessary to, obtain regulatory approvals for cabozantinib in the European Union and elsewhere; and then, if Ipsen is not able to, or does not invest the resources necessary to, successfully commercialize cabozantinib in those international territories where it is approved, this will minimize our potential revenue under the collaboration agreement, thus resulting in harm to our business and operations.

Our longer-term prospects remain dependent on cabozantinib's further clinical development and commercial success in additional indications beyond advanced RCC.*

We are dedicating substantially all of our proprietary resources to developing cabozantinib into a broad and significant oncology franchise. Even following the approval of CABOMETYX for the treatment of advanced RCC in the United States and assuming cabozantinib's approval in the European Union for the same indication, our longer-term success remains contingent upon, among other things, successful clinical development, regulatory approval and market acceptance of cabozantinib in additional indications, such as advanced HCC, first-line RCC, NSCLC, and other forms of cancer. In 2014, 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. The failure in mCRPC demonstrates that cabozantinib will not likely be successful in all future clinical trials. Should we prove unsuccessful in the further development of cabozantinib beyond MTC or advanced RCC, our longer-term prospects, revenues and financial condition would be materially adversely affected. With top-line results from CELESTIAL, our phase 3

pivotal trial comparing cabozantinib to placebo in patients with advanced HCC, expected in 2017, the successful development of cabozantinib in advanced HCC is of increasing importance to our long-term success.

We are heavily dependent on our partner, Genentech (a member of the Roche group), for the successful development and commercialization of cobimetinib.*

The terms of our collaboration agreement with Genentech provide Genentech with exclusive authority over the global development and commercialization plans for cobimetinib and the execution of those plans. We have no effective influence over those plans and are heavily dependent on Genentech's decision making. The collaboration agreement provides that we are entitled to an initial equal share of U.S. profits and losses for cobimetinib, with our share decreasing as sales increase. We are also entitled to low double-digit royalties on ex-U.S. net sales of cobimetinib. In both cases, we are heavily dependent on Genentech's internal accounting procedures for determining how much, if any, profit we may derive from the collaboration. To date, we believe Genentech's cost and revenue allocations for COTELLIC, as determined exclusively by Genentech, have been contrary to the applicable terms of the collaboration agreement. We have raised this concern with Genentech, along with other material concerns regarding Genentech's performance under the collaboration agreement, but thus far have been unable to come to resolution on any of these issues. Accordingly, on May 3, 2016, we issued a formal notice of dispute to Genentech, per the collaboration agreement's dispute resolution procedures. This notice asserts claims against Genentech related to its clinical development, pricing and commercialization of COTELLIC, and cost and revenue allocations arising from COTELLIC's commercialization in the United States. If the dispute is not resolved within thirty days of Genentech's receipt of this notice, we intend to initiate an arbitration. If we are unable to successfully resolve the dispute with Genentech, our business, operating results and financial condition could be adversely affected.

We are also heavily dependent upon Genentech's leadership and expertise to develop cobimetinib further. 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 collaboration agreement and result in harm to our business and operations. Genentech has complete financial responsibility for cobimetinib's development program and regulatory strategy, 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 immuno-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 immuno-oncology agents. Regardless of Genentech's efforts toward the further development of cobimetinib, such additional clinical investigation may not provide positive results supporting product label expansions or approval in additional indications.

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

Our ability to commercialize cabozantinib, as CABOMETYX tablets for the approved advanced RCC indication, COMETRIQ capsules for the approved MTC indications, 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 CABOMETYX, 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;
- cabozantinib's 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, medical affairs and distribution support; and
- sufficient third-party coverage and reimbursement.

If we are unable to maintain or scale 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. In anticipation of the FDA's approval of CABOMETYX for the treatment of patients with advanced RCC, we increased our sales, marketing and distribution capabilities. Establishing and maintaining sales, marketing and distribution capabilities are expensive and time-consuming. Such expenses may be disproportionate compared to the revenues we may be able to generate and may have an adverse impact on our results of operations. We expect to be able to scale up our commercialization capabilities quickly if additional indications for cabozantinib are approved in the future, or to scale down, if necessary. Our ex-US distribution arrangements with Sobi are also right-sized for the European Union 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, we believe the commercial opportunity for cabozantinib will grow over time, but we may not properly judge the requisite size, and experience of the commercialization team or the scale of distribution necessary to market and sell cabozantinib successfully. Maintaining sales, marketing, medical affairs, 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 could have an adverse impact on our results of operations. If we are unable to maintain adequate sales, marketing, medical affairs, 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 both CABOMETYX and COMETRIQ. While we have expanded our U.S. distribution and pharmacy channels in connection with the approval of CABOMETYX by the FDA for the treatment of patients with advanced RCC in the United States, we still rely on a single specialty pharmacy to dispense COMETRIQ to patients in fulfillment of prescriptions in the United States. Outside the U.S., we currently rely on a third party, Sobi, to distribute and commercialize COMETRIQ for the approved MTC indications primarily in the European Union, but also in other countries through the NPU program.

The terms of our commercialization agreement with Sobi provide us with the ability to terminate the agreement at will upon payment of certain pre-determined termination fees. In connection with the establishment of our collaboration with Ipsen, we intend to provide Sobi with notice of termination and following a transition period, Ipsen will become responsible for the continued distribution and commercialization of COMETRIQ for the approved MTC indications in territories currently supported by Sobi and potentially other countries in the event that COMETRIQ is approved for commercial sale in such territories, as well as access and distribution activities for COMETRIQ under our NPU program.

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 cabozantinib 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 CABOMETYX and 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 cabozantinib 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 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 our products 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 CABOMETYX or COMETRIQ, our revenues and prospects for profitability will suffer.*

Our ability to commercialize CABOMETYX or COMETRIQ successfully is 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 CABOMETYX or

COMETRIQ 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 CABOMETYX or COMETRIQ, our revenues and prospects for profitability will suffer. In addition, even if third-party payers provide some coverage or reimbursement for CABOMETYX or COMETRIQ, 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. There has been recent negative publicity regarding the use of specialty pharmacies and drug pricing, which may result in physicians being less willing to participate in our patient access programs and thereby limit our ability to increase patient access and adoption of cabozantinib.

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, which has the potential to substantially delay broad availability of the product in some of those countries. To obtain reimbursement and/or pricing approval in some countries, we and our collaboration partner, Ipsen, may be required to conduct a clinical trial that compares the cost effectiveness of CABOMETYX to other available therapies. The conduct of such a clinical trial could be expensive and result in delays in the commercialization of CABOMETYX. 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 CABOMETYX or COMETRIQ. Cost-control initiatives could decrease the price we and our collaboration partner, Ipsen, might establish for CABOMETYX, 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 CABOMETYX and COMETRIQ 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 CABOMETYX and COMETRIQ 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.

We expect that the Patient Protection and Affordable Care Act, as amended by the Health Care Education Reconciliation Act, or PPACA, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we may receive for any approved product. An expansion in the government's role in the U.S. healthcare industry may cause general downward pressure on the prices of prescription drug products, lower reimbursements for providers using our products, reduce product utilization and adversely affect our business and results of operations. It is unclear whether and to what extent, if at all, other potential developments resulting from the PPACA may provide us with additional revenue to offset the annual excise tax (on certain drug product sales) enacted under the PPACA, subject to limited exceptions. It is possible that the tax burden, if ours is not excepted, would adversely affect our financial performance. The PPACA, among other things, also established a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off 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. Moreover, certain politicians, including presidential candidates, have announced plans to regulate the prices of pharmaceutical products. We cannot know what form any such legislation may take or the market's perception of how such legislation would affect us. Any reduction in reimbursement from government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our current products and/or those for which we may receive regulatory approval in the future.

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 CABOMETYX or COMETRIQ by placing a particular product 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 COMETRIQ. We also anticipate pricing pressures in connection with the sale of CABOMETYX and COMETRIQ 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 further development of cabozantinib or cobimetinib for the treatment of additional tumor types, could allow our competitors to bring products to market before us. 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 cabozantinib and cobimetinib. In addition, cabozantinib and cobimetinib 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 the principal competition for CABOMETYX in advanced RCC includes: Bristol-Myers Squibb's nivolumab; Pfizer's axitinib, sunitinib and temsirolimus; Novartis' everolimus and pazopanib; Bayer's and Onyx Pharmaceuticals' sorafenib; Genentech's bevacizumab; and Eisai's lenvatinib.

The potential for immediate competition from Bristol-Myers Squibb's nivolumab is particularly significant. Nivolumab was approved for the treatment of advanced RCC on November 23, 2015, following a rapid review by the FDA. That approval was based in large part on the results of Bristol-Myers Squibb's phase 3 trial comparing nivolumab to everolimus in patients who had received previous antiangiogenic therapy for advanced RCC (Checkmate 025), in which nivolumab met its primary endpoint of showing a statistically-significant improvement in OS over everolimus, a current standard of care for the treatment of second line RCC patients. Nivolumab failed to demonstrate a statistically-significant PFS benefit over everolimus. Nivolumab also demonstrated an acceptable safety profile. Based on publicly available information, it appears nivolumab is being rapidly adopted by physicians for the treatment of advanced RCC.

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 October 21, 2015, AstraZeneca announced the global completion of the sale of vandetanib to Genzyme, a Sanofi company. 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.

Should cabozantinib be approved for the treatment of HCC, the other indication for which we have an ongoing phase 3 pivotal trial, we believe its principal competition may include 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 cobimetinib's principal competition amongst targeted agents includes 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 cabozantinib in either its capsule formulation or tablet formulation, 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. This risk is especially acute during the current period as we ramp up production in connection with the commercial launch of CABOMETYX for the treatment of patients advanced RCC in the United States.

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, 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 HCC and a variety of other indications beyond advanced RCC and MTC. 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 OS 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 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 advanced RCC and MTC.*

We do not have the ability to independently conduct clinical trials for cabozantinib, including our post-marketing commitments in connection with the approvals of CABOMETYX in advanced RCC and COMETRIQ in progressive, metastatic 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 advanced RCC in the United States and the approved MTC indications 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.

The activities associated with cabozantinib's 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 for 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 governing the process for regulatory review during the development or review periods for 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 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;
- expand our sales, marketing and distribution capabilities;
- 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. sales and marketing 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 March 31, 2016, we had $407.6 million in cash and investments, which included $323.3 million available for operations, $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, will enable us to maintain our operations for a period of at least 12 months following the filing date of this report. 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. Our capital requirements will depend on many factors including but not limited to:

- the commercial success of both CABOMETYX and COMETRIQ and the revenues we generate from those approved products;
- costs associated with maintaining our expanded sales, marketing, medical affairs and distribution capabilities for CABOMETYX in advanced RCC and COMETRIQ in the approved MTC indications;
- the achievement of stated regulatory and commercial milestones under our collaboration with Ipsen;
- the commercial success of COTELLIC and the calculation of our share of related profits and losses for the commercialization of COTELLIC in the U.S. and royalties from COTELLIC sales outside the U.S. under our collaboration with Genentech (a member of the Roche group);

- the speed of a potential regulatory approval for cabozantinib for the treatment of advanced RCC in the European Union and in other indications both in the United States and abroad;
- future clinical trial results, notably the results from CELESTIAL, our phase 3 pivotal trial in patients with advanced HCC;
- repayment of the Deerfield Notes (see "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Certain Factors Important to Understanding Our Financial Condition and Results of Operations - Deerfield Facility" for a description of these notes) which mature on July 1, 2018, subject to a requirement to make a mandatory prepayment in each of 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 4.25% Convertible Senior Subordinated Notes due 2019, or the 2019 Notes, (see "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Certain Factors Important to Understanding Our Financial Condition and Results of Operations - Convertible Senior Subordinated Notes" for a description of these notes), which mature on August 15, 2019, unless earlier converted, redeemed or repurchased;
- repayment of our term loan from Silicon Valley Bank, which had an outstanding balance at March 31, 2016, 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;
- the cost of clinical drug supply for our clinical trials;
- trends and developments in the pricing of oncologic therapeutics in the United States and abroad, especially in the European Union;
- 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.

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 March 31, 2016, with the exception of the 2011 fiscal year. We anticipate net losses for the foreseeable future. For the three months ended March 31, 2016, we incurred a net loss of $61.3 million and as of March 31, 2016, we had an accumulated deficit of $2.0 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. Excluding fiscal 2011, our research and development expenditures and selling, general and administrative expenses have exceeded our revenues for each 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 launched COMETRIQ for the treatment of progressive, metastatic MTC in the United States in January 2013, and from the commercial launch through March 31, 2016, we have generated $83.4 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. Furthermore, while CABOMETYX was approved by the FDA for the treatment of advanced RCC on April 25, 2016, and was shipped to wholesalers and pharmacies within three days of such approval, we have only just begun to generate revenue from the sale of CABOMETYX.

The amount of our net losses will depend, in part, on: the level of sales of CABOMETYX in the U.S. for the treatment of advanced RCC; our sales of COMETRIQ; achievement of clinical, regulatory and commercial milestones and the amount of royalties, if any, from sales of cabozantinib under our collaboration with Ipsen; our share of the net profits and losses for the commercialization of COTELLIC in the U.S. under our collaboration with Genentech (a member of the Roche group); the amount of royalties from COTELLIC sales outside the U.S. under our collaboration with Genentech; other license and contract revenues; and, the level of our expenses, primarily with respect to expanded commercialization activities 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 March 31, 2016, our total consolidated indebtedness through maturity was $492.5 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 these expenses 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 March 31, 2016, 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 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, Ipsen, Genentech (a member of the Roche group), 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 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;
- we are not able to control the U.S. commercial resourcing decisions made and resulting costs incurred by Genentech for cobimetinib, which reasonable costs we are obligated to share, in part, under our collaboration agreement with Genentech;
- 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, such as the notice of dispute we issued to Genentech on May 3, 2016 asserting claims against Genentech for breaches of the collaboration agreement connected with its clinical development, pricing and commercialization of COTELLIC, and cost and revenue allocations arising from COTELLIC's commercialization in the United States;
- 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 collaborations for selected preclinical and clinical compounds.

We may 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 close any such 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 close additional collaborations on mutually-advantageous terms with partners qualified to achieve the collaboration's objectives, 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. Our issued patents have been and may in the future be challenged by third parties as invalid or unenforceable under U.S. or foreign laws, or they may be infringed by third parties. As a result, we are from time to time involved in the defense and enforcement of our patents or other intellectual property rights in a court of law, U.S. Patent and

Trademark Office inter partes review or reexamination proceeding, foreign opposition proceeding or related legal and administrative proceeding in the United States and elsewhere. The costs of defending our patents or enforcing our proprietary rights in post-issuance administrative proceedings and litigation may be substantial and the outcome can be uncertain. An adverse outcome may allow third parties to use our intellectual property without a license and negatively impact our business.

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, as well as clinical and commercial staff, the loss of whose services might adversely impact the achievement of our objectives. Also, we may not have sufficient personnel to execute our business plan. Retaining and, where necessary, recruiting qualified clinical and commercial personnel will be critical to support activities related to advancing the development program for cabozantinib and our other compounds, and successfully executing upon our commercialization plan for cabozantinib. Competition is intense for experienced clinical and commercial personnel, and we may be unable to retain or recruit clinical and commercial personnel with the expertise or experience necessary to allow us to successfully develop and commercialize our products. 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 or commercialize 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 products and product candidates, injury to our reputation, withdrawal of patients from our clinical trials, product recall, 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 $20.0 million per occurrence and $20.0 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 commercial success of both CABOMETYX and COMETRIQ and the revenues we generate from those approved products;
- costs associated with maintaining our expanded sales, marketing, medical affairs and distribution capabilities for CABOMETYX in advanced RCC and COMETRIQ in the approved MTC indications;
- the achievement of stated regulatory and commercial milestones, under our collaboration with Ipsen;
- the progress and scope of other development and commercialization activities for cabozantinib and our other compounds;
- 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;
- 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;
- 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.

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 both CABOMETYX and COMETRIQ and the revenues we generate from those approved products;
- 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;
- FDA or international regulatory actions;
- third-party coverage and reimbursement policies;
- disposition of any of our 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 outstanding warrants 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, 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, 2015, that an ownership change, as defined under Section 382, had not occurred. However, if there is an ownership change under Section 382 of the Code in the future, 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.

May 4, 2016	/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.	10-Q	000-30235	4.2	8/11/2015	
4.3	Amended and Restated Secured Convertible Note dated July 1, 2015 in favor of Deerfield International Master Fund, L.P.	10-Q	000-30235	4.3	8/11/2015	
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 OTA LLC	10-Q	000-30235	4.5	11/10/2015	
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	Non-Employee Director Equity Compensation Policy under the 2014 Equity Incentive Plan	10-K	000-30235	10.19	2/29/2016	
10.2	Compensation Information for Named Executive Officers (2015 cash bonus and 2016 compensation)	8-K	000-30235	Item 5.02 disclosure	2/16/2016	
10.3*	Collaboration and License Agreement dated February 29, 2016, by and between Exelixis, Inc. and Ipsen Pharma SAS					X

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/ Appendix Reference	Filing Date	
10.4*	Supply Agreement dated February 29, 2016, by and between Exelixis, Inc. and Ipsen Pharma SAS					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.

CONFIDENTIAL
EXECUTION VERSION

EXHIBIT 10.3

[*] = 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.

COLLABORATION AND LICENSE AGREEMENT

THIS COLLABORATION AND LICENSE AGREEMENT (the "**Agreement**") is entered into as of February 29, 2016 (the "**Effective Date**"), by and between Exelixis, Inc., a Delaware company having an address at 210 East Grand Avenue, South San Francisco, CA 94080, USA ("**Exelixis**") and Ipsen Pharma SAS, a French corporation having an address at 65 Quai Georges Gorse, 92100 Boulogne-Billancourt, France ("**Licensee**"). Exelixis and Licensee may be referred to herein individually as a "**Party**" or collectively as the "**Parties**".

RECITALS

WHEREAS, Exelixis, a biopharmaceutical company, is developing its proprietary compound known as cabozantinib for the treatment of cancer, and owns or controls certain patents, know-how and other intellectual property relating to such compound;

WHEREAS, Licensee, a fully-integrated pharmaceutical company, possesses substantial resources and expertise in the development and commercialization of pharmaceutical products; and

WHEREAS, Licensee and Exelixis desire to form a collaboration for the continued development and commercialization of cabozantinib, under which Exelixis will continue to have primary responsibility for the conduct of the global development program for cabozantinib, with Licensee providing input and support in order for Exelixis and Licensee to collaborate and pursue such development as the Parties agree; Licensee will obtain the exclusive rights to commercialize cabozantinib outside the U.S., Canada, and Japan and will have primary responsibility for the commercialization of cabozantinib outside the U.S., Canada, and Japan as well as development responsibility outside the U.S., Canada and Japan; and, Exelixis will manufacture and supply cabozantinib for all development and commercialization activities by the Parties;

WHEREAS, the Parties wish to establish such collaboration, all on the terms and conditions set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Exelixis and Licensee hereby agree as follows:

1. DEFINITIONS

1.1 "**Additional Markets**" means [*].

1.2 "**Affiliate**" means, with respect to any party, any entity that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such party, but for only so long as such control exists. As used in this Section 1.1, "control" means (a) to possess, directly or indirectly, the power to direct the management or policies of an entity, whether through ownership of voting securities, by contract relating to voting rights or corporate governance; or (b) direct or indirect beneficial ownership of more than fifty percent (50%) (or such lesser percentage which is the maximum allowed to be owned by a foreign corporation in a particular jurisdiction) of the voting share capital or other equity interest in such entity.

1.3 "**Applicable Laws**" means the applicable provisions of any and all national, supranational, regional, state and local laws, treaties, statutes, rules, regulations, administrative codes, guidance, ordinances, judgments, decrees, directives, injunctions, orders, permits (including MAAs) of or from any court, Regulatory Authority or governmental agency or authority having jurisdiction over or related to the subject item.

1.4 "**Calendar Quarter**" means each respective period of three (3) consecutive months ending on March 31, June 30, September 30, and December 31.

1.5 "**Calendar Year**" means each respective period of twelve (12) consecutive months ending on December 31.

1.6 "**Clinical Trial**" or "**Clinical Trials**" means Phase 1 Clinical Trial, Phase 2 Clinical Trial, Phase 3 Clinical Trial or Phase 4 Clinical Trial as the context dictates.

1.7 "**cGCP**" shall mean the current clinical practice as set out in (i) ICH Harmonized Guidance on current Good Clinical Practice (CPMP/ICH/135/95), (ii) US Code of Federal Regulations, Title 21, Chapters 50, 54, 56, 58, 210, 211 and 312, as may be amended from time to time, (iii) EU Directive 2001/20/EC and related guidelines, and (iv) the equivalent law or regulation in any other applicable jurisdiction in the Territory.

1.8 "**cGLP**" shall mean current good laboratory practice standards promulgated or endorsed by the FDA, as defined in U.S. 21 C.F.R. Part 58 (or such other comparable regulatory standards in jurisdictions outside the U.S.), as they may be updated from time to time.

1.9 "**cGMP**" shall mean the current minimum standards for methods to be used in, and the facilities or controls to be used for, the manufacture, processing, packing, or holding of a drug as specified by applicable laws of the relevant countries at the time of manufacturing conducted in accordance with this Agreement, defined under (i) 21 C.F.R. Part 210 and 211, (ii) Directive 2003/94/EC, (iii) Volume 4, Rules Governing Medicinal Products in the EU, Part I and

II, in each case, as amended from time to time, and (iv) equivalent law or regulations in any other applicable jurisdiction in the Territory.

1.10 "**Cometriq**" means that certain pharmaceutical product containing the Compound in capsule formulation and known as Cometriq®, which has been developed and commercialized by Exelixis as of the Effective Date for the treatment of progressive, metastatic medullary thyroid cancer (MTC).

1.11 "**Commercialization**" means the conduct of all activities undertaken before and after Regulatory Approval relating to the promotion, sales, marketing, medical support, and distribution (including importing, exporting, transporting, customs clearance, warehousing, invoicing, handling and delivering Products to customers) of Products in the Field in or outside of the Licensee Territory, including sales force efforts, detailing, advertising, market research, market access (including price and reimbursement activities), medical education and information services, publication, scientific and medical affairs; advisory and collaborative activities with opinion leaders and professional societies including symposia, marketing, sales force training, and sales (including receiving, accepting and filling Product orders) and distribution. "**Commercialize**" and "**Commercializing**" have correlative meanings.

1.12 "**Commercially Reasonable Efforts**" means, with respect to a Party and its obligations under this Agreement, those commercially reasonable efforts and resources consistent with the usual practices of a similarly situated company for the development and commercialization of a pharmaceutical product originating from its own research and development department without a royalty obligation to others, which is at a similar stage of research, development or commercialization, taking into account that product's profile of efficacy and safety; proprietary position, including patent and regulatory exclusivity; regulatory status, including anticipated or approved labeling and anticipated or approved post-approval requirements; present and future market and commercial potential, including competitive market conditions (but not taking into account any payment owed to the other Party under this Agreement), and all other relevant factors, including technical, legal, scientific and/or medical factors. Commercially Reasonable Efforts requires that a Party: (i) at a minimum establish a plan to achieve objectives and assign specific responsibilities for the achievement of that plan and (ii) make and implement decisions and allocate resources designed to advance progress with respect to such objectives.

1.13 "**Committee**" means the JSC, JDC, JCC or any subcommittee established by the JSC, as applicable.

1.14 "**Competing Product**" means any product or compound, other than the Compound and Products: (a) for which the mechanism of action includes modulation of the kinase activities of cMET, VEGFR2, Ret or any combination of these targets; and (b) which directly binds and modulates the activity of: (i) VEGFR2; (ii) cMET; and/or (iii) Ret, [*].

1.15 "**Compound**" means cabozantinib, having the chemical structure set forth in **Exhibit A**, including [*].

1.16 "**Confidentiality Agreement**" means that certain Confidential Disclosure Agreement between Exelixis and Licensee dated as of February 10, 2015.

1.17 "**Confidential Information**" means all Know-How and other proprietary scientific, marketing, financial or commercial information or data that is generated by or on behalf of a Party or its Affiliates or which one Party or any of its Affiliates has supplied or otherwise made available to the other Party or its Affiliates, whether made available orally, in writing, or in electronic form, including information comprising or relating to concepts, discoveries, inventions, data, designs or formulae in relation to this Agreement; provided that all Exelixis Technology will be deemed Exelixis' Confidential Information, all Licensee Technology will be deemed Licensee's Confidential Information, and all Joint Inventions and Joint Patents will be deemed both Parties' Confidential Information.

1.18 "**Control**" or "**Controlled**" means, with respect to any Know-How, Patents or other intellectual property rights, the legal authority or right (whether by ownership, license or otherwise but without taking into account any rights granted by one Party to the other Party pursuant to this Agreement) of a Party to grant access, a license or a sublicense of or under such Know-How, Patents or other intellectual property rights to another Party, or to otherwise disclose proprietary or trade secret information to such other Party, without breaching the terms of any agreement with a Third Party, or misappropriating the proprietary or trade secret information of a Third Party.

1.19 "**Cost of Goods**" means, with respect to any Compound or Product, the fully burdened cost to manufacture such Compound or Product, which means: (a) in the case of [*]; and (b) in the case of [*]. Actual unit costs shall consist of [*]. Direct material costs shall include the [*]. Direct labor costs shall include the cost of: [*]. Manufacturing [*] shall include [*].

1.20 "**Data**" means any and all scientific, technical, test, marketing or sales data pertaining to any Product that is generated by or on behalf of Exelixis, Licensee, their respective Affiliates and Sublicensees, including research data, clinical pharmacology data, pre-clinical data, clinical data, clinical study reports or submissions made in association with an IND or MAA with respect to any Product.

1.21 "**Development**" means all development activities for the Compound and Product (whether alone or for use together, or in combination, with another active agent or pharmaceutical product as a combination product or combination therapy) that are directed to obtaining Regulatory Approval(s) of the Product and lifecycle management of the Product in any country in the world, including all non-clinical, preclinical and clinical testing and studies of the Product; toxicology, pharmacokinetic and pharmacological studies; statistical analyses; assay development; protocol design and development; the preparation, filing and prosecution of any MAA for the Product; development activities directed to label expansion and/or obtaining Regulatory Approval for one or more additional indications following initial Regulatory Approval; development activities conducted after receipt of Regulatory Approval, including Phase 4 Clinical Trials; and all regulatory affairs related to any of the foregoing. "**Develop**" and "**Developing**" have correlative meanings.

1.22 "**Development Costs**" means the costs incurred by a Party or for its account, during the Term and pursuant to this Agreement, that are specifically directed (or reasonably allocable) to the Development of a Product. The Development Costs shall include amounts that a Party pays to Third Parties involved in the Development of a Product (at cost, and excluding any Third Party Royalties), and all internal costs (calculated on an FTE basis at the then-current FTE Rate) and out-of-pocket costs incurred by or on account of a Party in performing Development in accordance with the GDP.

1.23 "**Drug Master File**" means any (a) drug master files filed with the FDA with respect to the Product, (b) active substance master file (ASMF) filed with the EMA, and (c) equivalent filing in other countries in the Licensee Territory.

1.24 "**EMA**" means the European Medicines Agency or its successor.

1.25 "**EU**" means the European Economic Area and Switzerland.

1.26 "**Executive Officers**" the Chief Executive Officer of Exelixis and the Chief Executive Officer of Licensee.

1.27 "**Exelixis Know-How**" means all Know-How that Exelixis Controls as of the Effective Date or during the Term, including any Joint Inventions, that is necessary or reasonably useful for the Development, use, importation, offer for sale or sale of any Compound or Product in the Field in the Licensee Territory. The Exelixis Know-How includes the Exelixis Data.

1.28 "**Exelixis Patents**" means all Patents in the Licensee Territory that Exelixis Controls as of the Effective Date or during the Term (including any Joint Patents) that would be infringed, absent a license or other right to practice granted under such Patents, by the Development, use, importation, offer for sale or sale of any Compound or Product in the Field in the Licensee Territory (considering patent applications to be issued with the then-pending claims and considering Joint Patents as if owned solely by Exelixis). The Exelixis Patents existing as of the Effective Date are set forth in **Exhibit B**.

1.29 "**Exelixis Technology**" means the Exelixis Know-How and the Exelixis Patents, including Exelixis' interest in the Joint Inventions and Joint Patents.

1.30 "**Exelixis Territory**" means the U.S., Canada, and Japan.

1.31 "**Expanded Access Program**" means the administration of the Product to named individuals who do not meet the clinical trial enrollment criteria either outside of a clinical trial or after the completion of a clinical trial. Expanded Access Programs are also known as named patient programs, named patient supply, and temporary authorization for use.

1.32 "**Export Control Laws**" means all applicable U.S. laws and regulations relating to (a) sanctions and embargoes imposed by the Office of Foreign Assets Control of the U.S. Department of Treasury or (b) the export or re-export of commodities, technologies, or services, including the Export Administration Act of 1979, 24 U.S.C. §§ 2401-2420, the International

Emergency Economic Powers Act, 50 U.S.C. §§ 1701-1706, the Trading with the Enemy Act, 50 U.S.C. §§ 1 et. seq., the Arms Export Control Act, 22 U.S.C. §§ 2778 and 2779, and the International Boycott Provisions of Section 999 of the U.S. Internal Revenue Code of 1986 (as amended).

1.33 "**FCPA**" means the U.S. Foreign Corrupt Practices Act (15 U.S.C. Section 78dd-1, et. seq.), as amended.

1.34 "**FDA**" means the U.S. Food and Drug Administration or its successor.

1.35 "**Field**" means all indications and uses in humans and animals.

1.36 "**First Commercial Sale**" means, on a Product-by-Product and country-by-country basis, the earlier of (i) the First Commercial RCC Sale or (ii) first sale by Licensee or any of its Affiliates or Sublicensees to a Third Party for end use of Cometriq for the MTC indication in a given country in the Licensee Territory after Regulatory Approval has been granted with respect to such Product in such country.

1.37 "**First Commercial RCC Sale**" means, on a Product-by-Product and country-by-country basis, the first sale by Licensee or any of its Affiliates or Sublicensees to a Third Party for end use of a Product in a given country in the Licensee Territory after Regulatory Approval has been granted with respect to such Product in such country for the first indication approved by the relevant Regulatory Authority in the treatment of RCC (e.g., 2nd line therapy for RCC).

1.38 "**FTE**" means the equivalent of a full-time individual's work for a twelve (12) month period (consisting of a total of [*] hours per year of dedicated effort). Any person who devotes more or less than [*] hours per year on the applicable activities shall be treated as an FTE on a pro-rata basis, based upon the actual number of hours worked by such person on such activities, divided by [*]. For avoidance of doubt, the hours spent by Exelixis temporary workers and contractors on applicable activities may be treated as FTE on a pro-rata basis, but the hours allocated to the work of general corporate or administrative personnel shall not be incorporated into FTE.

1.39 "**FTE Rate**" means an initial rate of (a) with respect to Exelixis' personnel, [*] Dollars ($[*]) per FTE per year and (b) with respect to Licensee's personnel, [*] Euros (€[*]), which rate shall apply through December 31, 2016. Thereafter, the FTE Rate shall be changed annually on a Calendar Year basis to reflect any year-to-year percentage increase or decrease (as the case may be) (i) with respect to Exelixis, in the Consumer Price Index for All Urban Consumers for the U.S., as published by the U.S. Department of Labor, Bureau of Labor Statistics ("**CPI**"), and (ii) with respect to Licensee, in the French consumer price index as published by the French National Institute of Statistics and Economic Studies ("INSEE") available at insee.fr (both changes based on the change in the CPI from the most recent applicable index available as of the Effective Date to the most recent applicable index available as of the date of the calculation of such revised FTE Rate).

1.40 "**Future Exelixis Licensee**" means any licensee or Sublicensee of Exelixis (other than Licensee) to which a license or a sublicense with respect to Products is granted by Exelixis for all or any portion of the Exelixis Territory (*e.g.*, the U.S., Canada and/or Japan) or will be granted after the Effective Date.

1.41 "**Generic Product**" means, with respect to a Product in a particular regulatory jurisdiction, any pharmaceutical product that (a) contains the same active pharmaceutical ingredient(s) as such Product; (b) is approved by the Regulatory Authority in such country as a substitutable generic for such Product (for an indication for which such Product obtained Regulatory Approval from the applicable Regulatory Authority in such jurisdiction) on an expedited or abbreviated basis based on bioequivalence or interchangeability with the Product; and (c) is sold in such jurisdiction by a Third Party that is not a Sublicensee and did not purchase such product in a chain of distribution that included any of Exelixis, Licensee, or their respective Affiliates, licensees, or sublicensees.

1.42 "**Governmental Authority**" means any national, international, federal, state, provincial or local government, or political subdivision thereof, or any multinational organization or any authority, agency or commission entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power, any court or tribunal (or any department, bureau or division thereof, or any governmental arbitrator or arbitral body).

1.43 "**HCC**" means hepatocellular carcinoma.

1.44 "**ICH**" means the International Conference on Harmonization (of Technical Requirements for Registration of Pharmaceuticals for Human Use).

1.45 "**IND**" means an investigational new drug application or equivalent application filed with the applicable Regulatory Authority, which application is required to commence human clinical trials in the applicable country.

1.46 "**Initiation**" means, with respect to a Clinical Trial, the first dosing of the first human subject in such Clinical Trial.

1.47 "**Inventions**" means all inventions, whether or not patentable, discovered, made, conceived, or reduced to practice, in the course of activities contemplated by this Agreement.

1.48 "**Know-How**" means all technical information, know-how and data, including inventions, discoveries, trade secrets, specifications, instructions, processes, formulae, compositions of matter, cells, cell lines, assays, animal models and other physical, biological, or chemical materials, expertise and other technology applicable to, development, registration, use or marketing or to methods of assaying or testing them, and including all biological, chemical, pharmacological, biochemical, toxicological, pharmaceutical, physical and analytical, safety, nonclinical and clinical data, regulatory documents, data and filings, instructions, processes, formulae, expertise and information, relevant to the research, development, use, importation, offering for sale or sale of, or which may be useful in studying, testing, developing, Products. Know-How excludes Patents and manufacturing know-how of Compound or Product.

1.49 "**Licensee Know-How**" means all Know-How that Licensee or its Affiliate Controls [*], including any Joint Inventions, that is [*] for the research, Development, manufacture, use, importation, offer for sale or sale of any Compound or Product in the Field. The Licensee Know-How includes the Licensee Data.

1.50 "**Licensee Patents**" means all Patents that Licensee or its Affiliate Controls as of the Effective Date or during the Term (including any Joint Patents) that would be infringed, absent a license or other right to practice granted under such Patents, by the research, Development, manufacture, use, importation, offer for sale or sale of any Compound or Product (considering patent applications to be issued with the then-pending claims and considering Joint Patents as if owned solely by Licensee or its Affiliate).

1.51 "**Licensee Technology**" means the Licensee Know-How and the Licensee Patents, including Licensee's interest in the Joint Inventions and Joint Patents.

1.52 "**Licensee Territory**" means the world outside the Exelixis Territory.

1.53 "**MAA**" means a marketing authorization application or equivalent application, and all amendments and supplements thereto, filed with the applicable Regulatory Authority in any country or jurisdiction. For clarity, MAA does not include any application for Pricing and Reimbursement Approval.

1.54 "**MAA Approval**" means approval of an MAA by the applicable Regulatory Authority for marketing and sale of a Product in the applicable country or jurisdiction, but excluding any pricing and/or reimbursement approval.

1.55 **"Major Market Countries"** means [*].

1.56 "**Medical Affairs" or "Medical Affairs Activities**" means activities designed to ensure or improve appropriate medical use of, conduct medical education of, or further research regarding, the Product, including by way of example: (a) activities of medical scientific liaisons who, among their other functions, may: (i) conduct service based medical activities including providing input and assistance with consultancy meetings, proposing investigators for clinical trials sponsored or co-sponsored by a Party or Affiliate, and providing input in the design of such trials and other research related activities; and/or (ii) deliver non-promotional communications and conduct non-promotional activities; (b) grants to support continuing medical education, symposia, or Third Party research related to the Product; (c) development, publication and dissemination of publications relating to the Products; (d) medical information services provided in response to inquiries communicated via sales representatives or received by letter, phone call or email; (e) conducting advisory board meetings, international advisory board activities or other consultant programs, including the engagement of key opinion leaders and health care professional in individual or group advisory and consulting arrangements; and (f) the evaluation of applications submitted to Licensee for support of investigator-initiated trials.

1.57 "**MTC**" means medullary thyroid cancer.

1.58 "**Net Sales**" means, with respect to any Product, the gross amounts invoiced for sales or other dispositions of such Product by or on behalf of Licensee and its Affiliates and Sublicensees to Third Parties, less the following deductions to the extent included in the gross invoiced sales price for such Product or otherwise directly paid or incurred by Licensee or its Affiliates or Sublicensees, as applicable, with respect to the sale or other disposition of such Product:

(a) normal and customary trade and quantity discounts actually allowed and properly taken directly with respect to sales of such Product (provided that such discounts are not applied disproportionately to such Product when compared to the other products of Licensee or its Affiliate or Sublicensee, as applicable);

(b) credits or allowances given or made for rejection or return of previously sold Products or for retroactive price reductions and billing errors;

(c) rebates and chargeback payments granted to managed health care organizations, pharmacy benefit managers (or equivalents thereof), national, state/provincial, local, and other governments, their agencies and purchasers and reimbursers, or to trade customers;

(d) costs of freight, carrier insurance, and other transportation charges directly related to the distribution of such Product; and

(e) taxes, duties or other governmental charges (including any tax such as a value added or similar tax, other than any taxes based on income) directly levied on or measured by the billing amount for such Product, as adjusted for rebates and refunds.

Upon any sale or other disposition of any Product that should be included within Net Sales for any consideration other than exclusively monetary consideration on bona fide arms'-length terms, then for purposes of calculating Net Sales under this Agreement, such Product shall be deemed to be sold exclusively for money at the average sales price of the relevant Product in arm's length transactions during the applicable reporting period generally achieved for such Product in the country in which such sale or other disposition occurred when such Product is sold alone and not with other products (average sales price to be measured as the aggregate Product Net Sales divided by the aggregate number of units sold in such country).

In no event will any particular amount identified above be deducted more than once in calculating Net Sales. Sales of a Product between Licensee and its Affiliates or Sublicensees for resale shall be excluded from the computation of Net Sales, but the subsequent resale of such Product to a Third Party shall be included within the computation of Net Sales.

The supply of Product as samples, for use in non-clinical or clinical trials, or for use in any test or studies reasonably necessary to comply with any applicable laws, rules, or regulations or as is otherwise normal and customary in the industry shall not be included in the computation of Net Sales, so long as Licensee, its Affiliates, and Sublicensees do not receive payment for such Product in excess of the Cost of Goods of such Product.

1.59 "**NSCLC**" means non-small cell lung cancer.

1.60 "**Patents**" means (a) all patents, certificates of invention, applications for certificates of invention, priority patent filings and patent applications, and (b) any renewals, divisions, continuations (in whole or in part), or requests for continued examination of any of such patents, certificates of invention and patent applications, and any all patents or certificates of invention issuing thereon, and any and all reissues, reexaminations, extensions, supplementary protection certificates, divisions, renewals, substitutions, confirmations, registrations, revalidations, revisions, and additions of or to any of the foregoing.

1.61 "**Phase 1 Clinical Trial**" means a clinical trial in any country conducted in a small number of human volunteers designed or intended to establish an initial safety profile, pharmacodynamics, or pharmacokinetics of a Product. For clarity, a Phase 1 Clinical Trial may include studies conducted in oncology patients.

1.62 "**Phase 2 Clinical Trial**" means a clinical trial of a Product in human patients in any country to determine initial efficacy and safety and dose range finding. A Phase 2 Clinical Trial is typically conducted before embarking on a Phase 3 Clinical Trial, but may be registrational.

1.63 "**Phase 3 Clinical Trial**" means a pivotal clinical trial of a Product in human patients in any country with a defined dose or a set of defined doses of a Product designed to ascertain efficacy and safety of such Product for the purpose of submitting applications for Regulatory Approval to the competent Regulatory Authorities.

1.64 "**Phase 4 Clinical Trial**" means a product support clinical trial of a Product that is commenced after receipt of MAA Approval in the country where such trial is conducted. Phase 4 Clinical Trial may include epidemiological studies, modeling and pharmacoeconomic studies, post-marketing surveillance trials, and any such trials conducted as part of an Expanded Access Program.

1.65 "**Pricing and Reimbursement Approval**" means, with respect to a Product, the approval, agreement, determination or decision of any Governmental Authority establishing the price or level of reimbursement for such Product, as required in a given country or jurisdiction prior to sale of such Product in such jurisdiction.

1.66 "**Product**" means any pharmaceutical product containing the Compound as an active ingredient, in any form, presentations, dosage or formulation, including but not limited to Cometriq. For purposes of this Agreement, all formulations of single-agent Product containing the Compound shall be considered the same Product, and all formulations of combination product, if any, containing the same set of active agents shall be considered the same Product.

1.67 "**Public Official or Entity**" means (a) any officer, employee (including physicians, hospital administrators, or other healthcare professionals), agent, representative, department, agency, de facto official, representative, corporate entity, instrumentality or subdivision of any government, military or international organization, including any ministry or

department of health or any state-owned or affiliated company or hospital, or (b) any candidate for political office, any political party or any official of a political party.

1.68 "**RCC**" means renal cell carcinoma.

1.69 "**Region**" means, individually and collectively, the following regions: [*].

1.70 "**Regulatory Approval**" means any and all approvals (including MAA Approval, and Pricing and Reimbursement Approval, if applicable), licenses, registrations, permits, notifications and authorizations (or waivers) of any Regulatory Authority that are necessary for the manufacture, use, storage, import, transport, promotion, marketing, distribution, offer for sale, sale or other commercialization of a Product in any country or jurisdiction.

1.71 "**Regulatory Authority**" means any Governmental Authority that has responsibility in its applicable jurisdiction over the testing, development, manufacture, use, storage, import, transport, promotion, marketing, distribution, offer for sale, sale or other commercialization of pharmaceutical products in a given jurisdiction, including the FDA and EMA. For countries where governmental approval is required for pricing or reimbursement for a pharmaceutical product to be reimbursed by national health insurance (or its local equivalent), Regulatory Authority shall also include any Governmental Authority whose review or approval of pricing or reimbursement of such product is required.

1.72 **"Regulatory Exclusivity"** means any exclusive marketing rights or data exclusivity rights conferred by any Regulatory Authority with respect to a Product other than patents, including, without limitation, rights conferred in the U.S. under the Hatch-Waxman Act or the FDA Modernization Act of 1997 (including pediatric exclusivity), or rights similar thereto outside the U.S., such as Directive 2001/83/EC (as amended) in the EU.

1.73 "**Regulatory Filing**" means all applications, filings, submissions, approvals, licenses, registrations, permits, notifications and authorizations (or waivers) with respect to the testing, Development, manufacture or Commercialization of any Product made to or received from any Regulatory Authority in a given country, including any INDs and MAAs.

1.74 "**Safety Data**" means Data related solely to any adverse drug experiences and serious adverse drug experience as such information is reportable to Regulatory Authorities. Safety Data also includes "adverse events", "adverse drug reactions" and "unexpected adverse drug reactions" as defined in the ICH Harmonised Tripartite Guideline for Clinical Safety Data Management: Definitions and Standards for Expedited Reporting.

1.75 "**SEC**" means the U.S. Securities and Exchange Commission, or any successor entity or its foreign equivalent such as the French *Autorités des Marchés Financiers* or otherwise, as applicable.

1.76 "**Sponsor**" means the Party that takes the ultimate responsibility for the initiation, performance and management of, including financing or arranging the financing for, the appropriate Clinical Trial.

1.77 "**Stockout Period**" means a period during which Licensee, as a result of failure of Exelixis to supply Product, has no commercial inventory available to supply the market in the Licensee Territory. Inventory stockouts arising from Licensee's failure to maintain the [*] safety stock in accordance with the Supply Agreement shall not give rise to a Stockout Period.

1.78 "**Sublicensee**" means a Third Party to whom Licensee grants a sublicense to Develop, use, import, promote, offer for sale or sell any Product in the Field in the Licensee Territory, beyond the mere right to purchase Products from Licensee and its Affiliates, and excluding wholesalers, full-service distributors that do not promote the sale of the Product, and other similar physical distributors. In no event shall Exelixis or any of its Affiliates be deemed a Sublicensee.

1.79 "**Third Party**" means any entity other than Exelixis or Licensee or an Affiliate of Exelixis or Licensee.

1.80 "**Tier 1 Additional Indication**" means [*].

1.81 "**Tier 2 Additional Indication**" means any line of therapy for [*].

1.82 "**Top 5 EU**" means the United Kingdom, Germany, France, Spain, and Italy.

1.83 "**U.S.**" means the United States of America, including its territories and possessions (including Puerto Rico).

1.84 "**Valid Claim**" means (a) a claim of an issued and unexpired patent that has not been revoked or held unenforceable, unpatentable or invalid by a decision of a court or other governmental agency of competent jurisdiction that is not appealable or has not been appealed within the time allowed for appeal, and that has not been abandoned, disclaimed, denied or admitted to be invalid or unenforceable through reissue, re-examination or disclaimer or otherwise, or (b) a claim of a pending patent application that has not been cancelled, withdrawn or abandoned or finally rejected by an administrative agency action from which no appeal can be taken and that has not been pending for more than [*].

1.85 Additional Definitions. The following table identifies the location of definitions set forth in various Sections of the Agreement:

Defined Terms	**Section**
Acquisition Transaction	17.8(b)
Alliance Manager	3.8
Allowable Increases	4.5(b)
Auditor	10.4
Beneficial Party	9.2(e)
Change of Control	2.9(b)
Claim	13.3
Commercialization Plan	6.2

Defined Terms	Section
Competing Program	2.9(a)
Compound Invention	11.1(b)(i)
Development Budget	4.2
Disputed Matter	16.2
Divest	2.8(c)
Excess Funds	4.5(a)
Exelixis Data	11.1(a)
Exelixis Entity	17.8(a)(i)(1)
Exelixis Indemnitee	13.2
Exelixis Only Development Work	4.5(e)
Global Development Plan or GDP	4.2
Indemnitee	13.3
Indemnitor	13.3
Independent Work	4.3
Independent Work Cost	9.2(c)
Initial Committed Studies	4.5(a)
Injunctive Relief	16.3(b)
Licensee Data	11.1(a)
Licensee Indemnitee	13.1
Licensee Only Development Work	4.5(e)
Joint Commercialization Committee or JDC	3.3
Joint Development Committee or JDC	3.2
Joint Steering Committee or JSC	3.1
Joint Inventions	11.1(b)(ii)
Joint Patents	11.1(b)(ii)
Losses	13.1
Materials	4.14
PV Costs	5.5
Pharmacovigilance Agreement	5.6
Product Infringement	11.3(a)
Product Marks	11.7(a)
Promotional Materials	6.4(c)
Recall	5.10
Regulatory Meeting	5.4
Royalty Term	9.5(c)
Sales Forecast	6.3(c)
Sobi	5.2
Sobi Agreement	8.1
Sole Inventions	11.1(b)(ii)
Standstill Period	17.8(a)
Sunshine Reporting Laws	5.11
Supply Agreement	7.1

Defined Terms	Section
Supply Contacts	3.9
Term	15.1
TMC	5.2
Withholding Tax Action	10.3(c)

2. GRANT OF LICENSES

2.1 Licenses Granted to Licensee. Subject to the terms and conditions of this Agreement (including Section 8.1), Exelixis hereby grants to Licensee, during the Term:

(a) an exclusive (even as to Exelixis, except as expressly set forth herein), royalty-bearing license, with the right to grant sublicenses solely as provided in Section 2.2, under the Exelixis Technology to use, sell, offer for sale, import and otherwise Commercialize (but not to make or have made) the Products in the Field and in the Licensee Territory; and

(b) a non-exclusive license, with the right to grant sublicenses solely as provided in Section 2.2, under the Exelixis Technology to Develop (but not to make or have made) the Products on a worldwide basis under the GDP, and to use the Products for that purpose. Exelixis agrees not to grant any further license to Develop the Products except to Future Exelixis Licensees.

2.2 Sublicenses. Licensee shall have the right to grant sublicenses under the licenses granted in Section 2.1:

(a) to an Affiliate of Licensee without Exelixis' express prior written consent and without providing any written notice to Exelixis, *provided that* such sublicense will terminate if such sublicensee no longer qualifies as an Affiliate of Licensee.

(b) to any Third Party distributor identified on **Exhibit C** attached hereto (which list of approved distributors shall be agreed upon by the Parties within thirty (30) days following the Effective Date) without Exelixis' express prior written consent, *provided that* Licensee does not have an Affiliate that is then engaged in selling pharmaceutical products in such sublicensed territory.

(c) to any Third Party distributor not listed in **Exhibit C** without Exelixis' express prior written consent, *provided that* (i) Licensee does not have an Affiliate that is then engaged in selling pharmaceutical products in such sublicensed territory; (ii) Licensee has conducted a reasonable investigation of such Third Party and believes that such Third Party is qualified and competent, and such Third Party annually certifies its compliance with, and actually complies with, Applicable Laws and other applicable requirements, (iii) such Third Party is then engaged in the promotion and commercialization of oncology products, and (iv) Licensee is then using such Third Party for distribution of pharmaceutical products other than Products; and *provided further that* Licensee notifies Exelixis in writing [*] days' in advance of

granting such sublicense specifying (x) the name of such Third Party and the country(ies) such sublicense will cover, and (y) that Licensee has met the conditions set forth in (ii) – (iv). If Exelixis believes Licensee should not grant such sublicense to such Third Party, it may direct such concern and any documentation supporting such concern to the JSC for discussion.

(d) to a Third Party other than as set forth in (b) and (c) with Exelixis' express prior written consent.

All sublicenses granted under the licenses granted in Section 2.1 shall be in writing and shall be subject to, and consistent with, the terms and conditions of this Agreement and shall provide that any such Sublicensee (for clarity, including any distributor) shall not further sublicense except with the consent of Licensee and Exelixis. Licensee shall ensure that each agreement with a Sublicensee grants Exelixis all rights with respect to Data, Inventions and Regulatory Filings made or generated by such Sublicensee as if such Data, Inventions and Regulatory Filings were made or generated by Licensee. Licensee shall be responsible for the compliance of its Affiliates, Sublicensees (for clarity, including any distributors), and subcontractors with the terms and conditions of this Agreement. Licensee shall provide written notice to Exelixis of each sublicense granted to a Third Party hereunder, specifying the name of the Sublicensee, the territory, and the duration of the sublicense.

Licensee agrees that in countries where it is not Commercializing Products through its Affiliates, it will only contract with Third Party distributors who satisfy the conditions of paragraphs (b), (c), or (d) above, whether or not a sublicense of rights hereunder is actually required.

2.3 Reserved Rights. Exelixis hereby expressly reserves:

(a) the right under Exelixis Technology to exercise its rights and perform its obligations under this Agreement, whether directly or through one or more licensees or subcontractors, including the right to Develop the Compound and Products in the Licensee Territory under the GDP; and

(b) subject to Section 2.8, all rights to practice, and to grant licenses under, the Exelixis Technology outside of the scope of the licenses granted in Section 2.1, including the exclusive right to make and have made the Compound and Products anywhere in the world, and the exclusive rights to practice the Exelixis Patents and Exelixis Know-How with respect to compounds and products other than Compound and Products.

2.4 Licenses Granted to Exelixis. Subject to the terms and conditions of this Agreement, Licensee hereby grants to Exelixis:

(a) an exclusive (even as to Licensee, except as expressly set forth herein), royalty-free, fully paid-up license, with the right to sublicense (provided that any such sublicensee may only grant a further sublicense at two tiers), under the Licensee Technology to use, sell, offer for sale, import and otherwise Commercialize the Products in the Field in the Exelixis Territory;

(b) a co-exclusive, royalty-free, fully paid-up license, with the right to sublicense (provided that any such sublicensee may only grant a further sublicense at two tiers), under the Licensee Technology to Develop the Compound and Products on a worldwide basis under the GDP; and

(c) an exclusive (even as to Licensee), royalty-free, fully paid-up license, with the right to sublicense (provided that any such sublicensee may only grant a further sublicense at two tiers), under the Licensee Technology to make and have made the Compound and Products anywhere in the world.

(d) Sublicenses: Exelixis shall have the right to grant sublicenses under the licenses granted in Section 2.4

(1) without Licensee's consent and without providing any written notice to Licensee if such sublicense is granted to an Affiliate; and

(2) without Licensee's prior written consent, *provided* however that a written notice is sent to Licensee for Licensee's information if such sublicense is granted to Third Parties to manufacture the Product and *provided further that* such Third Party is qualified and certified to manufacture the Product in such country in accordance with Applicable Laws and other applicable requirements.

2.5 No Implied Licenses; Negative Covenant. Except as set forth in this Agreement, neither Party shall acquire any license or other intellectual property interest, by implication or otherwise, under or to any Patents, Know-How or other intellectual property owned or controlled by the other Party. Neither Party shall, nor shall it permit any of its Affiliates or sublicensees to, practice any Patents or Know-How licensed to it by the other Party outside the scope of the licenses granted to it under this Agreement.

2.6 Disclosure of Know-How. For as long as the Parties are conducting Development activities under the GDP, Exelixis shall, without additional compensation, disclose and make available to Licensee, in electronic form where, all Exelixis Know-How that comes into existence after the Effective Date and that was not previously provided to Licensee, promptly after the development, making, conception or reduction to practice of such Exelixis Know-How. For as long as the Parties are conducting Development activities under the GDP, Licensee shall and shall cause its Affiliates to, without additional compensation, disclose and make available to Exelixis, in electronic form where possible, any Licensee Know-How not previously provided to Exelixis, and promptly after the earlier of the development, making, conception or reduction to practice of such Licensee Know-How. The JDC and JCC shall each establish a mechanism for the reciprocal disclosure of Know-How within its respective area of responsibility.

2.7 Third Party Licenses.

(a) If Exelixis enters into any agreement with a Third Party after the Effective Date that includes a license from such Third Party to Exelixis under any Know-How or Patents

that are necessary or reasonably useful to Develop, use, sell, offer for sale or import the Products in the Field and in the Licensee Territory, then Exelixis shall notify Licensee, identifying the relevant Know-How or Patents, by providing Licensee with the substantive terms of the applicable Third Party license agreement to Licensee, to the extent applicable to the rights that would be sublicensed to Licensee, which Exelixis hereby agrees to do. Such Know-How and Patents, to the extent falling within the definition of Exelixis Technology, will be sublicensed to Licensee if Licensee provides Exelixis with written notice in which (i) Licensee consents to adding such Patents and Know-How to the definition of Exelixis Technology, (ii) Exelixis and Licensee, acting reasonably in good faith, agree on the terms and conditions of the payments that would be owed under such license agreement as a result of Exelixis' granting a sublicense to Licensee or Licensee's practice thereunder, including Licensee's and its Affiliates' and Sublicensees' Development, use, sale, offer for sale and importation of the Compound and Products in the Field and in the Licensee Territory, and a reasonable allocation of all other payments under such license agreement, and to make all payments when due and provide all reports required under such license agreement; and (iii) Licensee acknowledges in writing that its sublicense under such license agreement is subject to the terms and conditions of such license agreement.

(b) Licensee shall promptly notify Exelixis if it becomes aware of any Third Party Know-How or Patents that are necessary or reasonably useful to Develop, make, have made, use, sell, offer for sale or import the Compound and Products in the Field, and shall give Exelixis the first right to negotiate and obtain a license from such Third Party under such Know-How or Patents. Except with the prior written consent of the other Party, neither Party shall obtain a license to Third Party Patents or Know-How that is necessary or reasonably useful to Develop, make, have made, use, sell, offer for sale or import the Products, for use with the Products in the other Party's territory, unless it obtains the right to sublicense such rights to the other Party.

2.8 Exclusivity.

(a) Subject to Section 2.8(c) below, for the period starting from the Effective Date and for [*] following [*], neither Party (nor any of its Affiliates) shall, directly or indirectly (including through a Third Party), [*] (a "**Competing Program**").

(b) Subject to Section 2.8(c) below, for the period starting from the Effective Date and [*] following [*], neither Party (nor any of its Affiliates) shall, directly or indirectly (including through a Third Party) [*] any Competing Program [*].

(c) In the event that a Third Party becomes an assignee of this Agreement, or an Affiliate of a Party after the Effective Date through merger, acquisition, consolidation or other similar transaction, and such Third Party, as of the closing date of such transaction, is engaged in the conduct of a Competing Program:

(i) if such transaction [*], [*] shall have the right to terminate the Agreement as provided herein. [*] shall have [*] following the announcement of such transaction to give written notice to [*] of its intent to terminate the Agreement, such

termination to be effective [*] after receipt of notice of termination (but only after completion of the transaction with such entity having a Competing Product) unless [*] notifies [*] within [*] of receipt of the notice of termination of its decision to (a) Divest any such Competing Product to a Third Party, (b) discontinue the Competing Program, or (c) acting reasonably and in good faith agree with [*] and such assignee or new Affiliate to find a mutually acceptable agreement whereby they can, on compliance with Applicable Laws, jointly exploit such Competing Product together with the Product. Such disposition shall be completed within [*] of completion of any such sale or Change of Control transaction. During the [*], such assignee or new Affiliate (as the case may be) shall have the right to continue the Competing Program and such continuation shall not constitute a breach of such Party's exclusivity obligations set forth above; provided that such assignee or new Affiliate (as the case may be) conducts the Competing Program independently of the activities of this Agreement and does not use any [*] in the conduct of the Competing Program. In the event this Agreement is terminated in accordance with the foregoing, neither Party shall [*];

(ii) if such transaction [*], then such assignee or new Affiliate shall continue to Develop and Commercialize the Product using a level of Commercially Reasonable Efforts that assumes the Competing Program was not acquired and shall, within [*] after the closing of such Change of Control transaction: (a) Divest the Competing Program to a Third Party, or (b) discontinue the Competing Program. During the [*] period, such assignee or new Affiliate (as the case may be) shall continue to fulfill its obligations under this Agreement in all respects, shall conduct Competing Program activities independently of the activities pursuant to this Agreement and shall not use any [*] in the conduct of the Competing Program;

(iii) if such transaction [*], then such Party and its new Affiliate shall have [*] from the closing date of such transaction to wind down or complete the Divesture of the Competing Program; during this period, the Party's conduct of the Competing Program shall not deemed a breach of the exclusivity obligations set forth above, provided that the Party continues to fulfill its obligations under this Agreement in all respects, conducts its Competing Program activities independently of the activities pursuant to this Agreement and does not use: (A) any [*] or (B) [*], in each case in the conduct of such Competing Program. For clarity, if such Party completely winds down the Competing Program within the [*] time period, it shall be allowed to divest the Competing Program later, provided that it does not restart the Competing Program.

As used in this Section 2.8(c), "**Change of Control**" means, with respect to a Party: (1) a merger, reorganization or consolidation involving such Party in which the voting securities of such Party outstanding immediately prior thereto cease to represent at least fifty percent (50%) of the combined voting power of the surviving entity immediately after such merger, reorganization or consolidation; or (2) a person or entity, or group of persons or entities acting in concert, acquire more than fifty percent (50%) of the voting equity securities or management control of such Party; and "**Divest**" means the sale or transfer of rights to the Competing Program to a Third Party without receiving a continuing share of profit, royalty payment or other economic interest in the success of such Competing Program.

(d) During the Term of this Agreement, neither Party (nor any of its Affiliates) shall, directly or indirectly (including through a Third Party), commercialize the Product or any Generic Product of any Product in the other party's territory.

3. GOVERNANCE

3.1 Joint Steering Committee. As of the Effective Date, the Parties have established a joint steering committee (the "**Joint Steering Committee**" or the "**JSC**"), composed of an equal number of up to [*] senior officers of each Party, to oversee and guide the strategic direction of the collaboration of the Parties under this Agreement. The JSC shall act as a joint consultative body and to the extent expressly provided herein, a joint decision-making body. The JSC shall in particular:

(a) provide a forum for discussion of the Development and Commercialization of the Compound and Products in the Licensee Territory and the Exelixis Territory;

(b) review and approve the global strategy for the Development of the Product worldwide and review and approve any proposed amendments to the GDP, including corresponding budgets, following recommendation by the JDC;

(c) review and approve the Commercialization Plans for the Licensee Territory, including proposed amendments, following recommendation by the JCC;

(d) review and approve Sales Forecasts (and corrective plans, if any) submitted by Licensee pursuant to Section 6.3(c), following recommendation by the JCC;

(e) review the manufacturing and supply strategy, supply performance and Cost of Goods, including periodic review of worldwide order forecasts for the Product to avoid supply shortage and unfavorable treatment of Licensee's supply requirements disproportionate to those of Exelixis and Future Exelixis Licensees on the basis of their respective volumes;

(f) review and approve any recommendations of the JCC not to launch (or to significantly delay the launch of) a Product in a particular country of the Licensee Territory;

(g) review and approve coordinated activities under global brand strategies for the Products in each of the Parties' territories, following recommendation by the JCC;

(h) approve decisions of the JDC, JCC and any other joint subcommittee established by JSC, including appointment of memberships, membership changes, and resolving any disputed matter submitted to it by such Committees;

(i) establish additional joint subcommittees as it deems necessary or advisable to further the purpose of this Agreement, including approving establishment and membership of subcommittees if proposed by the JDC or JCC; and

(j) perform such other functions as appropriate to further the purposes of this Agreement, as expressly set forth in this Agreement or allocated to it by the Parties' written agreement, including providing financial oversight of the activities conducted pursuant to this Agreement.

For clarity, any information sharing of Commercialization matters regarding the Exelixis Territory shall be for solely for purposes of the coordination of the Parties' activities, and Exelixis shall retain all decision making authority with respect to such matters without requiring any approvals except as expressly provided in Sections 14.4 and 14.5.

3.2 Joint Development Committee. As of the Effective Date, the Parties have established a joint Development, Medical Affairs, and regulatory committee (the "**Joint Development Committee**" or the "**JDC**"), composed of up to [*] representatives of each Party, to monitor and coordinate the Development of, and Medical Affairs Activities connected with, the Compound and Products at the operational level. Each JDC representative shall have knowledge and expertise in the clinical development of products similar to the Products. The JDC shall in particular:

(a) report to the JSC on all significant Development activities, including implementation of the GDP, and on the activities of the JDC;

(b) coordinate and monitor the Development activities of the Parties under the GDP and oversee implementation of the GDP;

(c) provide a forum for and facilitate communications between the Parties with respect to the Development of Products in the Licensee Territory and the Exelixis Territory, including sharing of Development information and Data in accordance with Section 4.7(a);

(d) elaborate, review and approve clinical trial protocols, including investigator-initiated and cooperative group clinical trial plans and protocols, and statistical analysis plans for Clinical Trials (and any amendments thereto) in the Exelixis and Licensee Territories and monitor the progress of the clinical studies;

(e) define areas of permissible scientific and medical inquiry and parameters for Phase 4 Clinical Trials in the Exelixis and Licensee Territories;

(f) review Data resulting from Phase 1/1b/2 Clinical Trials against go/no-go criteria in the GDP to determine progression to a Phase 3 Clinical Trial;

(g) review Data resulting from Phase 3 Clinical Trials against go/no-go criteria in the GDP to determine progression to submission of Regulatory Filing;

(h) prepare amendments to the GDP (including the Development Budget) and submit such amendments to the JSC for approval;

(i) monitor and coordinate all regulatory actions worldwide, communications and submissions for the Compound and Products under the GDP and pharmacovigilance and safety matters worldwide;

(j) establish joint working groups (such clinical, regulatory and safety) as it deems necessary or appropriate to oversee the day-to-day management of different aspects of the Development work under the GDP;

(k) oversee and coordinate the Medical Affairs Activities for the Product in all indications, which shall be subject to a Medical Affairs portion of the GDP and may be coordinated through a Medical Affairs working group established and overseen by the JDC;

(l) oversee and coordinate decisions related to research or Development of new indications, characterization and Development of bio-markers (if any), which may be coordinated through a Medical Affairs working group established and overseen by the JDC;

(m) review activities related to pharmaceutical development, Phase 3 Clinical Trial active ingredient and drug product new campaigns (i.e., chemical process scale-up/optimization (if needed) and micronization process study, manufacturing, QC testing and release of GMP batches of active ingredient and drug product as needed for Phase 3 Clinical Trial, in particular, review and approval of the protocols on manufacturing, micronization, scale-up plan and process optimization;

(n) maintain and review the "Company Core Data Sheet", which shall cover material relating to safety, indications, dosing, pharmacology and other information concerning the Product including Company Core Safety Information;

(o) coordinate the supply of the Compound and Products to Licensee for Development use;

(p) oversee and facilitate the Parties' communications and activities with respect to publications under Section 14.4;

(q) establish and supervise the global publication strategy with respect to the Compound and Products;

(r) perform such other functions as may be appropriate to further the purposes of this Agreement with respect to the Development of Products, including endeavoring to resolve any disputes between the Parties arising from the deliberations of the JDC, or as otherwise directed by the JSC.

3.3 Joint Commercialization Committee. As of the Effective Date, the Parties have established a joint commercialization committee (the "**Joint Commercialization Committee**" or the "**JCC**"), composed of up to [*] representatives of each Party, to monitor and discuss the Commercialization of Products at the operational level. Each JCC representative shall have

knowledge and expertise in the commercialization of products similar to Products. The JCC shall in particular:

(a) report to the JSC on all significant Commercialization activities in the Licensee Territory, including implementation of the Commercialization Plan, and on the activities of the JCC;

(b) review, discuss and approve the Commercialization Plans and related activities with respect to the Commercialization of Products in the Licensee Territory;

(c) provide a forum for and facilitate communications and coordination between the Parties with respect to the Commercialization of Products in the Licensee Territory and the Exelixis Territory;

(d) on an annual basis, review and approve Licensee's Sales Forecast prepared pursuant to Section 6.3(c) as well as any corrective plans submitted thereunder;

(e) review and approve any recommendation by Licensee not to launch (or to significantly delay the launch of) any Product in any country of the Licensee Territory;

(f) review and discuss the major findings of Licensee's market research with respect to any Product in the Licensee Territory;

(g) provide input to the JDC on the global publication strategy with respect to the Products and implement such strategy under supervision of the JDC once it has been established;

(h) review and oversee the branding and product positioning strategy for Products in the Licensee Territory;

(i) establish pricing corridors for Products in the Licensee Territory for the purpose of reimbursement and potential international pricing reference by relevant Regulatory Authorities;

(j) define and coordinate medical messaging worldwide with respect to the Products;

(k) oversee and facilitate the Parties' communications and activities with respect to publications under Section 14.4;

(l) design a global brand strategy for the Licensee Territory (e.g., a four-year brand plan, resource plan, , etc.) and submit such strategy to the JSC for review and approval;

(m) discuss and coordinate the manufacture and supply of the Products to Licensee for Commercial use; and

(n) perform such other functions as may be appropriate to further the purposes of this Agreement with respect to the Commercialization of Products, including endeavoring to resolve any disputes between the Parties arising from the deliberations of the JCC, or as otherwise directed by the JSC.

3.4 Executive Committee. Each Party shall designate an appropriate senior executive officer of Exelixis and/or Licensee (e.g., CEO or members of each Party's executive committee) to meet once a year to discuss strategic issues and other issues that either Party deems important to maintain a successful partnership and collaboration.

3.5 Committee Membership and Meetings.

(a) Committee Members. Each Committee representative shall have appropriate knowledge and expertise and sufficient seniority within the applicable Party to make decisions arising within the scope of the applicable Committee's responsibilities. Each Party may replace its representatives on any Committee on written notice to the other Party, but each Party shall strive to maintain continuity in the representation of its Committee members. The [*]. [*]. The chairperson shall prepare and circulate agendas to Committee members at least seven (7) days before each Committee meeting and shall direct the preparation of reasonably detailed minutes for each Committee meeting, which shall be approved by the chairperson and circulated to Committee members within thirty (30) days of such meeting. The initial members of each of the JSC, JCC and JDC shall be determined by the Parties promptly following the Effective Date.

(b) Meetings. Each Committee shall hold meetings at such times as it elects to do so, but in no event shall meetings of the JDC and JCC be held less frequently than once every [*], and meetings of the JSC once every [*], during the [*] following the Effective Date and then the Parties may decide to reduce the frequency of the Committee meetings. The first JSC meeting, first JDC meeting, and first JCC meeting shall be held within [*] after the Effective Date, at which meetings the dates for the first calendar year shall be set. Meetings of any Committee may be held in person, or by audio or video teleconference; provided that unless otherwise agreed by both Parties at least [*] meetings per year shall be held in person during the first [*] following the Effective Date, and, for the subsequent years of the Term, at least one (1) meeting per year of each Committee shall be held in person. In-person Committees shall be held at locations alternately selected by the Parties. Each Party shall be responsible for all of its own expenses of participating in any Committee meetings. No action taken at any meeting of a Committee shall be effective unless at least one (1) representative of each Party is participating. In addition, upon written notice to the other Party, either Party may request that a special *ad hoc* meeting of the JSC be convened for the purpose of resolving any disputes in connection with, or for the purpose of reviewing or making a decision pertaining to any material subject-matter within the scope of the JSC, the review or resolution of which cannot be reasonably postponed until the following scheduled JSC meeting. Such *ad hoc* meeting shall be convened at such time as may be mutually agreed by the Parties, but no later than [*] following the notification date of request that such meeting be held.

(c) Non-Member Attendance. Each Party may from time to time invite a reasonable number of participants, in addition to its representatives, to attend the Committee meetings in a non-voting capacity; provided that if either Party intends to have any Third Party (including any consultant) attend such a meeting, such Party shall provide reasonable prior written notice to the other Party and obtain the other Party's approval for such Third Party to attend such meeting, which approval shall not be unreasonably withheld or delayed. Such Party shall ensure that such Third Party is bound by written confidentiality and non-use obligations consistent with the terms of this Agreement.

3.6 Decision-Making.

(a) All decisions of each Committee shall be made by unanimous vote, with each Party's representatives collectively having one (1) vote. If after reasonable discussion and good faith consideration of each Party's view on a particular matter before a Committee, the representatives of the Parties cannot reach an agreement as to such matter within [*] after such matter was brought to such Committee for resolution, then, except as provided in Section 3.6(c), if such disagreement arose within the JDC or JCC, it shall be referred to the JSC for resolution. If the JSC cannot resolve such matter within [*], or if the disagreement first arose within the JSC, then either Party at any time may refer such issue to the Executive Officers for resolution.

(b) If the Executive Officers cannot resolve such matter within [*] after such matter has been referred to them, then:

(i) Exelixis shall have the final decision making authority, which shall be exercised in its reasonable discretion, with respect to Development matters, except for:

(1) the addition of [*], the cost of which would be [*]; and,

(2) any material modification to a [*]; for the purpose of this clause, "material modification" means any material changes to the agreed upon [*].

(ii) [*] shall have the final decision making authority, which shall be exercised in its reasonable discretion, with respect to (1) [*], except with respect to the decision [*] a particular Product in a country, (2) Medical Affairs [*], and (3) regulatory matters [*] that do not affect the [*]; provided that [*] decision shall be consistent with the terms and conditions of this Agreement, including without limitation Section 6.4(b) regarding pricing, and Section 6.3(c) regarding sales forecasts.

(iii) Neither Party shall have the final decision making authority with respect to the matters in Sections 3.6(b)(i)(1) and (2) or with respect to the decision not to [*] a particular Product in a particular country [*], and the status quo shall persist with respect to such matter if the Parties are unable to agree.

(c) Notwithstanding Section 3.6(a), [*] representative shall have the deciding vote on all tactical [*] matters for the Products [*], and such matter shall not be subject to

escalation to [*]; provided that such decision does not directly affect [*] and such decision shall be consistent with the terms and conditions of this Agreement.

3.7 Limitations on Authority. Each Committee shall have only such powers as are expressly assigned to it in this Agreement, and such powers shall be subject to the terms and conditions of this Agreement. Without limiting the generality of the foregoing, no Committee will have the power to amend this Agreement, and no decision of a Committee may be in contravention of any terms and conditions of this Agreement.

3.8 Discontinuation of Committees. The activities to be performed by each Committee shall solely relate to governance under this Agreement, and are not intended to be or involve the delivery of services. Each Committee shall continue to exist until the first to occur of: (a) the Parties mutually agree to disband such Committee; or (b) Exelixis provides written notice to Licensee of its intention to disband and no longer participate in such Committee. Once the Parties mutually agree or Exelixis has provided written notice to disband such Committee, such Committee shall have no further obligations under this Agreement and, thereafter, each Party shall designate a contact person for the exchange of information under this Agreement or such exchange of information shall be made through Alliance Managers, and decisions of such Committee shall be decisions as between the Parties, subject to the other terms and conditions of this Agreement.

3.9 Alliance Managers. Promptly after the Effective Date, each Party shall appoint an individual who shall be an employee of such Party having appropriate qualification and experience to act as the alliance manager for such Party (the "**Alliance Manager**"). Each Alliance Manager shall be responsible for coordinating and managing processes and interfacing between the Parties on a day-to-day basis throughout the Term. The Alliance Manager will ensure communication to the JSC of all relevant matters raised at the JDC, the JCC and at any joint subcommittees and project teams. Each Alliance Manager shall be permitted to attend meetings of the JSC and other Committees as appropriate as non-voting participants. The Alliance Managers shall be the primary contact for the Parties regarding the activities contemplated by this Agreement and shall facilitate all such activities hereunder. Each Party may replace its Alliance Manager with an alternative representative at any time with prior written notice to the other Party. Any Alliance Manager may designate a substitute to temporarily perform the functions of that Alliance Manager. Each Alliance Manager shall be charged with creating and maintaining a collaborative work environment within the JSC and its subcommittees. Each Party shall bear its own costs of its Alliance Manager, which costs shall be excluded from the Parties' respective Development and manufacturing costs.

3.10 Supply Contacts. Each Party shall designate one (1) qualified and experienced supply chain professional to serve as that Party's primary supply contact regarding the supply of Compound and Products within this Agreement ("**Supply Contacts**") and under the direction of the JCC. Each Party may replace its Supply Contact with an alternative representative at any time with prior written notice to the other Party. Supply Contacts shall be responsible for facilitating information exchange and discussion between the Parties regarding the supply of Compound and Products under this Agreement. [*]. Each Party shall bear its own costs of its

Supply Contact, which costs shall be excluded from the Parties' respective Development and Cost of Goods.

4. DEVELOPMENT

4.1 Overview. Subject to the terms and conditions of this Agreement, the Parties will collaborate with respect to the Development of the Compound and Products and share the Data resulting from such collaboration to facilitate the Development of the Compound and Products throughout the Licensee Territory and the Exelixis Territory.

4.2 Development Plan. The Development of the Compound and Products under this Agreement (including the development of the Compound and any Product as a combination product or combination therapy with another product and/or therapy), including Independent Work and Licensee Only Development Work, shall be conducted only pursuant to a comprehensive written global Development plan (the "**Global Development Plan**" or "**GDP**"), which shall be incorporated by reference as part of this Agreement. The GDP shall set forth the timeline and details (including line of therapy, tumor type, primary endpoints, approximate patient size, combination agents and comparator agents) of all preclinical and clinical Development activities to be conducted by the Parties as necessary to generate Data sufficient to meet the common requirements of both the EMA and FDA for MAA Approval of the Compound and Products for RCC, HCC, and other indications agreed upon by the Parties. The GDP may also include any other Development activities approved by the JSC, including parameters for permissible scientific inquiry in Phase 4 Clinical Trials. The GDP will include Clinical Trials that the Parties are committed to conducting (unless modification is required by a Regulatory Authority or any local or regional IRB/ethics committee, or is reasonably necessary to protect patient safety) as well as Clinical Trials that will be decided by the JDC and JSC based on Data and results obtained after the Effective Date and the Parties' review of the future competitive landscape. The GDP shall include a coordinated Development and regulatory strategy, including the Parties' respective roles in the Development of the registration dossier and Regulatory Filings for the Products and the countries in which Development of the Products will occur. The GDP shall also set forth the detailed budget of the anticipated costs for such Development activities (the "**Development Budget**") on a study-by-study or Clinical Trial-by-Clinical Trial basis. As of the Effective Date, the Parties have agreed upon an initial GDP and Development Budget, attached to this Agreement as **Exhibit D**. If the terms of the GDP contradict, or create inconsistencies or ambiguities with, the terms of this Agreement, then the terms of this Agreement shall govern. From time to time during the Term (at least on [*] basis), the JDC shall prepare updates and amendments, as appropriate, to the then-current GDP, including budgets, and shall submit such updates and amendments to the JSC for review and approval before such updates and amendments are adopted. If upon the determination by the JDC as reviewed and approved by the JSC, any pre-clinical, or Clinical Trials not included in the GDP (i) are required in order to obtain and/or maintain MAA Approval for a Product in the EU and in one or all the countries of the Exelixis Territory, or (ii) are otherwise recommended by the EMA or the FDA in the EU and in one or all of the countries of the Exelixis Territory, then the JDC shall review and recommend and the JSC shall review and approve an amendment to the GDP

reflecting such additional studies, including associated budget. The costs of such additional studies shall be borne by the Parties as provided in Section 4.5(a).

4.3 Independent Work. If either Party is interested in pursuing additional Development work on a Product (the "**Developing Party**") for the benefit of the Exelixis Territory (in the case of Exelixis) or the Licensee Territory (in the case of Licensee) beyond what is set forth in the then current GDP, then such Party shall provide the other Party with a written detailed plan and budget for such additional work (the "**Proposal**"). Within [*] of receipt of the Proposal, the JDC or delegated team shall meet to review the Proposal and to permit the other Party ("**Non-Developing Party**") an opportunity to ask questions and request additional information from the Developing Party related to the Proposal, including whether such Proposal is reasonably likely to have a material and adverse effect on the Product in the Non-Developing Party's territory. The Parties acknowledge that it is their intent to collaborate in good faith to establish a similar review and approval process with any Future Exelixis Licensee. No additional Development work shall proceed without the approval of the JSC, and following each such approval such additional Development work and corresponding budget shall be incorporated into the GDP by the JDC. (the "**Newly-Proposed Development)**. For any Newly-Proposed Development work, the Non-Developing Party that did not propose such work originally may elect, at its discretion, to share the Development Costs with respect to such Development work under Section 9.2(b). If the Non-Developing Party does not decide to pursue the Newly-Proposed Development work jointly with the Developing Party or does not share the Development Costs with respect to such Development work, in which event such Development work shall be deemed "**Independent Work**" and the Developing Party may pursue such work in the Field in its respective territory and the Development Costs with respect thereto shall be deemed Independent Work Costs and subject to Sections 4.5(d) and 9.2(b). Notwithstanding the foregoing, following the approval of the Independent Work by the JSC, the Party proposing the Independent Work may conduct such Independent Work, provided that: (A) it shall do so in accordance with the amended GDP; (B) such Independent Work shall be conducted under the oversight of the JDC and the JSC; and (C) neither Party shall conduct Independent Work in a manner that would have a material adverse effect on the Products in either Party's territory.

4.4 [*] Update to Development Budget. The JDC shall discuss and agree upon the subsequent year's Development Budget on [*] basis no later than [*] of each year. The JDC shall report any significant changes in the [*] budgets to the JSC for approval at the next scheduled JSC meeting.

4.5 Development Cost.

(a) Committed Studies As Of The Effective Date (Current Budget). Except as set forth in Section 4.5(b) below, Exelixis shall bear one hundred percent (100%) of all Development Costs for the first [*] dollars ($[*]) of Development Costs for all Clinical Trials that are committed studies in the GDP [*] as of the Effective Date ("**Initial Committed Studies**"). Thereafter, except as set forth in Section 4.5(b) below, (i) Exelixis shall bear sixty-five percent (65%) and Licensee shall bear thirty-five percent (35%) of all Development Costs for such Clinical Trials [*] until the aggregate Development Costs of such Clinical Trials equals

[*] dollars ($[*]), and (ii) if aggregate Development Costs for such Clinical Trials [*] exceed [*] dollars ($[*]), Exelixis shall bear [*] percent ([*]%) and Licensee shall bear [*] percent ([*]%) of all remaining Development Costs for such Clinical Trials. For Clinical Trials that become committed studies in the GDP after the Effective Date, Exelixis shall bear sixty-five percent (65%) and Licensee shall bear thirty-five percent (35%) of all Development Costs of such Clinical Trials. If Exelixis completes the Initial Committed Studies for an amount less than [*] dollars ($[*]), any amount not spent ("**Excess Funds**") shall be credited against the Parties' respective share of Clinical Trials that become committed studies in the GDP after the Effective Date. Without limiting the foregoing, if any [*].

(b) Allowable Increases. Separate from the cost allocation provided for in Section 4.5(a), Exelixis shall bear sixty-five percent (65%) and Licensee shall bear thirty-five percent (35%) of all Allowable Increases in Development Costs for all Clinical Trials that are committed studies in the GDP as of the Effective Date. "Allowable Increases" are defined as increased Development Costs resulting from (i) changes in study design after the Effective Date that are approved by the JDC and JSC [*] (up to the amount of a mutually-agreed budget increase), (ii) changes in regulatory requirements arising after the Effective Date (including changes required or recommended by Regulatory Authorities, but excluding changes required or recommended specifically by a Regulatory Authority of the Exelixis Territory solely for the benefit of the Exelixis Territory), and (iii) extensions in the duration of Clinical Trials resulting from a lower than anticipated rate of clinical events or higher rates of survival.

(c) Expanded Access Program 214. Exelixis shall bear the first [*] dollars ($[*]) of Development Costs (excluding the costs of Licensee FTEs and other internal costs of Licensee) associated with Expanded Access Program 214. Licensee shall bear one hundred percent (100%) of its internal costs of such program, inclusive of its FTEs, as well as one hundred percent (100%) of all Development Costs of such program in excess of the [*] dollars ($[*]) borne by Exelixis. If such program is completed for an amount of Development Costs less than [*] dollars ($[*]), no financial adjustment shall be made.

(d) Independent Work Cost. Notwithstanding Section 4.5(a), the Party conducting the Independent Work approved by the JSC under Section 4.3 shall be solely responsible for the Development Costs with respect to such Independent Work, subject to Section 9.2(c).

(e) Country-Specific Development Work. Notwithstanding Section 4.5(a), each Party shall be solely responsible for all Development Costs with respect to Development activities that are exclusively for the benefit of the countries within such Party's Territory, including: (i) any and all country-specific activities (e.g., a Canada or Japan only trial for Exelixis or China only trial for Licensee, Expanded Access Programs); (ii) all Phase 4 Clinical Trials solely benefiting such Party's territory; (iii) any and all Development activities required for any pricing and/or reimbursement approvals in such Party's territory (but are not required for the MAA Approval in such territory). The Development work set forth in this Section 4.5(e) pertaining to Licensee shall be deemed the "**Licensee Only Development Work"** and the

Development work set forth in this Section 4.5(e) pertaining to Exelixis shall be deemed the "**Exelixis Only Development Work.**" All planned and in-process Licensee Only Development Work and Exelixis Only Development Work shall be included in and conducted in accordance with the GDP, to be performed reasonably and subject to the oversight of the JDC and the JSC.

4.6 Development Responsibilities. The JDC shall reasonably allocate Development responsibilities of the Compound and Products under the GDP between the Parties and such allocation shall be set forth in the GDP, provided that: (a) Exelixis shall be the Sponsor and have the operational responsibility for all Development work under the GDP that is ongoing as of the Effective Date; (b) each Party shall have the operational responsibility for its own Independent Work; and (c) Licensee shall be the Sponsor and have the operational responsibility for the Licensee Only Development Work and Exelixis shall be the Sponsor and have the operational responsibility for the Exelixis Only Development Work.

4.7 Data Exchange and Use.

(a) General. In addition to its adverse event and Safety Data reporting obligations pursuant to Section 5.5, each Party shall promptly provide the other Party with (i) [*] status reports on trial recruitment and other metrics consistent with the performing Party's internal reporting for clinical studies and Development activities, provided however that in case of unexpected events that may have any impact on safety and recruitment, each Party shall inform the other Party within forty-eight (48) hours from knowledge of the occurrence of such event; (ii) supporting documentation (e.g. protocols, CRFs, analysis plans, etc.); (iii) preliminary and final Data, and interim, preliminary and final results and reports; and (iv) output from advisory committees and investigator meetings, any and all such documentation generated by each Party (including by any Sublicensee or any Future Exelixis Licensee) from its Development activities under this Agreement as such documentation could reasonably be deemed to affect the Development or Commercialization activities of the Product in each Party's territory. As time may be of the essence, each Party shall collaborate in good faith in the exchange of any such Data set forth in this Section within [*] of receipt. The Parties shall cooperate on a secure website to facilitate the sharing of reports, Data and other information on a routine basis. Except as set forth in Section 4.7(b) below, each Party shall have the right to use and reference, without additional consideration, any and all Data generated by or on behalf of the other Party (including by any Sublicensee or any Future Exelixis Licensee) under this Agreement for obtaining and maintaining Regulatory Approval for the Products and otherwise Commercializing the Products in its territory in accordance with the terms of this Agreement. For clarity, this Section 4.7(a) shall apply to all Development under the GDP, including Independent Work (but subject to Section 4.7(b) below), Exelixis Only Development Work and Licensee Only Development Work. Notwithstanding the foregoing, should either Party fail to obtain such use and reference rights from any Sublicensee or Future Exelixis Licensee, such Party shall not have the right to grant use and access or rights to such Sublicensee or Future Exelixis Licensee to any documentation listed in this Section 4.7(a) generated by or on behalf of the other Party.

(b) Independent Work. Notwithstanding the foregoing, the Party receiving Data resulting from the other Party's Independent Work shall have the right to use such Data

only to the extent reasonably necessary for the receiving Party to comply with its regulatory reporting and compliance obligations, including safety reporting obligations, but shall not have the right to use such Data to support its own Development, Regulatory Approval or Commercialization except pursuant to Section 9.2(c).

4.8 Diligence. Each Party shall use Commercially Reasonable Efforts to perform the Development activities assigned to such Party under and in accordance with the GDP. Unless otherwise agreed by the Parties, Exelixis shall be the Sponsor and be responsible for conducting all Clinical Trials that are required to obtain MAA Approvals by both the EMA and FDA for RCC, HCC, NSCLC, and other indications in the GDP. In addition, Licensee shall also use Commercially Reasonable Efforts to Develop Licensee Only Development Work and any Licensee Independent Work, file MAAs and seek and maintain Regulatory Approval (including Pricing and Reimbursement Approval, as applicable) for the Products throughout the Licensee Territory.

4.9 Compliance. Each Party shall Develop the Compound and Products in compliance with all Applicable Laws, including good scientific and clinical practices under the Applicable Laws of the country in which such activities are conducted.

4.10 Development Records. Each Party shall maintain complete, current and accurate records of all Development activities conducted by it hereunder, and all data and other information resulting from such activities. Such records shall fully and properly reflect all work done and results achieved in the performance of the Development activities in good scientific manner appropriate for regulatory and patent purposes. Each Party shall document all non-clinical studies and Clinical Trials in formal written study reports according to Applicable Laws and national and international guidelines (e.g., ICH, cGCP, cGLP, and cGMP).

4.11 Development Reports. At [*] JDC meeting, each Party shall provide the JDC with regular reports detailing its Development activities for the Products under this Agreement, and the results of such activities. In addition, after the completion of any Clinical Trial or other study of the Products, the Party responsible for the conduct of such Clinical Trial or study shall promptly provide the other Party (but in no event more than [*] following receipt) with a data package consisting of, at a minimum, tables, lists and figures, as well as any other Data specified in the GDP or otherwise agreed by the Parties. The Parties shall discuss the status, progress and results of each Party's Development activities under this Agreement at such JDC meetings.

4.12 Use of Subcontractors. Each Party may perform its Development activities under this Agreement through one or more subcontractors, provided that (a) such Party will remain responsible for the work allocated to, and payment to, such subcontractors to the same extent it would if it had done such work itself; (b) each subcontractor undertakes in writing obligations of confidentiality and non-use regarding Confidential Information that are substantially the same as those undertaken by the Parties pursuant to Article 14, and (c) each subcontractor agrees in writing to assign all intellectual property developed in the course of performing any such work to such Party (or, in the event such assignment is not feasible, a license to such intellectual property with the right to sublicense to such other Party). The Parties

may also subcontract work on terms other than those set forth in this Section 4.12 with the prior approval of the JDC.

4.13 Restrictions. After [*], neither Party nor any of its Affiliates or Sublicensees shall, directly or through any Third Party, sponsor, conduct or cause to be conducted, otherwise assist in, supply any Product for use in connection with, or otherwise fund: (a) any [*]; or (b) [*]. For clarity and without limiting the foregoing, except as expressly approved by the JDC and included in the GDP, [*] shall not [*].

4.14 Materials Transfer. In order to facilitate the Development activities contemplated by this Agreement, either Party may provide to the other Party certain biological materials or chemical compounds Controlled by the supplying Party (collectively, "**Materials**") for use by the other Party in furtherance of such Development activities. Except as otherwise provided for under this Agreement, all such Materials delivered to the other Party will remain the sole property of the supplying Party, will be used only in furtherance of the Development activities conducted in accordance with this Agreement, will not be used or delivered to or for the benefit of any Third Party, except to subcontractors, without the prior written consent of the supplying Party, and will be used in compliance with all Applicable Laws. The Materials supplied under this Agreement must be used with prudence and appropriate caution in any experimental work because not all of their characteristics may be known. Except as expressly set forth in this Agreement, THE MATERIALS ARE PROVIDED "AS IS" AND WITHOUT ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTY OF MERCHANTABILITY OR OF FITNESS FOR ANY PARTICULAR PURPOSE OR ANY WARRANTY THAT THE USE OF THE MATERIALS WILL NOT INFRINGE OR VIOLATE ANY PATENT OR OTHER PROPRIETARY RIGHTS OF ANY THIRD PARTY.

5. REGULATORY ACTIVITIES

5.1 Regulatory Responsibilities.

(a) General.

(i) The GDP shall set forth the regulatory strategy for seeking Regulatory Approval for the Compound and Products by the appropriate Regulatory Authorities in the Licensee Territory and Exelixis Territory. The GDP shall also specify which Party shall apply for and hold Regulatory Filings in each country with respect to the conduct of Development activities. Subject to the direction and oversight of the JDC, each Party shall be responsible for implementing such regulatory strategy in its territory. Except as otherwise provided herein or required by Applicable Law, each Party shall be responsible for the preparation and submission of any and all Product registrations and marketing approvals in its territory and shall own and hold all such Regulatory Filings (including Regulatory Approvals), and neither Party shall submit any application for Product registration or marketing approval in the other Party's territory.

(ii) Each Party shall be responsible for the cost and expense of all regulatory activities in its territory.

(iii) Licensee acknowledges that Exelixis may be required to communicate with Regulatory Authorities in the Licensee Territory as a result of Development and manufacturing activities in such territory. Exelixis shall notify Licensee as soon as reasonably possible of such communication with Regulatory Authorities and seek to incorporate input from Licensee in preparation for such communication. Exelixis shall then keep Licensee informed of any such communications.

(b) Transfer of Regulatory Filings. Except as set forth in Section 5.2, Exelixis shall, in each case as may be required to enable Licensee to submit and file Regulatory Filings and obtain MAA Approvals for Products in the Licensee Territory:

(i) transfer to Licensee all Regulatory Approvals and Regulatory Filings submitted to any Regulatory Authority in the Licensee Territory for the Compound and Products that are in Exelixis' name and Controlled by Exelixis, other than INDs relating to Clinical Trials conducted and sponsored by Exelixis pursuant to the GDP;

(ii) to the extent that such transfer is not permitted under Applicable Laws, Exelixis shall provide to Licensee a right of reference or use to such Regulatory Approvals and Regulatory Filings. Exelixis shall provide appropriate notification of Licensee's access and reference rights to the applicable Regulatory Authorities (including, to the extent applicable, an informed consent letter under Article 10c of Directive 2001/83/EC as amended), at the expense of Licensee seeking such right of reference. For the purposes of this Agreement, "right of reference" shall mean the "right of reference or use" as defined in 21 C.F.R. §314.3(b) and any equivalent regulation outside the US, including Article 10c of Directive 2001/83/EC, as each may be amended from time to time;

(iii) provide to Licensee copies in electronic form of all Regulatory Approvals and Regulatory Filings submitted to any Regulatory Authority in the Licensee Territory including those related to CMC, manufacturing and product development, validation and manufacturing for the Compound and Products that are in Exelixis' name and Controlled by Exelixis, regulatory dossiers in Exelixis' possession or Control, and the Drug Master File; and

(iv) to the extent any variations to the chemistry, manufacturing, and controls ("**CMC**") section of the Regulatory Filing are required to conform with a variation that is initiated by Exelixis at its sole discretion, Exelixis shall reimburse Licensee for all associated fees that are paid by Licensee in filing such variations; *provided that*, for variations required to comply with Applicable Laws or any requirement of a Regulatory Authority, (a) Exelixis shall remain responsible for submissions and associated fees for all CMC variations originally attributable to a Regulatory Authority in the Exelixis Territory, and (b) Licensee shall be responsible for submissions and associated fees for all CMC variations originally attributable to a Regulatory Authority in the Licensee Territory.

5.2 Existing Arrangements. The Parties acknowledge that as of the Effective Date, Exelixis; its regulatory agent, TMC Pharma Services ("**TMC**"); and its authorized distributor, Swedish Orphan Biovitrum AB ("**Sobi**"), hold certain Regulatory Filings, licenses, and MAA Approvals related to Cometriq for MTC in the EU. Exelixis, and Exelixis on behalf of TMC and Sobi, will ensure that Exelixis, TMC and Sobi will transfer Regulatory Filings, licenses, and MAA Approvals for Cometriq for MTC to Licensee in accordance with Article 8. In addition, Exelixis holds certain EMA Regulatory Filings, including the EMA MAA filing, for the Product in RCC. As set forth in Section 5.1(b), the Parties shall cooperate to be ready to transfer and assign these EMA Regulatory Filings to Licensee and Exelixis shall notify the EMA promptly after the Effective Date that Licensee shall be the Marketing Authorization Holder as from the date of the transfer of the MAA. The Parties agree to work toward the transfer of MAA holder status to Licensee by [*]. Until the MAA transfer is accepted by the EMA, Exelixis shall be responsible for preparing and filing the MAA for the Product in RCC.

5.3 Regulatory Information Sharing. Each Party shall, upon the other Party's reasonable request, promptly provide the other Party (but in no event more than [*]) with copies of any Regulatory Filings prepared (including any drafts), submitted or received by such Party in the U.S. and the Licensee Territory pertaining to the Compound and Products, and such other Party shall have the right to review and comment on drafts of such Regulatory Filings, provided that such review and comment shall not delay the submission of any Regulatory Filings. The sharing of Regulatory Filings shall, as applicable, be the following communications/correspondence with the Regulatory Authority: (i) summary of contact reports either Party receives concerning substantive conversations or substantive meetings in its respective territory with the FDA, EMA, CFDA and PMDA with respect to the Product or if contacts with those Regulatory Authorities are made orally, to be reduced in writing, (ii) documents related to regulatory milestones and dates (*e.g.*, submission, validations, agency review questions, CHMP opinion and FDA complete response letter and their equivalent), (iii) IND annual reports and cover letters of all agency submissions relating to the Compound or any Product. If any Regulatory Filing to be provided under this Section 5.3 was originally created in a language other than the English language, then at the receiving Party's request and to the extent already existing and readily available, the providing Party shall provide an English translation along with the original document to the receiving Party. The Parties acknowledge that it is their intent to collaborate in good faith in the exchange of such Regulatory communications including with any Sublicensee or Future Exelixis Licensee. Each of Licensee and Exelixis shall use Commercially Reasonable Efforts to grant the other Party access and rights to use any such communications with any Regulatory Authority generated by or on behalf of any Sublicensee or Future Exelixis Licensee, respectively. Should either Party fail to obtain such access and rights from any Sublicensee or Future Exelixis Licensee, such Party shall not have the right to grant access or rights to such Sublicensee or Future Exelixis Licensee to any such communications with any Regulatory Authority generated by or on behalf of the other Party.

5.4 Meetings with Regulatory Authorities. On a current and ongoing basis, each Party shall provide the other Party with a list and schedule of any in-person meeting or material teleconference with the Regulatory Authorities (or related advisory committees) in the Licensee Territory planned for the next Calendar Quarter that relates to the Development of the Compound

and Products under the GDP in the Licensee Territory (each, a "**Regulatory Meeting**"). In addition, each Party shall notify the other Party as soon as reasonably possible if such Party becomes aware of any additional Regulatory Meetings that become scheduled for such Calendar Quarter and will keep the other Party informed of any significant interface or communication with any Regulatory Authority which might affect efforts to obtain Regulatory Approval for the Product. Licensee shall be solely responsible for any communications with the Regulatory Authorities occurring or required in connection with performing its regulatory responsibilities set forth in this Article 5 with respect to the Product in the Licensee Territory, and Exelixis shall have the right to provide input in preparation for all Regulatory Meetings and, with the consent of Licensee, not to be unreasonably withheld, the right, but not the obligation, to have its representatives attend (but, unless otherwise requested by the other Party, not participate in) the Regulatory Meetings. Licensee shall have these same rights with respect to any such Regulatory Meetings before such Regulatory Filings are transferred to Licensee under Sections 5.1(b) and 5.2.

(a) **Regulatory Inspections**. Licensee shall permit the Regulatory Authority(ies) in the Exelixis Territory to conduct inspections of Licensee, its Affiliates, and acting reasonably and in good faith of Sublicensees or subcontractors (including Clinical Trial sites) relating to the Development of the Product under the GDP, and shall ensure that such Affiliates, and acting reasonably and on good faith, such Sublicensees and subcontractors permit such inspections. In addition, Licensee shall promptly notify Exelixis of any such inspection and shall supply Exelixis with all information pertinent thereto. Licensee shall use Commercially Reasonable Efforts to allow an Exelixis representative to attend any such inspection with the presence of Licensee. Exelixis shall permit the Regulatory Authority(ies) in the Licensee Territory to conduct inspections of Exelixis, its Affiliates, and acting reasonably and in good faith of Sublicensees or subcontractors (including Clinical Trial sites) relating to the Development of the Product under the GDP for the Licensee Territory, and shall ensure that such Affiliates, and acting reasonably and on good faith, such Sublicensees and subcontractors permit such inspections. In addition, Exelixis shall promptly notify Licensee of any such inspection and shall supply Licensee with all information pertinent thereto. Exelixis shall use Commercially Reasonable Efforts to allow a Licensee representative to attend any such inspection with the presence of Exelixis.

5.5 Adverse Event Reporting; Pharmacovigilance Agreement. Within [*] after the Effective Date, but in any case prior to transfer of the marketing authorization, the Parties shall enter into a pharmacovigilance agreement setting forth the worldwide pharmacovigilance procedures for the Parties with respect to the Products, such as Safety Data sharing, adverse events reporting and safety signal and risk management (the "**Pharmacovigilance Agreement**"), which agreement shall be amended by the Parties [*] to comply with any changes in Applicable Laws or any guidance received from Regulatory Authorities. Such procedures shall be in accordance with, and enable the Parties to fulfill, local and national regulatory reporting obligations under Applicable Laws (including to the extent applicable, those obligations contained in ICH guidelines, E2A, E2B, E2C, E2D and E2F) to monitor the patients' safety. Exelixis has established and shall continue to hold at its costs and expenses the global safety database for the Products, and shall maintain such global safety database for so long as such

Product is under Development and/or Commercialization by the Parties. The Parties will collaboratively agree on data cut points for periodic aggregate safety reports and Exelixis will author such reports; the Parties will jointly review and approve such reports before submission to worldwide Regulatory Authorities as required. Exelixis shall bear one hundred percent (100%) of the cost and expense for establishing and maintaining such global database and the preparation of periodic aggregate safety reports ("**PV Costs**") from the Effective Date through [*]. After such date, and subject to Section 4.5(a), Exelixis shall bear [*] percent ([*]%) and Licensee shall bear [*] percent ([*]%) of PV Costs. Exelixis will ensure that each Party and any Future Exelixis Licensee are able to access the data, if necessary indirectly, from the global safety database in order to meet legal and regulatory obligations. The Parties agree that Exelixis shall not transfer the responsibility or holding of the global safety database to any CRO, sublicensee, Future Exelixis Licensee or any Third Party without Licensee's prior written consent and approval, which shall not be unreasonably withheld, conditioned or delayed if such transferee (and its Affiliates) is a pharmaceutical company of comparable size as Licensee and agrees to grant Licensee access and other rights to the global safety database substantially equivalent to those granted by Exelixis under the Pharmacovigilance Agreement. The use by Exelixis of a CRO, sublicensee, Future Exelixis Licensee shall be at Exelixis' sole cost and expenses. The JDC shall establish a safety subcommittee and all Safety Data, including adverse event reports, shall be submitted to such safety subcommittee and Exelixis concurrently so that Exelixis may update the global safety database accordingly. Such safety subcommittee shall coordinate with respect to any Safety Data reporting for the Products to the Regulatory Authorities in the Licensee Territory, but each Party shall be primarily responsible for reporting quality complaints, adverse events and Safety Data related to the Products to any Regulatory Authorities and responding to safety issues and to all requests of Regulatory Authorities related to the Products under any MAA or Regulatory Approval for the Product held by such Party and filed with such Regulatory Authorities, in each case at its own cost. Each Party agrees to comply with its respective obligations under the Pharmacovigilance Agreement and to cause its Affiliates, licensees and sublicensees to comply with such obligations.

5.6 No Harmful Actions. If a Party believes that the other Party is taking or intends to take any action with respect to a Product that could reasonably be expected to have a material adverse impact upon the regulatory status of such Product in the first Party's territory, then such Party may bring the matter to the attention of the JDC and the Parties shall discuss in good faith to resolve such concern.

5.7 Notification of Threatened Action. Each Party shall notify the other Party within [*] of any information it receives regarding any threatened or pending action, inspection or communication by any Regulatory Authority, which may affect the safety or efficacy claims of any Product or the continued Development or Commercialization of any Product. Upon receipt of such information, the Parties shall promptly consult with each other in an effort to arrive at a mutually acceptable procedure for taking appropriate action.

5.8 Right of Reference to Regulatory Materials. Each Party hereby grants to the other Party the right of reference to all Regulatory Filings pertaining to the Compound and Products submitted by or on behalf of such Party. The receiving Party may use such right of

reference solely for the purpose of seeking, obtaining and maintaining Regulatory Approval of the Products for use in its territory in accordance with this Agreement. Notwithstanding the foregoing, the receiving Party may use such right of reference to any Regulatory Filings based on Data resulting from the other Party's Independent Work only to comply with its safety reporting obligations, unless the receiving Party pays the other Party for such work pursuant to Section 9.2(c).

5.9 Recalls. In the event that a recall, withdrawal or correction (including the dissemination of relevant information) of any Product in a Party's territory is required by a Regulatory Authority of competent jurisdiction, or if any Regulatory Authority requires or advises either Party or such Party's Affiliates or Sublicensees to distribute a "Dear Doctor" letter or its equivalent regarding use of such Product in a Party's territory or if a recall, withdraw or correction of a Product in its territory is deemed advisable by such Party in its sole discretion, such Party shall so notify the other Party no later than [*] in advance of the earlier of (i) initiation of a recall, withdrawal or correction; or (ii) the submission of plans for such an action to a Regulatory Authority. Any such recall, withdrawal, correction, or dissemination of information (e.g., "Dear Doctor" letter) shall be referred to herein as a "**Recall**". Promptly after being notified of a Recall, each Party shall provide the other Party with such assistance in connection with such Recall as may be reasonably requested by such other Party. All costs and expenses in connection with a Recall in a Party's territory shall be paid by such Party, including without limitation the costs and expenses related to the dissemination of relevant information. Each Party shall handle exclusively the organization and implementation of all Recalls of Products in its territory. Notwithstanding the foregoing, any Recall related to the manufacture and supply of the Product by Exelixis to Licensee shall be governed by the terms and conditions of the Supply Agreement.

5.10 Sunshine Reporting Laws. Each Party acknowledges that the other Party may be subject to federal, state, local and international laws, regulations and rules related to the tracking and reporting of payments and transfers of value provided to health care professionals, health care organizations, and other relevant individuals and entities (collectively, "**Sunshine Reporting Laws**"), and agrees to provide the other Party with all information regarding such payments or transfers of value by such Party as necessary for such other Party to comply in a timely manner with its reporting obligations under the Sunshine Reporting Law.

6. COMMERCIALIZATION

6.1 General. Subject to the terms and conditions of this Article 6 (including Section 6.7), Licensee shall have the sole and exclusive responsibility, at its own expense, for all aspects of the Commercialization of the Products in the Licensee Territory, including: (a) developing and executing a commercial launch and pre-launch plan, (b) negotiating with applicable Governmental Authorities and other payors regarding the price and reimbursement status of the Products; (c) marketing and promotion; (d) booking sales and distribution and performance of related services; (e) handling all aspects of order processing, invoicing and collection, inventory and receivables; (f) providing customer support, including handling medical queries, and

performing other related functions; and (g) conforming its practices and procedures to Applicable Laws relating to the promotion, sales and marketing, access, and distribution of the Products.

6.2 Commercialization Plan. As soon as practical after [*], Licensee shall prepare and present to the JCC a Commercialization plan for Products in the Licensee Territory, including a reasonably detailed description and an anticipated timeline for Licensee's significant Commercialization activities for the Products for the next [*] commencing with the [*] (the "**Commercialization Plan**"). Taking into consideration the requirements of Section 6.3(c), the Commercialization Plan shall include such information on a country-by-country basis for each of the Major Market Countries. Licensee shall update and amend the Commercialization Plan [*] starting in [*] and each subsequent [*], shall present such updates and amendments to the JCC for review and discussion. Without limiting the provisions of this Section 6.2, through the JCC, Licensee shall consult with and provide updates to Exelixis ([*]) regarding the commercial strategy and Commercialization of Products in the Licensee Territory. Subject to the provisions of this Agreement and compliance with the Commercialization Plan, Licensee shall have full Control and authority with respect to the day-to-day Commercialization of the Products and implementation of the Commercialization Plan.

6.3 Diligence.

(a) General. During the Term, Licensee shall use Commercially Reasonable Efforts to Commercialize the Products for all indications that have received or will receive Regulatory Approval throughout the Licensee Territory. In addition, and without limitation of the foregoing, Licensee shall, as soon as possible following each MAA Approval(s), subject to Section 6.4(b), launch the Product for such indication and obtain all necessary Price and Reimbursement Approvals at least in [*] (subject to the business judgment to delay or not to launch a particular Product in a particular country of the EU because of adverse pricing or other business considerations). In the event that [*] recommends not to launch a particular Product in a particular country of the Licensee Territory, or to deliberately defer such launch, it shall advise the JCC at the next meeting of such Committee and provide a reasonably detailed rationale for such determination. Thereafter, Licensee shall utilize Commercially Reasonable Efforts in the ongoing support for the Product in each such country. Licensee shall report to the JCC its efforts in each of these countries at least [*] at meetings of the JCC [*].

(b) Additional Markets. Promptly after [*], Licensee shall commence preparation of a reasonably detailed Commercialization plan, sales forecast, and launch timing for Commercialization of the Product, using Commercially Reasonable Efforts, in the Additional Markets. On or before [*], Licensee shall present to the JCC such reasonably detailed Commercialization plan, sales forecast, and launch timing for Commercialization of the Product, using Commercially Reasonable Efforts, in the [*]. Such report shall specifically assess the opportunity and plans for [*].

(c) Minimum Commercial Performance. In addition to the foregoing general commitments, and subject to Section 6.3(e), for each Calendar Year for [*] full Calendar Years commencing [*], Licensee shall prepare a commercially reasonable forecast of commercial sales of Product in the Licensee Territory ("**Sales Forecast**") and submit the Sales

Forecast to the JCC with sufficient time for the JCC to review and finalize such Sales Forecast by [*] of the year immediately preceding the year covered in such Sales Forecast. The Sales Forecast shall be based upon the same market share trajectory as the Product achieved in the U.S. for the same time period following Regulatory Approval (including Pricing and Reimbursement Approval, if required) for each indication, as may be modified on the basis of other relevant commercial considerations, including other comparable product experience in Europe compared to the U.S. For the first [*] Calendar Years following [*], Sales Forecasts will be used solely for management purposes and have no effect under this Agreement. If in any Calendar Year during the remaining [*] Calendar Years (the "**Minimum Commercial Performance Period**") Net Sales realized in the Licensee Territory are less than [*] percent ([*]%) of forecasted sales for such year, then Licensee shall submit a corrective plan to the JCC for review and approval for the next Calendar Year in order to achieve forecasted sales and such corrective plan shall be incorporated into the Commercialization Plan. If, for a second Calendar Year during the Minimum Commercial Performance Period, Net Sales realized are again less than [*] percent ([*]%) of forecasted sales then:

(i) if Licensee failed to execute the corrective plan submitted to the JCC, it shall be considered a material breach giving rise to Exelixis' right to terminate this Agreement pursuant to Section 15.2;

(ii) if Licensee did execute the corrective plan submitted to the JCC, but still failed to achieve at least [*] percent ([*]%) of forecasted sales, then Licensee must submit a new corrective plan to the JCC; and

(iii) if during the Minimum Commercial Performance Period, Licensee fails to achieve at least [*] percent ([*]%) of forecasted sales in [*] of the [*] Calendar Years during the Minimum Commercial Performance Period, it shall be considered a material breach after the [*] of such Calendar Years giving rise to Exelixis' right to terminate this Agreement pursuant to Section 15.2.

(d) Minimum Commercial Performance Compensation. If in any Calendar Year during the Minimum Commercial Performance Period Net Sales realized in the Licensee Territory are less than [*] percent ([*]%) of forecasted sales for such year, then Licensee shall owe to Exelixis the Minimum Commercial Performance Compensation in respect of such year, to be paid within [*] of the end of the relevant Calendar Year. For the purposes of this Agreement, the **"Minimum Commercial Performance Compensation"** shall be equal to the royalty payments due on the difference between [*] percent ([*]%) of the forecasted sales for the applicable Calendar Year and the Net Sales realized during the applicable Calendar Year.

(e) Minimum Commercial Performance Relief. In the event of conditions that give rise to a Stockout Period, Licensee shall be relieved of the obligation to meet minimum commercial performance obligations pursuant to Section 6.3(c) for the Calendar Year in which such Stockout Period occurs.

(f) Commercial Updates. Licensee shall update the JCC on a [*] basis regarding its Commercialization activities with respect to the Products in the Licensee Territory.

Each such update shall be in a form to be agreed by the JCC and shall summarize Licensee's, its Affiliates' and Sublicensees' significant Commercialization activities with respect to the Products in the Licensee Territory, and shall contain at least such information at such level of detail reasonably required by Exelixis to determine Licensee's compliance with its diligence obligations set forth herein. Such updates shall include, on a [*] basis, Licensee's sales activities, marketing activities and Medical Affairs Activities. In addition, if Licensee is then working under a corrective plan under Section 6.3(c), such updates shall also include the budget and actual cost and expense (including FTE levels) for such activities in [*] for the current year and previous year.

6.4 Coordination of Commercialization Activities.

(a) Generally. The Parties recognize that their collaboration may benefit from the coordination of certain activities in support of the Commercialization of the Products in both the Licensee Territory and the Exelixis Territory. As such, the Parties, through the JCC, shall develop and coordinate Commercialization strategies for the Product (e.g., for branding and messaging, international congresses, advisory boards), and the Parties shall conduct Commercialization activities for the Product in their respective territories consistent with such global strategy. The foregoing shall not be construed as requiring Exelixis to seek Licensee's consent in connection with the establishment and/or implementation of any sales, marketing, or medical affairs practices in the Exelixis Territory.

(b) Pricing. Licensee shall keep Exelixis timely informed on the status of any application for Pricing and Reimbursement Approval or material updates to an existing Pricing and Reimbursement Approval in the Licensee Territory, including any discussion with a Regulatory Authority with respect thereto. Licensee shall have the right to determine the price of the Product sold in the Licensee Territory [*]. [*]. In the event the Pricing and Reimbursement Approvals in a given country of the Licensee Territory is [*], Licensee shall have no obligation to launch the Product in such country. Licensee and its Affiliates and Sublicensees shall not sell any Product in combination with, as part of a bundle with, or as a combination therapy with other products, or offer packaged arrangements to customers that include a Product, in such a manner as to disproportionately discount the selling price of the Product [*]. For clarification, should Licensee derive direct economic benefit from the sale of another pharmaceutical product that is approved to be used in combination with Product, [*].

(c) Sharing of Promotional Materials. Licensee shall, at its own expense, prepare, develop, produce or otherwise obtain, and utilize sales, promotional, advertising, marketing, website, educational and training materials (the "**Promotional Materials**") to support its Commercialization activities in the Licensee Territory. The Parties shall share samples of Promotional Materials (including English translation, if available) with respect to the Commercialization of the Products with one another. Additional materials, including medical education and medical information, sales force and sales force training materials, will be made available to the other Party upon request.

(d) Commercialization in Exelixis Territory. Subject to the terms and conditions of this Agreement (including Section 6.7), Exelixis shall have the exclusive right to

Commercialize the Product in the Exelixis Territory at its own cost and expense, with or without Third Party(ies).

6.5 Detailing and Promotion. Licensee shall not engage any contract sales organization to conduct sales activities for the Product in the Licensee Territory without written JCC approval, nor shall Licensee use the same sales force to promote the Product and a separate product that is indicated for the same indication without written JCC approval.

6.6 Medical Affairs Activities.

(a) Coordination of Global Medical Affairs Activities. Commencing with transfer of the RCC MAA to Licensee, but subject to the final sentence of this Section 6.6(a), Licensee shall lead and conduct all Medical Affairs Activities for the Product in the Licensee Territory in accordance with the medical affairs portion of the GDP. From such date, Licensee shall be responsible for Medical Affairs Activities in the Licensee Territory, provided however, that Exelixis shall have the right, but not the obligation, to also conduct Medical Affairs Activities in the Licensee Territory in global support of the Product consistent with the medical affairs portion of the GDP and in coordination with Licensee. Exelixis will not undertake Medical Affairs Activities in the Licensee Territory without prior coordination with Licensee.

(b) Advisory Panels. To the extent practicable, each Party shall give the other Party written notice at least [*] in advance of any major market or international level advisory panel meetings with key opinion leaders with respect to the Commercialization of the Products in the Licensee Territory and the Exelixis Territory that are held, sponsored or attended by either Party or its Affiliate or sublicensee, and each Party shall have the right to attend and participate in such meetings.

6.7 Diversion. Each Party hereby covenants and agrees that it and its Affiliates shall not, and it shall contractually obligate (and use Commercially Reasonable Efforts to enforce such contractual obligation) its sublicensees not to, directly or indirectly, promote, market, distribute, import, sell or have sold any Product, including via the Internet or mail order, to any Third Party or to any address or Internet Protocol address or the like in the other Party's territory. Neither Party shall engage, nor permit its Affiliates and sublicensees to engage, in any advertising or promotional activities relating to any Product for use directed primarily to customers or other buyers or users of such Product located in any country or jurisdiction in the other Party's territory, or solicit orders from any prospective purchaser located in any country or jurisdiction in the other Party's territory. If a Party or its Affiliates or sublicensees receives any order for a Product for use from a prospective purchaser located in a country or jurisdiction in the other Party's territory, such Party shall immediately refer that order to such other Party and shall not accept any such orders. Neither Party shall, nor permit its Affiliates and sublicensees to, deliver or tender (or cause to be delivered or tendered) any Product for use in the other Party's territory.

7. MANUFACTURE AND SUPPLY.

7.1 Manufacture and Supply. Exelixis will manufacture and supply, itself and/or through a Third Party contract manufacturer, all Compound and Products for use in the

Development and Commercialization of the Products under this Agreement. All Products supplied by Exelixis to Licensee shall be at a price equal to [*]. It is anticipated that Exelixis will supply commercial Product to Licensee in either bulk final dosage form or primary packaged bulk form as Licensee may specify from time to time. Exelixis shall be responsible for packaging and labeling for all countries in the Licensee Territory until Licensee assumes such responsibilities pursuant to a transition plan, as further described in Section 2.4(e) of the Supply Agreement. The Cost of Goods of the Compound and Products used in the Development work under the GDP shall be included in the Development Cost and shared by the Parties in accordance with Sections 4.5 and 9.2. Exelixis shall source such Product supply for both Parties either from a facility owned by Exelixis or from a reputable, qualified and certified Third Party and, in the event Licensee is responsible for conducting any Clinical Studies pursuant to Section 4.3, 4.5(d) or 4.5(e), Exelixis shall provide such supply to Licensee for such Clinical Studies in accordance with the GDP. Within [*] of the Effective Date, the Parties shall enter into a Supply Agreement for the manufacture and supply of the Compound and Products to Licensee (the "**Supply Agreement**").

8. TRANSITION OF EU REGULATORY AND COMMERCIALIZATION OPERATION.

8.1 Termination of Sobi Agreement. Licensee acknowledges that as of the Effective Date, Exelixis has entered into an Amended and Restated Commercialization Agreement with Swedish Orphan Biovitrum AB ("**Sobi**") for the distribution of the Product in the EU in MTC, effective January 1, 2015 (the "**Sobi Agreement**"). No later than [*], Exelixis shall exercise its right to terminate the Sobi Agreement and Exelixis shall bear the cost of any resulting termination payment to Sobi under Section 8.3(g) of the Sobi Agreement. Prior to the effective date of the termination of the Sobi Agreement, Licensee acknowledges and agrees that the licenses granted by Exelixis to Licensee hereunder are subject to the rights granted by Exelixis to Sobi under the Sobi agreement. Exelixis shall ensure that a meeting be held with Sobi and Licensee within [*] of the Effective Date to achieve a smooth transition from Sobi to Licensee for the distribution of the Product in MTC in the EU. Exelixis agrees, if necessary, to enforce the obligations of the Sobi Agreement as against Sobi to provide for a smooth transition of commercial responsibility for the distribution of the Product in the EU in MTC as contemplated by the Sobi Agreement.

8.2 Transfer of Regulatory Filings. As soon as practicable, but no later than [*], the Parties shall cooperate to transfer the EMA MAA filing from TMC for Cometriq in MTC to Licensee, including Marketing Authorization Holder status (including commitments and obligations listed in the MAA, and Exelixis shall ensure with TMC that such transfer shall occur, except that Exelixis shall complete the EMA post-marketing commitment of Study XL184-401, with the costs of such study to be shared in accordance with Section4.5), and the Pediatric Investigation Plan, provided that Licensee shall be responsible for all Regulatory Filings and interactions with the EMA with respect to such studies and Regulatory Filings, maintaining Orphan Drug Status, and all further EMA requirements with respect to such studies and Regulatory Filings. Without limiting the foregoing, such transfer efforts shall include (a) providing supporting documentation, responding to requests by applicable Regulatory

Authorities and other reasonable efforts in connection with the MAA Approvals, (b) preparing and filing Regulatory Filings in countries of the Licensee Territory where Sobi and/or TMC has not as of the Effective Date filed Regulatory Filings and it is or it becomes commercially reasonable to do so. Licensee's rights and obligations as a regulatory sponsor with respect to each particular Regulatory Filing under Article 5 shall commence upon the completion of such transfer.

8.3 Transition of Commercial Responsibilities for Cometriq. Licensee and Exelixis acknowledge and agree that Licensee shall assume the rights and responsibilities for the Commercialization of Cometriq in the EU concurrent with the effective date of the termination of the Sobi Agreement. Consistent with Section 8.2, the Parties shall cooperate to effectuate the transfer of such rights and responsibilities to Licensee in a manner that minimizes any delay or interruption of the Commercialization of Cometriq in the EU.

9. FINANCIAL PROVISIONS

9.1 Upfront Payment. Licensee shall make a one-time, non-refundable, non-creditable upfront payment to Exelixis of two hundred million dollars ($200,000,000) within [*] after the Effective Date.

9.2 Sharing/Reimbursements of Development Costs and PV Costs.

(a) Future Development Costs. No later than [*] after the beginning of each Calendar Quarter during which a Party will perform any Development activity (other than the Independent Work and Licensee Only Development Work) in such Calendar Quarter pursuant to the GDP, such Party shall submit to the other Party a statement setting forth the Development Costs incurred, including the other Party's share (calculated in accordance with Section 4.5) of (i) estimated Development Costs for the then current quarter; (ii) variances from prior invoiced estimates and actual Development Costs; and (iii) Development Costs incurred by or on account of such Party in the past quarter not previously invoiced. Such invoice shall include a reasonably detailed report for such Development Costs, including supporting documents. To the extent provided in Section 4.5, the other Party shall pay the amount invoiced within [*] after the receipt of the invoice, subject to the other Party's right to audit the invoicing Party's records and books related to such costs as provided in Section 10.4. For clarity, making such a payment does not preempt the paying Party's audit rights under Section 10.4, which remain in full force and effect. If both Parties will perform Development activities under the GDP in such Calendar Quarter, the Parties shall consolidate the payments for such Calendar Quarter into a single payment from one Party to the other Party.

(b) Independent Work. Except as set forth below in this Section 9.2(c), each Party shall bear all the internal (calculated on an FTE basis using the then current FTE Rate) and out-of-pocket costs and expenses incurred by or on account of such Party in performing its own Independent Work (the "**Independent Work Costs**"). After the completion of such Independent Work, such Party shall provide the other Party with a report of such Independent Work Costs. If a Party desires to submit any portion of the Data resulting from any Independent Work conducted by the other Party and related Regulatory Filings generated by the other Party to support

Regulatory Approval in its territory, then such Party shall notify the other Party in writing at any time upon the completion of such Independent Work. Within [*] after its receipt of such notice, the Party conducting or having conducted such Independent Work shall submit to the other Party a reasonably detailed invoice setting forth [*] percent ([*]%) of the Independent Work Costs that would have been incurred by or on account of such other Party in connection with the generation of such Data under Section 9.2(b) as if such Independent Work Costs were Development Costs. If the Party seeking to use such Data decides to use such Data to support Regulatory Approval in its territory, then such Party shall notify the other Party in writing and pay the amount invoiced within [*] after the receipt of such invoice, subject to such Party's right to audit the invoicing Party's records and books related to such costs as provided in Section 10.4. For clarity, making such a payment does not preempt the paying Party's audit rights under Section 10.4, which remain in full force and effect.

(c) Internal Development Cost. Each Party shall record and calculate its internal Development Costs on an FTE basis at the FTE Rate.

(d) Development Cost for Products in Combination. If any Product is Developed under this Agreement in combination with a Party's proprietary product (the "**Beneficial Party**"), either as a combination product or combination therapy, then such Development work shall be conducted in accordance with the GDP and the Development Costs with respect to such Development shall be included in the Development Budget, provided that only [*] percent ([*]%) of the Development Cost with respect to such Development shall be subject to the Parties' cost sharing under Section 9.2(b) and the Beneficial Party shall be solely responsible for the other [*] percent ([*]%) of the Development Costs.

(e) PV Costs. Commencing [*], no later than [*] after the beginning of each Calendar Quarter, Exelixis shall submit to Licensee a statement setting forth the PV Costs incurred, including Licensee's share (calculated in accordance with Section 5.5) of (i) estimated PV Costs for the then current quarter; (ii) variances from prior invoiced estimates and actual PV Costs; and (iii) PV Costs incurred by or on account of Exelixis in the past quarter not previously invoiced. Such invoice shall include a reasonably detailed report for such PV Costs, including supporting documents. To the extent provided in Section 5.5, Licensee shall pay the amount invoiced within [*] after the receipt of the invoice, subject to Licensee's right to audit Exelixis records and books related to such costs as provided in Section 10.4. For clarity, making such a payment does not preempt Licensee's audit rights under Section 10.4, which remain in full force and effect.

9.3 Development Milestone Payments.

(a) Development Milestones. Subject to the remainder of this Section 9.3, Licensee shall pay to Exelixis the non-refundable, non-creditable payment set forth in the table below upon the achievement of the applicable milestone event (whether by or on behalf of Licensee, Exelixis, or their Affiliates, licensee(s) of Exelixis or Sublicensees):

Milestone Event	Milestone Payments			
	For RCC (2nd line)	For HCC (2nd line)	[*]	[*]
Milestone #1: Initiation of first Phase 3 Clinical Trial	n.a.	n.a.	$[*]	$[*]
Milestone #2: First MAA filing with the EMA	n.a	$10 million	$[*]	$[*]
Milestone #3: First MAA Approval by EMA	$60 million	$40 million	$[*]	$[*]
TOTAL	$60 million	$50 million	$[*]	$[*]

(i) For RCC (2nd line) and for HCC (2nd line), each milestone payment shall be paid once for the applicable events described above for each different applicable Product.

(ii) [*].

(iii) Milestone #1 shall be deemed achieved and payable, if not already achieved, upon achievement of any of Milestone #2 and/or Milestone #3 for the same indication.

(iv) Milestone #2 shall be deemed achieved and payable, if not already achieved, upon achievement of Milestone #3 for the same indication.

(b) Notice and Payment. Each Party shall notify the other Party in writing within [*] after the achievement of any milestone set forth in this Section 9.3 by such Party, its Affiliates or its Sublicensees. Licensee shall pay to Exelixis the applicable development milestone payments within [*] after the delivery or receipt of such notice.

9.4 Commercial Milestones Payments.

(a) EU Launch Milestones. Licensee shall pay to Exelixis the non-refundable, non-creditable payment set forth in the table below upon the achievement of the applicable milestone event (whether by or on behalf of Licensee, its Affiliates, or Sublicensees):

EU Launch Milestones	Milestone Payments
First commercial sale of a Product in any country in the Top 5 EU	$10 million
First commercial sale of a Product in any second country in the Top 5 EU	$10 million

(b) Net Sales Milestones. Licensee shall pay to Exelixis the one-time, non-refundable, non-creditable payments set forth in the table below when the aggregated Net Sales of all Products in the Licensee Territory in any period of four (4) consecutive Calendar Quarters first reach the values indicated in the table below. Once one of the values indicated in the table below is first reached and the corresponding Milestone Payment is paid by Licensee under this Section 9.4 (the "**Previously Achieved Commercial Milestone**"), the period of four (4) consecutive Calendar Quarters to be applied to determine the reaching of a subsequent Net Sales amount in the table below shall only start at the Calendar Quarter immediately following the fourth (4^{th}) Calendar Quarter which served as the period to determine the reaching of the Net Sales amount triggering the Previously Achieved Commercial Milestone. For the avoidance of doubt, each payment in this Section 9.4 shall be payable once only, regardless of the number of times such milestone is subsequently achieved.

Aggregate Net Sales of all Products in the Licensee Territory in any 4 consecutive Calendar Quarters	Milestone Payments
Equal or exceed $[*]	$[*]
Equal or exceed $[*]	$[*]
Equal or exceed $[*]	$[*]
Equal or exceed $[*]	$[*]
Equal or exceed $[*]	$[*]

(c) Notice and Payment.

(i) Licensee shall notify Exelixis in writing within [*] after the achievement of any EU launch milestone set forth in Section 9.4(a) above by Licensee, its Affiliates or its Sublicensees. Licensee shall pay to Exelixis the applicable EU launch milestone payments within [*] after the delivery or receipt of such notice.

(ii) As part of the report in Section 10.1, Licensee shall provide written notice to Exelixis if the aggregated Net Sales of all Products in the Licensee Territory in any four (4) consecutive Calendar Quarters first reach the values set forth in Section 9.4(b) above, and

Licensee shall pay to Exelixis the corresponding Net Sales milestone payment within [*] after the end of the Calendar Quarter.

9.5 Royalty Payments.

(a) Royalty Rate. Subject to the other terms of this Section 9.5, during the Royalty Term, Licensee shall make quarterly non-refundable, non-creditable royalty payments to Exelixis on the annual Net Sales of all Products sold in the Licensee Territory at the applicable rate set forth below:

Annual Net Sales of all Products in the Licensee Territory	**Royalty Rate**
Portion less than or equal to $[*]	22%
Portion greater than $[*] and less than or equal to $[*]	[*]%
Portion greater than $[*]	26%

(b) Royalty Term. Royalties shall be paid on a Product-by-Product and country-by-country basis in the Licensee Territory from the First Commercial Sale of such Product in such country by or on behalf of Licensee, its Affiliates or Sublicensees, until the latest of (i) expiration of the last-to-expire Valid Claim of the Exelixis Patents and Licensee Patents covering such Product in such country, including its composition, method of manufacture or method of use, each covering the Product as Commercialized; (ii) the expiration of any Regulatory Exclusivity covering such Product in such country; or (iii) ten (10) years after the First Commercial Sale of such Product in such country for the first indication to obtain Regulatory Approval in the Licensee Territory other than MTC (the "**Royalty Term**").

(c) Royalty Reductions

(i) If one or more Generic Products to a Product is sold in any country in the Licensee Territory during the Royalty Term for such Product in such country, and [*], the royalty rates provided in Section 9.5(a) for such Product shall be reduced in such country by [*] percent ([*]%) [*].

(ii) If it is [*] for Licensee to obtain a license from a Third Party under any Patent in a particular country in the Licensee Territory in order to sell a Product in such country and Licensee obtains such a license, Licensee may deduct, from the royalty payment that would otherwise have been due pursuant to Section 9.5(a) with respect to Net Sales of such Product in such country in a particular Calendar Quarter, an amount equal to [*] percent ([*]%) of the royalties paid by Licensee to such Third Party pursuant to such license on account of the sale of such Product in such country during such Calendar Quarter.

(iii) If the Applicable Laws (including legal doctrine) in a particular country or jurisdiction requires a royalty reduction after the expiration of the relevant patents,

and the Royalty Term for a particular Product in such country or jurisdiction extends beyond the time period set forth in Section 9.5(b)(i), then the royalty rates provided in Section 9.5(a) shall be reduced by [*] percent ([*]%) for such Product in such country (e.g., a reduction from [*]% to [*]%) during the remainder of the Royalty Term that extends beyond the time period set forth in Section 9.5(b)(i) unless and until the royalty reduction set forth in Section 9.5(c)(i) becomes applicable. For the same period of time, if neither Exelixis nor Licensee has [*] in such country, such royalty reduction shall be [*] percent ([*]%) instead of [*] percent ([*]%).

(iv) Notwithstanding the foregoing, during any Calendar Quarter in the Royalty Term for a Product in a country, the operation of clause (i), (ii) and (iii) above, individually or in combination, shall not reduce by more than [*] percent ([*]%) the royalties that would otherwise have been due under Section 9.5(a) with respect to Net Sales of such Product in such country during such Calendar Quarter.

(d) Basis of Payment. This Section 9.5 is intended to provide for royalty payments to Exelixis equal to the percentages of Net Sales set forth in this Section 9.5 for the entire duration of the Royalty Term. In establishing this payment structure, Licensee recognizes and acknowledges the substantial value of the various actions and investments that Exelixis has taken and will undertake under this Agreement, as well as the fact that the value of the license granted hereunder resides substantially in the Know-How. Therefore, Licensee agrees that the royalty payments set forth above are appropriate for the entire duration of such payment obligation. The Parties have agreed to the payment structure set forth herein as a convenient and fair mechanism for both Parties to be compensated for the value of their actions and investments under this Agreement.

(e) Launch Period Adjustment. For the first fifty million dollars ($50,000,000) of cumulative Net Sales, Licensee shall make quarterly non-refundable, non-creditable royalty payments to Exelixis on the Net Sales of all Products sold in the Licensee Territory at the rate of two percent (2%) rather than at the rate set forth in Section 9.5(a). For the first one hundred million dollars ($100,000,000) of cumulative Net Sales immediately following the initial fifty million dollars ($50,000,000) of cumulative Net Sales, Licensee shall make quarterly non-refundable, non-creditable royalty payments to Exelixis on the Net Sales of all Products sold in the Licensee Territory at the rate of twelve percent (12%) rather than at the rate set forth in Section 9.5(a). Thereafter, the royalty rate for all Net Sales shall be at the applicable rate set forth in Section 9.5(a).

(f) Stockout Holiday. In the event of conditions that give rise to a Stockout Period, Licensee shall be relieved of the obligation to pay royalties pursuant to Section 9.5(a) on Net Sales occurring for a period of time, commencing with the first commercial sale following the end of the Stockout Period, equal in duration to the Stockout Period.

9.6 Exelixis Payments to Third Party. Exelixis shall be solely responsible for all payments, including royalties and milestone payments, due with respect to Compound and Products pursuant to any Third Party agreement that Exelixis entered into prior to or as of the Effective Date, including any obligations surviving the termination of the Product Development and Commercialization Agreement between [*], as set forth in such Collaboration Agreement.

9.7 Supply Payments. Licensee shall pay Exelixis for Compound and Product Exelixis supplies to Licensee an amount equal to [*], all as provided in the Supply Agreement.

10. PAYMENT; RECORDS; AUDITS

10.1 Payment; Reports. Royalty payments due by Licensee to Exelixis under Section 9.5 shall be calculated and reported for each Calendar Quarter. All royalty payments due under Section 9.5 shall be paid within [*] after the end of each Calendar Quarter and shall be accompanied by a report setting forth, on a country-by-country basis, Net Sales of the Products by Licensee and its Affiliates and Sublicensees in the Licensee Territory in sufficient detail to permit confirmation of the accuracy of the royalty payment made, including, for each country, the number of Products sold, the gross sales and Net Sales of Products, including the deductions from gross sales to arrive at Net Sales, the royalties payable, the method used to calculate the royalties, the exchange rates used, any adjustments to royalties in accordance with Section 9.5, and whether any commercial milestone under Section 9.4 has been achieved. Promptly after the Effective Date, the Parties will agree on the form of royalty report. Licensee shall submit a single report for all Net Sales during the Calendar Quarter, including all Licensee's, Affiliates' and Sublicensees' Net Sales but shall separately identify the Net Sales and other information applicable to each entity.

10.2 Exchange Rate; Manner and Place of Payment. All references to dollars and "$" herein shall refer to U.S. dollars. All payments hereunder shall be payable in U.S. dollars. When conversion of Net Sales from any currency other than U.S. dollars is required, such conversion shall be at the exchange rate [*]. All payments owed under this Agreement shall be made by wire transfer in immediately available funds to a bank and account designated in writing by Exelixis, unless otherwise specified in writing by Exelixis.

10.3 Taxes.

(a) Taxes on Income. Each Party shall be solely responsible for the payment of all taxes imposed on its share of income arising directly or indirectly from the activities of the Parties under this Agreement.

(b) Tax Cooperation. The Parties agree to cooperate with one another and use reasonable efforts to avoid or reduce tax withholding or similar obligations in respect of the milestone payments, milestone payments and other payments made by Licensee to Exelixis under this Agreement. To the extent Licensee is required by Applicable Laws to deduct and withhold taxes on any payment to Exelixis, Licensee shall pay the amounts of such taxes to the proper Governmental Authority in a timely manner and promptly transmit to Exelixis an official tax certificate or other evidence of such payment sufficient to enable Exelixis to claim such payment of taxes. Exelixis shall provide Licensee any tax forms that may be reasonably necessary in order for Licensee to not withhold tax or to withhold tax at a reduced rate under an applicable bilateral income tax treaty, to the extent legally able to do so. Exelixis shall use reasonable efforts to provide any such tax forms to Licensee in advance of the due date. Licensee shall provide Exelixis with reasonable assistance to enable the recovery, as permitted by Applicable Laws, of withholding taxes or similar obligations resulting from payments made

under this Agreement, such recovery to be for the benefit of Exelixis. Licensee shall have the right to deduct any such tax, levy or charge actually paid from payment due to Exelixis. Each Party agrees to assist the other Party in claiming exemption from such deductions or withholdings under double taxation or similar agreement or treaty from time to time in force and in minimizing the amount required to be so withheld or deducted.

(c) Taxes Resulting From Licensee's Action. Licensee represents and warrants that, as of the Effective Date, Licensee is not required by Applicable Law to deduct or withhold taxes on the upfront payment, milestone payments, royalty payments, and other payments payable to Exelixis under this Agreement. If a Party takes any action of its own discretion (not required by a Regulatory Authority), including any assignment, sublicense, change of place of incorporation, or failure to comply with Applicable Laws or filing or record retention requirements, which results in a withholding or deduction obligation ("**Withholding Tax Action**"), then such Party shall pay the sum associated with such Withholding Tax Action. For clarity, if Licensee undertakes a Withholding Tax Action, then the sum payable by Licensee (in respect of which such deduction or withholding is required to be made) shall be increased to the extent necessary to ensure that Exelixis receives a sum equal to the sum which it would have received had no such Withholding Tax Action occurred. Otherwise, the sum payable by Licensee (in respect of which such deduction or withholding is required to be made) shall be made to Exelixis after deduction of the amount required to be so withheld or deducted. If a change in Applicable Laws results in a withholding or deduction obligation absent either Party taking a Withholding Tax Action, then the amount of such withholding or deduction obligation shall be paid by Licensee to the applicable Governmental Authority on behalf of Exelixis, provided that Licensee shall assist Exelixis in minimizing or recovering such withholding or deduction obligation. The Parties shall use commercially reasonable efforts to invoke the application of any applicable bilateral income tax treaty that would reduce or eliminate otherwise applicable taxes with respect to payments payable pursuant to this Agreement.

10.4 Records; Audit. Each Party shall maintain complete and accurate records in sufficient detail in relation to this Agreement to permit the other Party to confirm the accuracy of the amount of Development Costs and the Cost of Goods to be reimbursed or shared, achievement of commercial milestones, the amount of royalty and other payments under this Agreement. Each Party will keep such books and records for at least [*] following the Calendar Year to which they pertain. Upon reasonable prior notice, such records shall be inspected during regular business hours at such place or places where such records are customarily kept by an independent certified public accountant (the "**Auditor**") selected by the auditing Party and reasonably acceptable to the audited Party for the sole purpose of verifying for the auditing Party the accuracy of the financial reports furnished by the audited Party pursuant to this Agreement or of any payments made, or required to be made, by or to the audited Party pursuant to this Agreement. Before beginning its audit, the Auditor shall execute an undertaking acceptable to each Party by which the Auditor agrees to keep confidential all information reviewed during the audit. Such audits may occur no more often than once each Calendar Year and not more frequently than once with respect to records covering any specific period of time. Each Party shall only be entitled to audit the books and records from the [*] Calendar Years prior to the Calendar Year in which the audit request is made. Such auditor shall not disclose the audited

Party's Confidential Information to the auditing Party, except to the extent such disclosure is necessary to verify the accuracy of the financial reports furnished by the audited Party or the amount of payments to or by the audited Party under this Agreement. In the event that the final result of the inspection reveals an undisputed underpayment or overpayment, the underpaid or overpaid amount shall be settled within [*] after the Auditor's report. The auditing Party shall bear the full cost of such audit unless such audit reveals an overpayment to, or an underpayment by, the audited Party that resulted from a discrepancy in the financial report provided by the audited Party for the audited period, which underpayment or overpayment was more than [*] percent ([*]%) of the amount set forth in such report, in which case the audited Party shall reimburse the auditing Party for the costs for such audit. With respect more specifically to the Development Costs to be paid or shared pursuant to Section 9.2, in addition to the right of inspection and audit by an Auditor, the Party making the payment (the "**Payor**") shall have the right at its expense to review any records of out-of-pocket costs and expenses incurred by the Party requesting the payment (the "**Payee**") and time-keeping logs of Payee sufficient to justify the work-time spent by each FTE of the Payee as well as the books of the Payee upon reasonable notice sent by Payor to Payee and during regular business hours. For clarity, making such a payment does not preempt the paying Party's audit rights under this Section 10.4, which remain in full force and effect. Payee's FTE's work-time shall be appropriately allocated between the other product and the Product for purpose of calculating the internal costs specifically dedicated to the Product.

10.5 Late Payments. In the event that any payment due under this Agreement is not paid when due in accordance with the applicable provisions of this Agreement, the payment shall accrue interest from the date due at the [*] interest rate of [*] percent ([*]%) [*]; provided, however, that in no event shall such rate exceed the maximum legal annual interest rate. The payment of such interest shall not limit the Party entitled to receive payment from exercising any other rights it may have as a consequence of the lateness of any payment.

11. INTELLECTUAL PROPERTY

11.1 Ownership.

(a) Data. All Data generated in connection with any Development or Commercial activities with respect to any Product conducted by or on behalf of Exelixis and its Affiliates and licensees (other than Licensee) (the "**Exelixis Data**") shall be the sole and exclusive property of Exelixis or its Affiliates or licensees, as applicable. All Data generated in connection with any Development or Commercial activities with respect to any Product conducted by or on behalf of Licensee or its Affiliates or Sublicensees (the "**Licensee Data**") shall be the sole and exclusive property of Licensee or of its Affiliates or Sublicensees, as applicable. For clarity, each Party shall have access and right to use and reference the other Party's Data as and to the extent set forth in this Agreement.

(b) Inventions. Inventorship of any Inventions will be determined in accordance with the standards of inventorship and conception under U.S. patent laws. The Parties will work together to resolve any issues regarding inventorship or ownership of Inventions. Ownership of Inventions will be allocated as follows:

(i) Exelixis will solely own all data, Inventions, and Patents claiming such Inventions that relate to the composition, manufacture or use of any Compound, or any improvement of any such composition, manufacture or use (each, a "**Compound Invention**"). All Compound Inventions will be included in the Exelixis Know-How, and Patents in the Licensee Territory claiming such Inventions will be included in the Exelixis Patents. To the extent any Compound Invention is made by Licensee, whether solely or jointly with Exelixis, Licensee shall, and hereby does, transfer and assign to Exelixis, without additional consideration, all of its interest in such Compound Invention.

(ii) Except for Compound Inventions, each Party shall solely own any Inventions made solely by its and its Affiliates' employees, agents, or independent contractors ("**Sole Inventions**"), and the Parties shall jointly own any Inventions that are made jointly by employees, agents, or independent contractors of one Party and its Affiliates together with employees, agents, or independent contractors of the other Party and its Affiliates ("**Joint Inventions**"). All Patents claiming patentable Joint Inventions shall be referred to herein as "**Joint Patents.**" Except to the extent either Party is restricted by the licenses granted to the other Party under this Agreement, each Party shall be entitled to practice, license, assign and otherwise exploit its interest under the Joint Inventions and Joint Patents without the duty of accounting or seeking consent from the other Party.

11.2 Patent Prosecution and Maintenance.

(a) Exelixis Patents.

(i) Subject to this Section 11.2(a), Exelixis shall have the sole right, but not the obligation, to control the preparation, filing, prosecution and maintenance (including any interferences, reissue proceedings, reexaminations, inter partes review, patent term extensions, applications for supplementary protection certificates, oppositions, invalidation proceedings and defense of validity or enforceability challenges) of the Exelixis Patents (other than Joint Patents) worldwide, using counsel of its own choice in the Exelixis Territory and counsel mutually agreed to by the Parties in the Licensee Territory. Licensee shall reimburse Exelixis for all costs and expenses incurred with respect to the preparation, filing, prosecution and maintenance of Exelixis Patents in the Licensee Territory after the Effective Date, within [*] from the date of invoice for such costs and expenses provided by Exelixis. In the event that Licensee does not reimburse Exelixis for such costs and expenses for any Exelixis Patent or notifies Exelixis in writing that it elects to cease reimbursing Exelixis for such costs and expenses for any Exelixis Patent, such Patent shall cease to be an Exelixis Patent and shall no longer be subject to the licenses and other rights granted by Exelixis to Licensee under this Agreement. Exelixis shall keep Licensee informed of material progress with regard to the preparation, filing, prosecution and maintenance of Exelixis Patents in the Licensee Territory, sufficiently in advance for Licensee to be able to review any material documents, including content, timing and jurisdiction of the filing of such Exelixis Patents in the Licensee Territory, and Exelixis shall consult with, and consider in good faith the requests and suggestions of, Licensee with respect to strategies for filing, prosecuting and defending, if any, Exelixis Patents in the Licensee Territory.

(ii) In the event that Exelixis desires to abandon or cease prosecution or maintenance of any Exelixis Patent in any country in the Licensee Territory, Exelixis shall provide reasonable prior written notice to Licensee of such intention to abandon (which notice shall, to the extent possible, be given no later than [*] prior to the next deadline for any action that must be taken with respect to any such Exelixis Patent in the relevant patent office). In such case, upon Licensee's written election provided no later than [*] after such notice from Exelixis, Exelixis shall continue prosecution and maintenance of such Exelixis Patent at Licensee's direction and expense. If Licensee does not provide such election within [*] after such notice from Exelixis, Exelixis may, in its sole discretion, continue prosecution and maintenance of such Exelixis Patent or discontinue prosecution and maintenance of such Exelixis Patent.

(b) Licensee Patents.

(i) Subject to this Section 11.2(b), Licensee shall have the first right, but not the obligation, to control the preparation, filing, prosecution and maintenance (including any interferences, reissue proceedings, reexaminations, patent term extensions, applications for supplementary protection certificates, oppositions, invalidation proceedings and defense of validity or enforceability challenges) of all Licensee Patents (other than Joint Patents) worldwide, at its sole cost and expense and by counsel of its own choice in the Licensee Territory and by counsel mutually agreed to by the Parties in the Exelixis Territory. Licensee shall keep Exelixis informed of the status of filing, prosecution, maintenance and defense, if any, of the Licensee Patents, and Licensee shall consult with, and consider in good faith the requests and suggestions of, Exelixis with respect to strategies for filing, prosecuting and defending, if any, Licensee Patents.

(ii) In the event that Licensee desires to abandon or cease prosecution or maintenance of any Licensee Patent, Licensee shall provide reasonable prior written notice to Exelixis of such intention to abandon (which notice shall, to the extent possible, be given no later than [*] prior to the next deadline for any action that must be taken with respect to any such Licensee Patent in the relevant patent office). In such case, upon Exelixis' written election provided no later than [*] after such notice from Licensee, Exelixis shall have the right to assume prosecution and maintenance of such Licensee Patent at Exelixis' expense and Licensee shall assign to Exelixis all of its rights, title and interest in and to such Licensee Patent. If Exelixis does not provide such election within [*] after such notice from Licensee, Licensee may, in its sole discretion, continue prosecution and maintenance of such Licensee Patent or discontinue prosecution and maintenance of such Licensee Patent.

(c) Joint Patents.

(i) Subject to this Section 11.2(c), Exelixis shall have the first right, but not the obligation, to prepare, file, prosecute and maintain (including any interferences, reissue proceedings, reexaminations, patent term extensions, applications for supplementary protection certificates, oppositions, invalidation proceedings and defense of validity or enforceability challenges) Joint Patents using a patent counsel selected by Exelixis in the Exelixis Territory and counsel mutually agreed to by the Parties in the Licensee Territory. Licensee shall reimburse Exelixis for all costs and expenses incurred with respect to the

preparation, filing, prosecution and maintenance of Joint Patents in the Licensee Territory, within [*] from the date of invoice for such costs and expenses provided by Exelixis. In the event that Licensee does not reimburse Exelixis for such costs and expense for any Joint Patent or notifies Exelixis in writing that it elects to cease reimbursing Exelixis for such costs and expense for any Joint Patent, Licensee shall execute such documents and perform such acts, at Licensee's expense, as may be reasonably necessary to effect an assignment of Licensee's entire right, title, and interest in and to such Joint Patent to Exelixis, and such Patent shall cease to be either a Joint Patent or a Exelixis Patent and shall no longer be subject to the licenses and other rights granted by Exelixis to Licensee under this Agreement. Exelixis shall keep Licensee informed of material progress with regard to the preparation, filing, prosecution, maintenance and defense, if any of Joint Patents, including content, timing and jurisdiction of the filing of such Joint Patents, and Exelixis shall consult with, and consider in good faith the requests and suggestions of, Licensee with respect to filing, prosecuting and defending, if any, Joint Patents in the Licensee Territory.

(ii) In the event that Exelixis desires to abandon or cease prosecution or maintenance of any Joint Patent in any country in the Licensee Territory, Exelixis shall provide reasonable prior written notice to Licensee of such intention to abandon (which notice shall, to the extent possible, be given no later than [*] prior to the next deadline for any action that must be taken with respect to any such Joint Patent in the relevant patent office). In such case, at Licensee's sole discretion, upon written notice from Licensee to Exelixis, Licensee may elect to continue prosecution or maintenance of any such Joint Patent at its own expense, and Exelixis shall execute such documents and perform such acts, at Licensee's expense, as may be reasonably necessary to allow Licensee to continue the prosecution and maintenance of such Joint Patent in such country in the Licensee Territory. Any such assignment shall be completed in a timely manner to allow Licensee to continue prosecution and maintenance of any such Joint Patent and any such Patent so assigned shall cease to be either a Joint Patent or a Licensee Patent and shall no longer be subject to the licenses and other rights granted by Licensee to Exelixis under this Agreement

(d) Cooperation. Each Party agrees to cooperate fully in the preparation, filing, prosecution, maintenance and defense, if any, of Patents under Section 11.2 and in the obtaining and maintenance of any patent term extensions, supplementary protection certificates and their equivalent with respect thereto respectively, at its own cost (except as expressly set forth otherwise in this Article 11). Such cooperation includes: (i) executing all papers and instruments, or requiring its employees or contractors, to execute such papers and instruments, so as enable the other Party to apply for and to prosecute patent applications in any country as permitted by Section 11.2; and (ii) promptly informing the other Party of any matters coming to such Party's attention that may affect the preparation, filing, prosecution or maintenance of any such patent application and the obtaining of any patent term extensions, supplementary protection certificates and their equivalent.

11.3 Patent Enforcement.

(a) Notice. Each Party shall notify the other within [*] of becoming aware of any alleged or threatened infringement by a Third Party of any of the Exelixis Patents

(including Joint Patents) in the Licensee Territory, which infringement adversely affects or is expected to adversely affect any Product, including any declaratory judgment, opposition, or similar action alleging the invalidity, unenforceability or non-infringement of any of the Exelixis Patents (collectively "**Product Infringement**").

(b) Enforcement Right. Exelixis shall have the first right to bring and control any legal action in connection with such Product Infringement at its own expense as it reasonably determines appropriate. If Exelixis (i) decides not to bring such legal action against a Product Infringement (the decision of which Exelixis shall inform Licensee promptly) or (ii) Exelixis otherwise fails to bring such legal action against a Product Infringement within [*] of first becoming aware of such Product Infringement, Licensee shall have the right to bring and control any legal action in connection with such Product Infringement at its own expense as it reasonably determines appropriate after consultation with Exelixis.

(c) Collaboration. Each Party shall provide to the enforcing Party reasonable assistance in such enforcement, at such enforcing Party's request and expense, including to be named in such action if required by Applicable Laws to pursue such action. The enforcing Party shall keep the other Party regularly informed of the status and progress of such enforcement efforts, shall reasonably consider the other Party's comments on any such efforts, including, without limitation, determination of litigation strategy, filing of material papers to the competent court. The non-enforcing Party shall be entitled to separate representation in such matter by counsel of its own choice and at its own expense, but such Party shall at all times cooperate fully with the enforcing Party.

(d) Expense and Recovery.

(i) Except as set forth in clause (ii) below, the enforcing Party shall be solely responsible for any cost and expenses incurred by such Party as a result of such enforcement action. If such Party recovers monetary damages in such enforcement action, such recovery shall be allocated first to the reimbursement of any expenses incurred by the enforcing Party in such enforcement action, second to the reimbursement of any expenses incurred by the other Party in such enforcement action, and any remaining amounts shall be retained by the enforcing Party.

(ii) Notwithstanding the foregoing, if Exelixis is the enforcing Party against a Product Infringement in the Licensee Territory, Licensee shall have the option to share [*] percent ([*]%) of the cost and expense incurred by Exelixis in such enforcement action, which option may be exercised by Licensee by providing written notice to Exelixis within [*] after receiving a notice from Exelixis that Exelixis decides to bring such action. If Licensee exercises such option, then (1) Licensee shall reimburse Exelixis for [*] percent ([*]%) of all costs and expenses incurred by Exelixis in such enforcement action, within [*] from the date of invoice for such costs and expenses provided by Exelixis; (2) If Exelixis recovers any monetary damages in such enforcement action, such recovery shall be allocated [*] percent ([*]%) to Exelixis and [*] percent ([*]%) to Licensee.

(e) Other Infringement. Except for Product Infringement as set forth above, each Party shall have the exclusive right to enforce its own Patent against any infringement anywhere in the world. For clarity, Exelixis shall have the exclusive right to enforce (i) the Exelixis Patents against any infringement in the Licensee Territory that is not a Product Infringement, and (ii) the Exelixis Patents and Joint Patents against any infringement in the Exelixis Territory, in each case at its own expense as it reasonably determines appropriate. The Parties shall discuss global enforcement strategy for the Exelixis Patents and Licensee Patents, including the defense of validity and enforceability challenges arising from any enforcement action.

11.4 Infringement of Third Party Rights. If any Product used or sold by Licensee, its Affiliates or Sublicensees becomes the subject of a Third Party's claim or assertion of infringement of any intellectual property rights in a jurisdiction within the Licensee Territory, Licensee shall promptly notify Exelixis and the Parties shall promptly meet to consider the claim or assertion and the appropriate course of action and may, if appropriate, agree on and enter into a "common interest agreement" wherein the Parties agree to their shared, mutual interest in the outcome of such potential dispute. Absent any agreement to the contrary, and subject to claims for indemnification under Article 13, each Party defend itself from any such Third Party claim at its own cost and expense, provided, however, that the provisions of Section 11.3 shall govern the right of Licensee to assert a counterclaim of infringement of any Exelixis Patents.

11.5 Patents Licensed From Third Parties. Each Party's rights under this Article 11 with respect to the prosecution and enforcement of any Exelixis Patent and Licensee Patent shall be subject to the rights: (a) retained by any upstream licensor to prosecute and enforce such Patent Right, if such Patent Right is subject to an upstream license agreement; and (b) granted to any Third Party prior to such Patent Right becoming subject to the license grant under this Agreement.

11.6 Trademarks.

(a) Product Trademarks. Exelixis shall develop and adopt trademarks, including trade names, trade dresses, branding, and logos, to be used for the Products (the "**Product Marks**"). Exelixis shall own the Product Marks throughout the world and all goodwill in the Product Marks shall accrue to Exelixis. The Parties (including any Future Exelixis Licensee to the extent feasible) shall collaborate to have a global, worldwide trademark to be used on the Product. The Parties acknowledge that Exelixis has been using the trademark Cometriq® for the Product in MTC, and unless otherwise mutually agreed, the Parties shall continue to use Cometriq® in MTC. Exelixis shall select another Product Mark for the Product to be used for all other indications. In the event Exelixis is unable to obtain or maintain the Product Marks for the Product in the Licensee Territory or in some countries in the Licensee Territory, the Parties shall collaborate to select such other Product Marks (*i.e.*, back-up names) as may be available for registration and marketing of the Product in those countries. Exelixis shall be responsible for the registration, maintenance, defense and enforcement of the Product Marks using counsel of its own choice in the Exelixis Territory and counsel mutually agreed to by the Parties in the Licensee Territory. Licensee shall reimburse Exelixis for all costs and expenses

incurred with respect to the registration and maintenance of the Product Marks in the Licensee Territory, within [*] from the date of invoice for such costs and expenses provided by Exelixis. Exelixis shall keep Licensee informed of material progress with regard to the registration, prosecution, maintenance and defense, if any, of Exelixis Trademarks in the Licensee Territory, including content, timing and jurisdiction of the filing of such Exelixis Trademarks in the Licensee Territory, sufficiently in advance for Licensee to be able to review any material documents, and Exelixis shall consult with, and consider in good faith the requests and suggestions of, Licensee with respect to strategies for filing, prosecuting and defending, if any, Exelixis Trademarks in the Licensee Territory.

(b) Trademark License. Licensee shall use the Product Marks selected by Exelixis to Commercialize the Product in the Licensee Territory. Where Licensee reasonably believes the Product Mark is not appropriate for commercial use in a specific country, the Parties shall agree on an alternative product trademark for such country and such alternative product trademark shall be included in Product Mark. In addition, unless prohibited by Applicable Laws, Licensee shall use Commercially Reasonable Effort to include Exelixis' corporate trademark on the packaging and product information (i.e. SmPC) of the Products sold in the Licensee Territory to indicate that the Product is licensed from Exelixis. Exelixis hereby grants to Licensee a limited royalty-free license to use such Product Marks and Exelixis' corporate trademark solely in connection with the Commercialization of the Product in the Licensee Territory under this Agreement. All use of the Product Marks and Exelixis' corporate trademark shall comply with Applicable Laws and regulations and shall be subject to Exelixis' review and approval. For clarity, Licensee shall also include its (or its Affiliate's or Sublicensee's) corporate logo in the Product sold in the Licensee Territory.

12. REPRESENTATIONS AND WARRANTIES

12.1 Mutual Representations and Warranties. Each Party represents and warrants to the other that, as of the Effective Date: (a) it is duly organized and validly existing under the laws of its jurisdiction of incorporation or formation, and has full corporate or other power and authority to enter into this Agreement and to carry out the provisions hereof, (b) it is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder, and the person or persons executing this Agreement on its behalf has been duly authorized to do so by all requisite corporate or partnership action, (c) this Agreement is legally binding upon it, enforceable in accordance with its terms, and does not conflict with any agreement, instrument or understanding, oral or written, to which it is a Party or by which it may be bound, nor violate any material law or regulation of any court, governmental body or administrative or other agency having jurisdiction over it, and (d) it has the right to grant the licenses granted by it under this Agreement.

12.2 Covenants.

(a) Employees, Consultants and Contractors. Each Party covenants that it has obtained or will obtain written agreements from each of its employees, consultants and contractors who perform Development activities pursuant to this Agreement, which agreements will obligate such persons to obligations of confidentiality and non-use and to assign (or, in the

case of contractor, grant a license under) Inventions in a manner consistent with the provisions of this Agreement.

(b) Debarment. Each Party represents, warrants and covenants to the other Party that it is not debarred or disqualified under the U.S. Federal Food, Drug and Cosmetic Act, as may be amended, or comparable laws in any country or jurisdiction other than the U.S., and it does not, and will not during the Term, employ or use the services of any person who is debarred or disqualified, in connection with activities relating to any Product. In the event that either Party becomes aware of the debarment or disqualification or threatened debarment or disqualification of any person providing services to such Party, including the Party itself or its Affiliates or Sublicensees, that directly or indirectly relate to activities contemplated by this Agreement, such Party shall immediately notify the other Party in writing and such Party shall cease employing, contracting with, or retaining any such person to perform any such services.

(c) Compliance. Licensee covenants as follows:

(i) In the performance of its obligations under this Agreement, Licensee shall comply and shall cause its and its Affiliates' employees and contractors to comply with all Applicable Laws.

(ii) Licensee and its Affiliates' employees and contractors shall not, in connection with the performance of their respective obligations under this Agreement, directly or indirectly through Third Parties, pay, promise or offer to pay, or authorize the payment of, any money or give any promise or offer to give, or authorize the giving of anything of value to a Public Official or Entity or other person for purpose of obtaining or retaining business for or with, or directing business to, any person, including, Licensee (and Licensee represents and warrants that as of the Effective Date, Licensee, and to its knowledge, its and its Affiliates' employees and contractors, have not directly or indirectly promised, offered or provided any corrupt payment, gratuity, emolument, bribe, kickback, illicit gift or hospitality or other illegal or unethical benefit to a Public Official or Entity or any other person in connection with the performance of Licensee's obligations under this Agreement, and Licensee covenants that it and its Affiliates' employees and contractors shall not, directly or indirectly, engage in any of the foregoing).

(iii) Licensee and its Affiliates, and their respective employees and contractors, in connection with the performance of their respective obligations under this Agreement, shall not cause its Indemnitees to be in violation of the FCPA, Export Control Laws, or any other Applicable Laws, rules or regulations or otherwise cause any reputational harm to Exelixis.

(iv) Licensee shall immediately notify Exelixis if Licensee has any information or suspicion that there may be a violation of the FCPA, Export Control Laws, or any other Applicable Laws, rules or regulations in connection with the performance of this Agreement or the Development, manufacture or Commercialization of any Product.

(v) In connection with the performance of its obligations under this Agreement, Licensee shall comply and shall cause its and its Affiliates' employees and contractors to comply with Licensee's own anti-corruption and anti-bribery policy, a copy of which has been provided to Exelixis prior to the Effective Date.

(vi) Exelixis will have the right, upon reasonable prior written notice and during Licensee's regular business hours, to conduct at its own cost and expenses inspections of and to audit Licensee's books and records in the event of a suspected violation or to ensure compliance with the representations, warranties or covenants of this Section 12.2(c); provided, however, that in the absence of good cause for such inspections and audits, Exelixis exercise this right no more than annually.

(vii) In the event that Licensee has violated or been suspected of violating any of the representations, warranties, or covenants in this Section 12.2(c), Licensee will cause its or its Affiliates' personnel or others working under its direction or control to submit to periodic training that Licensee will provide on anti-corruption law compliance.

(viii) Licensee will, at Exelixis' request, annually certify to Exelixis in writing Licensee's compliance, in connection with the performance of Licensee's obligations under this Agreement, with the representations, warranties, or covenants in Section 12.2(c), which certification shall be issued by Licensee's global commercial head for the Product.

(ix) Exelixis shall have the right to suspend or terminate this Agreement in its entirety where there is a credible finding, after a reasonable investigation, that Licensee, its Affiliates, or its Sublicensees, in connection with performance of Licensee's obligations under this Agreement, has engaged in chronic or material violations of the FCPA.

12.3 Additional Exelixis Representations, Warranties and Covenants. Exelixis represents, warrants and covenants, as applicable, to Licensee that, as of the Effective Date:

(a) **Exhibit B** lists all Patents Controlled by Exelixis in the Licensee Territory as of the Effective Date that claim the composition of matter or use of the Compound and have been filed, prosecuted and maintained in a manner consistent with Exelixis' standard practice, in each applicable jurisdiction in which such Patent have been filed, that no official final deadlines with respect to prosecution thereof have been missed and all applicable fees have been paid on or before the due date for payment;

(b) All inventors of Inventions claimed in the Patent listed on **Exhibit B** have assigned their entire right, title and interest in and to such inventions to Exelixis and the inventors listed are correct and [*];

(c) Exelixis has the right to grant all rights and licenses it purports to grant to Licensee with respect to the Exelixis Technology under this Agreement;

(d) Exelixis has not granted any liens or security interests on the Exelixis Technology;

(e) Exelixis has not received any written notice [*];

(f) Exelixis has not as of the Effective Date, and will not during the Term, grant any right to any Third Party under the Exelixis Technology that would conflict with the rights granted to Licensee hereunder;

(g) [*], to Exelixis' knowledge, [*], and [*];

(h) to Exelixis' knowledge, [*];

(i) Exelixis has disclosed to Licensee all clinical and non-clinical data in the Control of Exelixis that is material to the evaluation of the safety, efficacy and manufacturing process of the Product; and

(j) to Exelixis' knowledge, [*], which to Exelixis' knowledge and reasonable opinion, [*] that have not been fully disclosed to Licensee in the course of Licensee's due diligence.

12.4 Additional Licensee Representations, Warranties and Covenants. Licensee represents, warrants and covenants to Exelixis that, as of the Effective Date, Licensee has not granted, and will not grant during the Term, any right to any Third Party under the Licensee Technology that would conflict with the rights granted to Exelixis hereunder. Licensee further represents, warrants and covenants to Exelixis that, as of the Effective Date, Licensee does not own or control any Licensee Patents.

12.5 Disclaimer. Except as expressly set forth in this Agreement, THE TECHNOLOGY AND INTELLECTUAL PROPERTY RIGHTS PROVIDED BY EACH PARTY HEREUNDER ARE PROVIDED "AS IS" AND EACH PARTY EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING THE WARRANTIES OF DESIGN, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NONINFRINGEMENT OF THE INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES, OR ARISING FROM A COURSE OF DEALING, USAGE OR TRADE PRACTICES, IN ALL CASES WITH RESPECT THERETO. Without limiting the foregoing, (a) neither Party represents or warrants that any data obtained from conducting Clinical Trials in one country or jurisdiction will comply with the laws and regulations of any other country or jurisdiction, and (b) neither Party represents or warrants the success of any study or test conducted by pursuant to this Agreement or the safety or usefulness for any purpose of the technology it provides hereunder.

13. INDEMNIFICATION

13.1 Indemnification by Exelixis. Exelixis hereby agrees to defend, indemnify and hold harmless Licensee and its Affiliates and their respective directors, officers, employees and agents (each, an "**Licensee Indemnitee**") from and against any and all liabilities, expenses and losses including any product liability, personal injury, property damage, including reasonable legal expenses and attorneys' fees (collectively, "**Losses**"), to which any Licensee Indemnitee

may become subject as a result of any claim, demand, action or other proceeding by any Third Party to the extent such Losses arise out of: (a) the [*], (b) the gross negligence or willful misconduct of any Exelixis Indemnitee, or (c) the breach by Exelixis of any warranty, representation, covenant or agreement made by Exelixis in this Agreement; except, in each case (a)-(c), to the extent such Losses arise out of any activities set forth in Section 13.2(a), (b) or (c) for which Licensee is obligated to indemnify the Exelixis Indemnitee under Section 13.2.

13.2 Indemnification by Licensee. Licensee hereby agrees to defend, indemnify and hold harmless Exelixis, its Affiliates and licensees and their respective directors, officers, employees and agents (each, a "**Exelixis Indemnitee**") from and against any and all Losses to which any Exelixis Indemnitee may become subject as a result of any claim, demand, action or other proceeding by any Third Party to the extent such Losses arise out of: (a) the [*], (b) the gross negligence or willful misconduct of any Licensee Indemnitee, or (c) the breach by Licensee of any warranty, representation, covenant or agreement made by Licensee in this Agreement; except, in each case (a)-(c), to the extent such Losses arise out of any activities set forth in Section 13.1(a), (b) or (c) for which Exelixis is obligated to indemnify the Licensee Indemnitee under Section 13.1.

13.3 Procedure. A party that intends to claim indemnification under this Article 13 (the "**Indemnitee**") shall promptly notify the indemnifying Party (the "**Indemnitor**") in writing of any Third Party claim, demand, action or other proceeding (each, a "**Claim**") in respect of which the Indemnitee intends to claim such indemnification, and the Indemnitor shall have sole control of the defense or settlement thereof. The Indemnitee may participate at its expense in the Indemnitor's defense of and settlement negotiations for any Claim with counsel of the Indemnitee's own selection. The indemnity arrangement in this Article 13 shall not apply to amounts paid in settlement of any action with respect to a Claim, if such settlement is effected without the consent of the Indemnitor, which consent shall not be withheld or delayed unreasonably. The failure to deliver written notice to the Indemnitor within a reasonable time after the commencement of any action with respect to a Third Party Claim shall only relieve the Indemnitor of its indemnification obligations under this Article 13 if and to the extent the Indemnitor is actually prejudiced thereby. The Indemnitee shall cooperate fully with the Indemnitor and its legal representatives in the investigation of any action with respect to a Claim covered by this indemnification.

13.4 Insurance. Each Party, at its own expense, for a period until [*] after expiration or termination of this Agreement, shall maintain commercial general liability insurance, including public and product liability and other appropriate insurance (e.g., contractual liability, bodily injury, property damage and personal injury coverage) (or self-insure) in an amount consistent with sound business practice and reasonable in light of its obligations under this Agreement during the Term, at a minimum equivalent to [*] dollars ($[*]) for any one claim or in the aggregate. Each Party shall provide a certificate of insurance (or evidence of self-insurance) evidencing such coverage to the other Party upon request. It is understood that such insurance shall not be construed to create any limit of either Party's obligations or liabilities with respect to its indemnification obligations hereunder. In the event of use by either Party of subcontractors, Sublicensees or any Third Party in the performance of such Party's obligations

under the Agreement, such Party shall ensure that its subcontractor, Sublicensee or Third Party shall have a proper and adequate general liability insurance to cover its risks with respect to the other Party for damages mentioned above.

13.5 Limitation of Liability. EXCEPT FOR LIABILITY FOR BREACH OF ARTICLE 14, NEITHER PARTY SHALL BE ENTITLED TO RECOVER FROM THE OTHER PARTY ANY SPECIAL, INCIDENTAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING LOST PROFITS IN CONNECTION WITH THIS AGREEMENT OR ANY LICENSE GRANTED HEREUNDER; provided, however, that this Section 13.5 shall not be construed to limit either Party's indemnification obligations under this Article 13.

14. CONFIDENTIALITY

14.1 Confidential Information. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the Parties, the Parties agree that, during the Term and for [*] thereafter, the receiving Party shall keep confidential and shall not publish or otherwise disclose and shall not use for any purpose other than as expressly provided for in this Agreement any Confidential Information of the other Party, and both Parties shall keep confidential and, subject to Sections 14.2 and 14.3 and 14.5, shall not publish or otherwise disclose the terms of this Agreement. Each Party may use the other Party's Confidential Information only to the extent required to accomplish the purposes of this Agreement, including exercising its rights or performing its obligations under this Agreement. Each Party will use at least the same standard of care as it uses to protect proprietary or confidential information of its own (but no less than reasonable care) to ensure that its employees, agents, consultants, contractors and other representatives do not disclose or make any unauthorized use of the Confidential Information of the other Party. Each Party will promptly notify the other upon discovery of any unauthorized use or disclosure of the Confidential Information of the other Party.

14.2 Exceptions. The obligations of confidentiality and restriction on use under Section 14.1 will not apply to any information that the receiving Party can prove by competent written evidence: (a) is now, or hereafter becomes, through no act or failure to act on the part of the receiving Party, generally known or available to the public; (b) is known by the receiving Party at the time of receiving such information, other than by previous disclosure of the disclosing Party, or its Affiliates, employees, agents, consultants, or contractors; (c) is hereafter furnished to the receiving Party without restriction by a Third Party who has no obligation of confidentiality or limitations on use with respect thereto, as a matter of right; or (d) is independently discovered or developed by the receiving Party without the use of Confidential Information belonging to the disclosing Party.

14.3 Authorized Disclosure. Each Party may disclose Confidential Information belonging to the other Party as expressly permitted by this Agreement or if and to the extent such disclosure is reasonably necessary in the following instances:

(a) filing, prosecuting, or maintaining Patents as permitted by this Agreement;

(b) regulatory filings for Products that such Party has a license or right to Develop and Commercialize hereunder in a given country or jurisdiction;

(c) prosecuting or defending litigation as permitted by this Agreement;

(d) complying with applicable court orders or governmental regulations; and

(e) disclosure to its and its Affiliates' employees, consultants, contractors and agents, to its licensees and sublicensees, in each case on a need-to-know basis in connection with the Development, manufacture and Commercialization of the Compound and Products in accordance with the terms of this Agreement, in each case under written obligations of confidentiality and non-use at least as stringent as those herein; and

(f) disclosure to potential and actual investors, acquirors, licensees and other financial or commercial partners solely for the purpose of evaluating or carrying out an actual or potential investment, acquisition or collaboration, in each case under written obligations of confidentiality and non-use at least as stringent as those herein, *provided that* the disclosing Party redacts the financial terms and other provisions of this Agreement that are not reasonably required to be disclosed in connection with such potential investment, acquisition or collaboration, which redaction shall be prepared in consultation with the other Party.

Notwithstanding the foregoing, in the event a Party is required to make a disclosure of the other Party's Confidential Information pursuant to Section 14.3(c) or (d), it will, except where impracticable, give reasonable advance notice to the other Party of such disclosure and use efforts to secure confidential treatment of such Confidential Information at least as diligent as such Party would use to protect its own confidential information, but in no event less than reasonable efforts. In any event, the Parties agree to take all reasonable action to avoid disclosure of Confidential Information hereunder. Any information disclosed pursuant to Section 14.3(c) or (d) shall remain Confidential Information and subject to the restrictions set forth in this Agreement, including the foregoing provisions of this Article 14.

14.4 Publications.

(a) Each Party shall have the right to review and comment on any material proposed for disclosure or publication by the other Party regarding results of and other information regarding the other Party's Development activities with respect to [*], whether by oral presentation, manuscript or abstract. Before any such material is submitted for publication, or presentation of any such material is made, each Party shall deliver a complete copy of the material proposed for disclosure to the other Party at least three (3) weeks (for oral presentations or abstracts) or five (5) weeks (for manuscripts) prior to submitting the material to a publisher or initiating any other disclosure. Each Party shall review any such material and give its comments to the other Party within two (2) weeks (for oral presentations or abstracts) or twenty (20) days (for manuscripts) of the receipt of such material. With respect to oral presentation materials and abstracts, each Party shall make reasonable efforts to expedite review of such materials and abstracts, and shall return such items as soon as practicable to the other Party with appropriate comments, if any. Each Party shall comply with the other Party's request to delete references to

its Confidential Information in any such material and agrees to not make any submission for publication or other public disclosure in order not to jeopardize the patentability of any results or data for the purpose of preparing and filing appropriate patent applications as provided in Section 14.4(b).

(b) If the non-Publishing Party notifies the Publishing Party that such publication or presentation, in the non-Publishing Party's reasonable judgment, (i) contains an invention for which such Party desires to obtain patent protection, (ii) contains any Confidential Information of such Party, or (iii) could be expected to have an adverse effect on the commercial value of any Confidential Information disclosed by such Party to the Publishing Party, the Publishing Party shall delete such Confidential Information from the proposed publication or presentation.

(c) For as long as the JDC or JCC remains in place, the JDC or JCC shall be responsible for overseeing and facilitating the Parties' communications and activities with respect to publications and presentations under this Section, and for serving as the initial forum for resolving any disputes between the Parties arising under this Section.

14.5 Publicity; Public Disclosures. The Parties agree to issue a joint press release substantially in a form agreed by the Parties and attached to this Agreement as Exhibit E announcing the signature of this Agreement at or shortly after the Effective Date within the time-period as required by relevant securities laws. It is understood that each Party may desire or be required to issue subsequent press releases relating to this Agreement or activities hereunder. The Parties agree to consult with each other reasonably and in good faith with respect to the text and timing of such press releases prior to the issuance thereof, to the extent practicable, provided that a Party may not unreasonably withhold, condition or delay consent to such releases by more than [*], and that either Party may issue such press releases or make such disclosures to the SEC or other applicable agency as it determines, based on advice of counsel, as reasonably necessary to comply with laws or regulations or for appropriate market disclosure. Each Party shall provide the other Party with advance notice of legally required disclosures to the extent practicable. The Parties will consult with each other on the provisions of this Agreement to be redacted in any filings made by a Party with the SEC or as otherwise required by Applicable Laws; provided that each Party shall have the right to make any such filing as it reasonably determines necessary under Applicable Laws. In addition, following the initial joint press release announcing this Agreement, either Party shall be free to disclose, without the other Party's prior written consent, the existence of this Agreement, the identity of the other Party and those terms of the Agreement which have already been publicly disclosed in accordance herewith.

14.6 Prior Confidentiality Agreement. As of the Effective Date, the terms of this Article 14 shall supersede any prior non-disclosure, secrecy or confidentiality agreement between the Parties (or their Affiliates) relating to the subject of this Agreement, including the Confidentiality Agreement. Any information disclosed pursuant to any such prior agreement shall be deemed Confidential Information for purposes of this Agreement.

14.7 Equitable Relief. Given the nature of the Confidential Information and the competitive damage that a Party would suffer upon unauthorized disclosure, use or transfer of its Confidential Information to any Third Party, the Parties agree that monetary damages may not be a sufficient remedy for any breach of this Article 14. In addition to all other remedies, a Party shall be entitled to seek specific performance and injunctive and other equitable relief as a remedy for any breach or threatened breach of this Article 14.

15. TERM AND TERMINATION

15.1 Term.

(a) This Agreement shall commence on the Effective Date and, unless terminated earlier as provided in this Article 15 or by mutual written agreement of the Parties, shall continue until the expiration of the last Royalty Term in the Licensee Territory (the "**Term**").

(b) Notwithstanding anything herein, on a Product-by-Product and country-by-country basis, upon the expiration of the Royalty Term (*i.e.,* all royalty payment obligations for a Product in a country), the licenses granted to Licensee in Section 2.1 shall be deemed to be perpetual and fully paid-up with respect to such Product in such country, but thereafter shall be on a non-exclusive basis.

15.2 Termination for Cause.

(a) Material Breach. Each Party shall have the right to terminate this Agreement immediately in its entirety upon written notice to the other Party if such other Party materially breaches this Agreement and has not cured such breach to the reasonable satisfaction of the other Party within [*] ([*] with respect to any payment breach) after notice of such breach from the non-breaching Party. If the alleged breaching Party disputes in good faith the existence or materiality of a breach specified in a notice provided by the other Party, and such alleged breaching Party provides the other Party notice of such dispute within [*], then the other Party shall not have the right to terminate this Agreement under this Section 15.2 unless and until an arbitral panel, in accordance with Article 16, has determined that the alleged breaching Party has materially breached the Agreement and that such Party fails to cure such breach within the applicable cure period set forth above following such decision. In the event Exelixis commences an arbitration alleging material breach by Licensee and Licensee later delivers notice of voluntary termination under Section 15.3(b), then, at the election of Exelixis, the period of time set forth in Section 15.3(b) shall be reduced by an amount of time equal to the duration of time from the commencement of the arbitration to the delivery of such notice, [*].

(b) Bankruptcy. Each Party shall have the right to terminate this Agreement immediately in its entirety upon written notice to the other Party if such other Party makes a general assignment for the benefit of creditors, files an insolvency petition in bankruptcy, petitions for or acquiesces in the appointment of any receiver, trustee or similar officer to liquidate or conserve its business or any substantial part of its assets, commences under the laws of any jurisdiction any proceeding involving its insolvency, bankruptcy, reorganization,

adjustment of debt, dissolution, liquidation or any other similar proceeding for the release of financially distressed debtors or becomes a party to any proceeding or action of the type described above and such proceeding is not dismissed within [*] after the commencement thereof.

(c) Patent Challenge. Exelixis shall have the right to terminate this Agreement immediately in its entirety upon written notice to Licensee if Licensee or any of its Affiliates or Sublicensees directly, or indirectly through any Third Party, commences any interference or opposition proceeding with respect to, challenges the validity or enforceability of, or opposes any extension of or the grant of a supplementary protection certificate with respect to, any Exelixis Patent.

(d) Safety Reasons. [*] shall have the right to terminate this Agreement upon written notice to [*] if [*], based upon additional information that becomes available or an analysis of the existing information at any time, that [*]. Prior to any such termination, [*] shall comply with such internal review and management approval processes as it would normally follow in connection with the termination of the development and commercialization of [*] for safety reasons. [*] shall document the decisions of such committees or members of management and the basis therefor and shall make such minutes and documentation available to [*] promptly upon written request.

(e) Discontinuation of Clinical Trials. Licensee may terminate this Agreement upon [*] advance written notice to Exelixis, if substantially all ongoing Clinical Trials of the Product are ordered or required to be terminated by the FDA or the EMA.

15.3 Termination without Cause.

(a) Termination in Its Entirety by Licensee. Licensee shall have the right to terminate this Agreement in its entirety, or for only the countries that are under the EMA jurisdiction, without cause upon [*] prior written notice to Exelixis if the EMA refuses to approve the MAA for the Product in Renal Cell Carcinoma (2nd line therapy). For the purpose of this Section 15.3(a), if EMA conditions such MAA Approval on the performance of additional Phase 3b or other studies, then EMA shall not be deemed to have refused the approval of such MAA.

(b) Termination by Region by Licensee. Licensee shall have the right to terminate this Agreement on a Region-by-Region basis without cause upon [*] prior written notice to Exelixis following [*] in a given Region; provided however that Licensee may not provide such notice of termination of this Agreement in a Region prior to [*]. In the event that termination occurs for the EU, then termination shall automatically be considered to have occurred for the entire Licensee Territory.

15.4 Effects of Termination. Upon any termination of this Agreement by either Party, the following will apply: If this Agreement is terminated only with respect to a particular Region, then the following shall apply to the terminated Region and the terminated Region shall be included in Exelixis Territory. For clarity, during the pendency of any dispute regarding

material breach and/or any termination notice period, all of the terms and conditions of this Agreement shall remain in effect and the Parties shall continue to perform all of their respective obligations hereunder.

(a) Licenses. All licenses granted by Exelixis to Licensee will automatically terminate, including all sublicenses granted by Licensee to any Sublicensee. Except in the event of termination by Licensee under Section 15.2(a) for material breach by Exelixis, the licenses granted by Licensee to Exelixis shall survive such termination and shall automatically become worldwide or for the terminated Region if the Agreement is terminated only for a particular Region.

(b) Regulatory Materials; Data. Except in the event of termination by Licensee under Section 15.2(a) for material breach by Exelixis, within [*] of the effective date of such termination, Licensee shall transfer and assign to Exelixis, at no cost to Exelixis, all Regulatory Filings and Regulatory Approvals for the Products, Data from all preclinical, non-clinical and clinical studies conducted by or on behalf of Licensee, its Affiliates or Sublicensees on the Product and all pharmacovigilance data (including all adverse event database) on the Products. In addition, at Exelixis' request, Licensee shall provide Exelixis with reasonable assistance with any inquiries and correspondence with Regulatory Authorities regarding the Product in the Licensee Territory, such assistance shall be limited to a period of [*] after such termination and not to exceed a total of [*] of working time without charge (with any additional time to be charged at the FTE Rate). The transfer and assignment under this Section 15.4(b) shall apply with respect to the terminated Region if the Agreement is terminated only for a particular Region.

(c) Development Wind-Down. Licensee shall either, as directed by Exelixis, (i) wind-down any ongoing Development activities (including any Clinical Trials) of Licensee and its Affiliates and Sublicensees with respect to any Product in the Licensee Territory in an orderly fashion or (ii) promptly transfer such Development activities to Exelixis or its designee, in compliance with all Applicable Laws.

(d) Cost of Ongoing Trials. If there is any ongoing Clinical Trial of the Product under the GDP for which the Parties are sharing cost, then Licensee shall continue to share the cost of such Clinical Trial until the effective date of termination. The remaining costs from the effective date of termination until completion of such Clinical Trial (or early termination of such Clinical Trial by Exelixis) shall be either (i) borne entirely by Exelixis following the effective date of termination if termination occurs as a result of Exelixis' breach, or (ii) shared by Licensee for the duration of such Clinical Trial if termination occurs as a result of Licensee's breach, or pursuant to Section 15.3 or Section 2.8(c)(i).

(e) Commercial Wind-Down. Licensee shall, as directed by Exelixis, (i) continue certain ongoing Commercial activities of Licensee and its Affiliates and Sublicensees with respect to any Product in the Licensee Territory for a period of up to [*] as determined by Exelixis, and (ii) handoff such Commercial activities to Exelixis or its designee, on a timetable to be set by Exelixis, not to exceed [*], and in compliance with all Applicable Laws. During such commercial wind-down period, the Licensee shall continue to book sales and pay royalties to

Exelixis. Except as necessary to conduct the foregoing activities as directed by Exelixis, Licensee shall immediately discontinue its (and shall ensure that its Affiliates and Sublicensees immediately discontinue their) promotion, marketing, offering for sale, and servicing of the Product and its use of all Product Marks. In addition, Licensee shall immediately deliver to Exelixis (at Licensee's expense) all samples, demonstration equipment, sales materials, catalogs, and literature of Exelixis in Licensee's possession or control.

(f) Transition Assistance. Licensee shall use Commercially Reasonable Efforts to seek an orderly transition of the Development and Commercialization of the Compound and Products to Exelixis or its designee. Except for termination by Licensee under Section 15.2, Exelixis may, in its sole discretion, postpone the effective date of any termination for a period of up to [*]. Except in the event of termination by Licensee under Section 15.2(a) for material breach by Exelixis, Licensee shall, at no cost to Exelixis, provide reasonable consultation and assistance for a period of no more than [*] after termination (and in any case not to exceed a total of [*] of working time including the assistance provided under Section 15.4(b)) for the purpose of transferring or transitioning to Exelixis all Licensee Know-How not already in Exelixis' possession and, at Exelixis' request, all then-existing commercial arrangements relating to the Products that Licensee is able, using Commercially Reasonable Efforts, to transfer or transition to Exelixis or its designee, in each case, to the extent reasonably necessary or for Exelixis to continue the Development and/or Commercialization of the Compound and Products in the Licensee Territory. If any such contract between Licensee and a Third Party is not assignable to Exelixis or its designee (whether by such contract's terms or because such contract does not relate specifically to the Products) but is otherwise reasonably necessary for Exelixis to continue the Development and/or Commercialization of the Compound and Products in the Licensee Territory, or if Licensee is performing such work for the Compound and Product itself (and thus there is no contract to assign), then Licensee shall reasonably cooperate with Exelixis to negotiate for the continuation of such services for Exelixis from such entity, or Licensee shall continue to perform such work for Exelixis, as applicable, for a reasonable period (not to exceed [*]) after termination at Exelixis' cost until Exelixis establishes an alternate, validated source of such services.

(g) Remaining Inventories. Exelixis shall have the right, at its discretion, to purchase from Licensee any or all of the inventory of the Products held by Licensee as of the date of termination at a price equal to the transfer price paid by Licensee to acquire such inventory from Exelixis. Exelixis shall notify Licensee within [*] after the date of termination whether Exelixis elects to exercise such right.

(h) Non-Compete. Following any termination of this Agreement by Licensee pursuant to Section 2.8(c)(i) or Section 15.3, or by Exelixis pursuant to Section 15.2, neither Licensee nor any of its Affiliates shall (directly or indirectly, either with or without a bona fide collaborator or any other Third Party) [*] any Competing Product for either (i) a period of [*] (in case of termination pursuant to Section 2.8(c)(i)) or [*] (in case of termination by Licensee pursuant to Section 15.3 or Exelixis pursuant to Section 15.2) following the effective date of such termination, or (ii) [*], whichever is shorter.

15.5 Confidential Information. Upon expiration or termination of this Agreement in its entirety, except to the extent that a Party obtains or retains the right to use the other Party's Confidential Information, each Party shall promptly return to the other Party, or delete or destroy, all relevant records and materials in such Party's possession or control containing Confidential Information of the other Party; provided that such Party may keep one copy of such materials for archival purposes only subject to continuing confidentiality obligations. All Licensee Data and Regulatory Filings assigned to Exelixis upon termination of this Agreement will be deemed Exelixis' Confidential Information and no longer Licensee's Confidential Information.

15.6 Survival. Expiration or termination of this Agreement shall not relieve the Parties of any obligation or right accruing prior to such expiration or termination. Except as set forth below or elsewhere in this Agreement, the obligations and rights of the Parties under the following provisions of this Agreement shall survive expiration or termination of this Agreement: Article 1 (Definitions); Article 10 (Payments, Records, Audits); Article 13 (Indemnification); Article 15 (Dispute Resolution); Article 17 (General Provisions); Section 5.10 (Sunshine Reporting Laws); Section 11.1 (IP Ownership); Sections 14.1, 14.2, 14.3, 14.6, 14.7 (Confidentiality); and Section 15.4 (Effects of Termination).

15.7 Exercise of Right to Terminate. All rights and obligations of a Party accrued prior to the effective date of a termination (including the rights to receive reimbursement for costs incurred prior to the effective date of such termination and payments accrued or due prior to the effective date of such termination) shall survive such termination.

15.8 Rights in Bankruptcy. All rights and licenses granted under or pursuant to this Agreement by one Party to the other Party are, and will otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code or comparable provision of applicable bankruptcy or insolvency laws, licenses of right to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code or comparable provision of applicable bankruptcy or insolvency laws. The Parties agree that a Party that is a licensee of such rights under this Agreement will retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code or comparable provision of applicable bankruptcy or insolvency laws. The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against a Party to this Agreement under the U.S. Bankruptcy Code or comparable provision of applicable bankruptcy or insolvency laws, the other Party will be entitled to a complete duplicate of (or complete access to, as appropriate) any such intellectual property and all embodiments of such intellectual property, and same, if not already in its possession, will be promptly delivered to it (a) upon any such commencement of a bankruptcy or insolvency proceeding upon its written request therefor, unless the bankrupt Party elects to continue to perform all of its obligations under this Agreement, or (b) if not delivered under (a) above, following the rejection of this Agreement by or on behalf of the bankrupt Party upon written request therefor by the other Party.

16. DISPUTE RESOLUTION

16.1 Objective. The Parties recognize that disputes as to matters arising under or relating to this Agreement or either Party's rights and obligations hereunder may arise from time to time. It is the objective of the Parties to establish procedures to facilitate the resolution of

such disputes in an expedient manner by mutual cooperation and without resort to litigation. To accomplish this objective, the Parties agree to follow the procedures set forth in this Article 16 to resolve any such dispute if and when it arises.

16.2 Executive Mediation. The Parties will try to settle any dispute, controversy or claim that arises out of, or relates to, any provision of the Agreement ("**Disputed Matter**") by first referring the Disputed Matter to the CEO of Exelixis (or his designee) and the CEO of Licensee (or his designee). Either Party may initiate such informal dispute resolution by sending written notice of the Disputed Matter to the other Party, and, within [*] after such notice, such CEOs (or their respective designees having the authority to settle such Disputed Matter) of the Parties will meet for attempted resolution by good faith negotiations. If such CEOs (or their respective designees) are unable to resolve such dispute within [*] of their first meeting for such negotiations, either Party may seek to have such dispute resolved in accordance with Section 16.3 below.

16.3 Dispute Resolution.

(a) If the Parties are unable to resolve a Disputed Matter using the process described in Section 16.2, then a Party seeking further resolution of the Disputed Matter will submit the Disputed Matter to resolution by final and binding arbitration. Whenever a Party will decide to institute arbitration proceedings, it will give written notice to that effect to the other Party. Arbitration will be held in London, the United Kingdom, and administered by the International Chamber of Commerce pursuant to its ICC International Arbitration Rules then in effect (the "**Rules**"), except as otherwise provided herein and applying the substantive law specified in Section 16.1. The arbitration will be conducted by a panel of three (3) arbitrators appointed in accordance with the Rules; *provided* that each Party will, within [*] after the institution of the arbitration proceedings, appoint an arbitrator, and such arbitrators will together, within [*], select a third (3rd) arbitrator as the chairman of the arbitration panel. Each arbitrator must have significant business or legal experience in the pharmaceutical business. If the two (2) initial arbitrators are unable to select a third (3rd) arbitrator within such [*] period, the third (3rd) arbitrator will be appointed in accordance with Rules. The Parties hereby agree to engage in discovery of information and evidence that is or might be relevant to the claims, defenses, and issues in the dispute, including by means of [*]. The Parties further agree to the ability, right, and power to subpoena Third Party witnesses for both discovery and hearing purposes. The discovery provided for herein may commence once the Terms of Reference have been signed by the Parties and the panel of arbitrators. The panel of arbitrators shall address the time required for the completion of discovery at the initial case management conference and shall address any discovery issues if any arise based on motion and arbitral order. After conducting any hearing and taking any evidence deemed appropriate for consideration, the arbitrators will be requested to render their opinion within [*] of the final arbitration hearing. No panel of arbitrators will have the power to award damages excluded pursuant to Section 13.5 under this Agreement and any arbitral award that purports to award such damages is expressly prohibited and void *ab initio*. Decisions of the panel of arbitrators that conform to the terms of this Section 16.3 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 panel of arbitrators, will

pay all of the ICC administrative costs and fees of the arbitration and the fees and costs of the arbitrators, and the arbitrators will be directed to provide for payment or reimbursement of such fees and costs by the losing Party. If the panel of arbitrators determines that there is no losing Party, the Parties will each bear or pay one-half of those costs and fees and the arbitrators' 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.

(b) Notwithstanding the terms of and procedures set forth in Section 16.2 or 16.3(a), 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 14) may immediately be brought in the first instance and without invocation or exhaustion of the procedures set forth in subsections (a) and (b) for hearing and resolution in and by a court of competent jurisdiction. Alternatively, a party seeking Injunctive Relief may immediately institute arbitral proceedings without invocation or exhaustion of the procedures set forth in subsections (a) and (b), and any such Injunctive Relief proceedings will be administered in accordance with by the ICC pursuant to its ICC emergency arbitration procedures then in effect and applying the substantive law specified in Section 16.2. In either event, once the Injunctive Relief proceedings have been conducted and a decision rendered thereon by the court or arbitral forum, 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 16.2 and 16.3(a).

(c) Notwithstanding the foregoing, this Section 16.3 shall not apply to any dispute, controversy or claim that concerns (i) the validity, enforceability or infringement of a patent, trademark or copyright; or (ii) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory.

17. GENERAL PROVISIONS

17.1 Governing Law. This Agreement, and all questions regarding the existence, validity, interpretation, breach or performance of this Agreement, shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, United States, without reference to its conflicts of law principles.

17.2 Entire Agreement; Modification. This Agreement, including the exhibits, is both a final expression of the Parties' agreement and a complete and exclusive statement with respect to all of its terms. This Agreement supersedes all prior and contemporaneous agreements and communications, whether oral, written or otherwise, concerning any and all matters contained herein. This Agreement may only be modified or supplemented in a writing expressly stated for such purpose and signed by the Parties to this Agreement.

17.3 Relationship Between the Parties. The Parties' relationship, as established by this Agreement, is solely that of independent contractors. This Agreement does not create any

partnership, joint venture or similar business relationship between the Parties. Neither Party is a legal representative of the other Party, and neither Party can assume or create any obligation, representation, warranty or guarantee, express or implied, on behalf of the other Party for any purpose whatsoever.

17.4 Non-Waiver. The failure of a Party to insist upon strict performance of any provision of this Agreement or to exercise any right arising out of this Agreement shall neither impair that provision or right nor constitute a waiver of that provision or right, in whole or in part, in that instance or in any other instance. Any waiver by a Party of a particular provision or right shall be in writing, shall be as to a particular matter and, if applicable, for a particular period of time and shall be signed by such Party.

17.5 Assignment. Except as expressly provided hereunder, neither this Agreement nor any rights or obligations hereunder may be assigned or otherwise transferred by either Party without the prior written consent of the other Party (which consent shall not be unreasonably withheld); provided, however, that either Party may assign or otherwise transfer this Agreement and its rights and obligations hereunder without the other Party's consent:

(a) in connection with the transfer or sale of all or substantially all of the business or assets of such Party relating to the Compound and Products to a Third Party, whether by merger, consolidation, divesture, restructure, sale of stock, sale of assets or otherwise, provided that in the event of any such transaction (whether this Agreement is actually assigned or is assumed by the acquiring Party by operation of law (e.g., in the context of a reverse triangular merger)), intellectual property rights of the acquiring Party to such transaction (if other than one of the Parties to this Agreement) shall not be included in the technology licensed hereunder; or

(b) to an Affiliate, provided that the assigning Party shall remain liable and responsible to the non-assigning Party hereto for the performance and observance of all such duties and obligations by such Affiliate.

The rights and obligations of the Parties under this Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the Parties specified above, and the name of a Party appearing herein will be deemed to include the name of such Party's successors and permitted assigns to the extent necessary to carry out the intent of this Section 17.5. Any assignment not in accordance with this Section 17.5 shall be null and void.

17.6 Severability. If, for any reason, any part of this Agreement is adjudicated invalid, unenforceable or illegal by a court of competent jurisdiction, such adjudication shall not, to the extent feasible, affect or impair, in whole or in part, the validity, enforceability, or legality of any remaining portions of this Agreement. All remaining portions shall remain in full force and effect as if the original Agreement had been executed without the invalidated, unenforceable or illegal part.

17.7 Notices. Any notice to be given under this Agreement must be in writing and delivered either in person, by (a) air mail (postage prepaid) requiring return receipt, (b) overnight courier, or (c) facsimile confirmed thereafter by any of the foregoing, to the Party to be notified

at its address(es) given below, or at any address such Party may designate by prior written notice to the other in accordance with this Section 17.7. Notice shall be deemed sufficiently given for all purposes upon the earliest of: (i) the date of actual receipt; (ii) if air mailed, five (5) days after the date of postmark; (iii) if delivered by overnight courier, the next day the overnight courier regularly makes deliveries or (iv) if sent by facsimile, the date of confirmation of receipt if during the recipient's normal business hours, otherwise the next business day.

If to Licensee, notices must be addressed to:

Ipsen Pharma SAS
65 quai Georges Gorse
92100 Boulogne-Billancourt
France
Attention: Executive VP, General Counsel
Facsimile: [*]

If to Exelixis, notices must be addressed to:

Exelixis, Inc.
210 East Grand Avenue,
So. San Francisco, CA 94080
USA
Attention: General Counsel
Facsimile: [*]

17.8 Standstill.

(a) Commencing the Effective Date and expiring on the [*] of the Effective Date, unless such provision is terminated earlier (the "**Standstill Period**"), neither Licensee nor any of its Affiliates, without the prior consent of Exelixis or except as provided for in this Agreement or in any agreement referred to herein, or in any agreement executed after the Effective Date by Exelixis with Licensee or any of its Affiliates, will:

(i) make, effect, initiate, cause or participate in:

(1) any acquisition of beneficial ownership of any securities of Exelixis or any securities of any subsidiary or other Affiliate of Exelixis (each, a "**Exelixis Entity**") such that following any such acquisition, Licensee and its Affiliates then own more than five percent (5%) of the securities of such Exelixis Entity;

(2) any acquisition of any assets of any Exelixis Entity;

(3) any tender offer, exchange offer, merger, business combination, recapitalization, restructuring, liquidation, dissolution or extraordinary transaction involving a Exelixis Entity, or involving any securities or assets of a Exelixis Entity; or

(4) any "solicitation" of "proxies" (as those terms are used in the proxy rules of the Securities and Exchange Commission) or consents with respect to any securities of a Exelixis Entity;

(ii) form, join or participate in a "group" (as defined in the Securities Exchange Act of 1934 and the rules promulgated thereunder) with respect to the beneficial ownership of any securities of a Exelixis Entity;

(iii) act, alone or in concert with others, to seek to control or influence the management, board of directors or policies of a Exelixis Entity;

(iv) take any action that might require a Exelixis Entity to make a public announcement regarding any of the types of matters set forth in clause "(i)" of this Section 17.8(a);

(v) agree or offer to take, or encourage or propose (publicly or otherwise) the taking of, any action referred to in clause "(i)", "(ii)", "(iii)" or "(iv)" of this Section 17.8(a);

(vi) assist, induce or encourage any other person or entity to take any action of the type referred to in clause "(i)", "(ii)", "(iii)", "(iv)" or "(v)" of this Section 17.8(a); or

(vii) enter into any discussions, negotiations, arrangement or agreement with any other person or entity relating to any of the foregoing.

For clarity, the expiration of the Standstill Period will not terminate or otherwise affect any of the other provisions of this Agreement.

(b) Notwithstanding the foregoing provisions, Licensee or its Affiliates will not be subject to any of the restrictions set forth in this Section 17.8 with respect to a Exelixis Entity if either:

(i) such Exelixis Entity publicly announces its intention to pursue a proposed Acquisition Transaction (as defined below);

(ii) such Exelixis Entity shall have entered into an agreement in principle or definitive agreement providing for an Acquisition Transaction;

(iii) the board of directors of such Exelixis Entity shall have adopted a formal plan of liquidation or dissolution;

(iv) if a Third Party commences a tender or exchange offer or bid which, if successful, would result in such Third Party beneficially owning not less than thirty five percent (35%) of the voting securities or equity interest in such Exelixis Entity; or

(v) if a Third Party makes a public announcement of a bone fide takeover bid to acquire the outstanding voting securities or equity interest in such Exelixis Entity.

"**Acquisition Transaction**" means (A) any direct or indirect acquisition or purchase of assets of the applicable Exelixis Entity at a purchase price representing [*] ([*]%) of the voting securities of or equity interest in such Exelixis Entity by any person or "group"; (B) any tender offer or exchange offer that if consummated would result in any person or "group" beneficially owning [*] ([*]%) or more of any class of equity securities of such Exelixis Entity; or (C) any merger, consolidation, business combination, sale of assets, recapitalization or similar transaction involving such Exelixis Entity representing more than [*] ([*]%) of the market capitalization of such Exelixis Entity.

(c) Notwithstanding the foregoing, the Parties agree that Licensee or its Affiliates shall not be prohibited from (i) initiating private discussions with, and submitting confidential private proposals to, the management or Chief Executive Officer of any acquisition of beneficial ownership of any securities or any assets of any Exelixis Entity, including discussing a right of first refusal before a Exelixis Entity intends to pursue any Acquisition Transaction; or (ii) proposing other collaborative research agreements or other commercial license agreements to Exelixis.

(d) the Parties agree to discuss whether to terminate the Standstill Period on a biennial basis at the anniversary date of the Effective Date.

17.9 Force Majeure. Each Party shall be excused from liability for the failure or delay in performance of any obligation under this Agreement (other than failure to make payment when due) by reason of any event beyond such Party's reasonable control including Acts of God, fire, flood, explosion, earthquake, pandemic flu, or other natural forces, war, civil unrest, acts of terrorism, accident, destruction or other casualty, any lack or failure of transportation facilities, any lack or failure of supply of raw materials, or any other event similar to those enumerated above. Such excuse from liability shall be effective only to the extent and duration of the event(s) causing the failure or delay in performance and provided that the Party has not caused such event(s) to occur. Notice of a Party's failure or delay in performance due to force majeure must be given to the other Party within [*] after its occurrence. All delivery dates under this Agreement that have been affected by force majeure shall be tolled for the duration of such force majeure. In no event shall any Party be required to prevent or settle any labor disturbance or dispute.

17.10 Interpretation. The headings of clauses contained in this Agreement preceding the text of the sections, subsections and paragraphs hereof are inserted solely for convenience and ease of reference only and shall not constitute any part of this Agreement, or have any effect on its interpretation or construction. All references in this Agreement to the singular shall include the plural where applicable. Unless otherwise specified, references in this Agreement to any Article shall include all Sections, subsections and paragraphs in such Article, references to any Section shall include all subsections and paragraphs in such Section, and references in this Agreement to any subsection shall include all paragraphs in such subsection. The word "including" and similar words means including without limitation. The word "or" means "and/

or" unless the context dictates otherwise because the subject of the conjunction are mutually exclusive. The words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Section or other subdivision. All references to days in this Agreement mean calendar days, unless otherwise specified. Ambiguities and uncertainties in this Agreement, if any, shall not be interpreted against either Party, irrespective of which Party may be deemed to have caused the ambiguity or uncertainty to exist. This Agreement has been prepared in the English language and the English language shall control its interpretation. In addition, all notices required or permitted to be given hereunder, and all written, electronic, oral or other communications between the Parties regarding this Agreement shall be in the English language.

17.11 Counterparts; Electronic or Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. This Agreement may be executed and delivered electronically or by facsimile and upon such delivery such electronic or facsimile signature will be deemed to have the same effect as if the original signature had been delivered to the other Party.

{SIGNATURE PAGE FOLLOWS}

IN WITNESS WHEREOF, the Parties hereto have caused this **COLLABORATION AND LICENSE AGREEMENT** to be executed and entered into by their duly authorized representatives as of the Effective Date.

EXELIXIS, INC.	**IPSEN PHARMA S.A.S**
By: /s/ Michael M. Morrissey	By: /s/ Marc de Garidel
Name: Michael M. Morrissey	Name: Marc de Garidel
Title: CEO	Title: Chairman & CEO

[*] = 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.

List of Exhibits:

Exhibit A: Chemical Structure of cabozantinib

Exhibit B: Exelixis Patents

Exhibit C: Approved Distributors

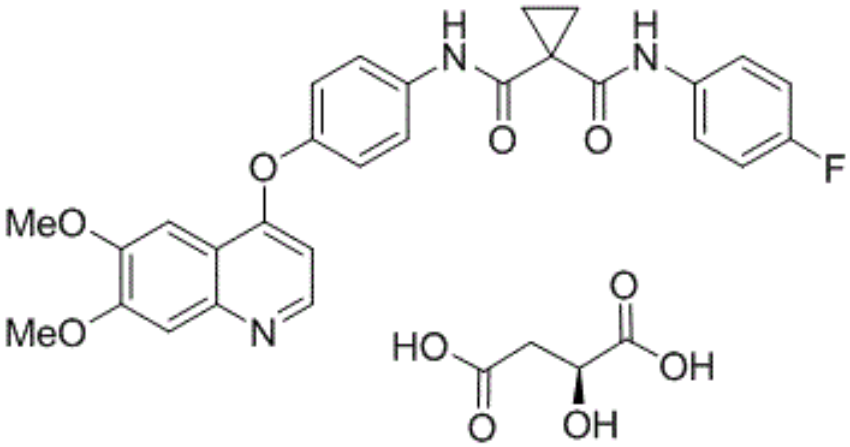
Exhibit D: Initial Global Development Plan and Budget

Exhibit E: Press Release

[*] = 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 A

CHEMICAL STRUCTURE OF CABOZANTINIB



Cabozantinib (*S*)-malate salt

[*] = 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 B

LIST OF EXELIXIS PATENTS

[*]

[*] = 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 C

APPROVED DISTRIBUTORS

[*]

[*] = 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 D

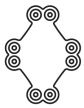
GLOBAL DEVELOPMENT PLAN

[*]

[*] = 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 E

PRESS RELEASE



EXELIXIS®

www.exelixis.com

210 East Grand Ave
South San Francisco, CA 94080
650.837.7000 main
650.837.8205 fax

Exelixis Contacts

Financial Community:
Susan Hubbard
Investor Relations and
Corporate Communications
(650) 837-8194
shubbard@exelixis.com

Media:
Hal Mackins
For Exelixis, Inc.
(415) 994-0040
hal@ torchcomllc.com

Ipsen Contacts

Media:
Didier Véron
Senior Vice-Président, Public Affairs and Communication
Tel.: +33 (0)1 58 33 51 16
Fax: +33 (0)1 58 33 50 58
E-mail: didier.veron@ipsen.com

Financial Community:
Stéphane Durant des Aulnois
Vice President, Investor Relations
Tel.: +33 (0)1 58 33 60 09
Fax: +33 (0)1 58 33 50 63
E-mail: stephane.durant.des.aulnois@ ipsen.com

EXELIXIS AND IPSEN ENTER INTO EXCLUSIVE LICENSING AGREEMENT TO COMMERCIALIZE AND DEVELOP NOVEL CANCER THERAPY CABOZANTINIB IN REGIONS OUTSIDE THE UNITED STATES, CANADA AND JAPAN

- Cabozantinib commercialized for medullary thyroid cancer (MTC) and filed for advanced renal cell carcinoma (RCC) -
- $200 million upfront payment and subsequent regulatory and commercial milestones -

South San Francisco, Calif. and Paris, France – February 29, 2016 – Exelixis, Inc. (NASDAQ:EXEL) and Ipsen (Euronext: IPN; ADR: IPSEY) today jointly announced an exclusive licensing agreement for the commercialization and further development of cabozantinib, Exelixis' lead oncology drug. Under the agreement, Ipsen will have exclusive commercialization rights for current and potential future cabozantinib indications outside of the United States, Canada and Japan. This agreement includes rights to COMETRIQ®, which is currently approved in the European Union (EU) for the treatment of adult patients with progressive, unresectable, locally advanced or metastatic medullary thyroid cancer (MTC). The companies have agreed to collaborate on the development of cabozantinib for current and potential future indications. Exelixis will maintain exclusive commercial rights for cabozantinib in the United States and Canada, and continue its discussions to partner commercial rights in Japan.

[*] = 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.

Under the agreement, Exelixis will receive a $200 million upfront payment. Exelixis is eligible to receive regulatory milestones, including $60 million upon the approval of cabozantinib in Europe for advanced renal cell carcinoma (RCC) and $50 million upon the filing and approval of cabozantinib in Europe for advanced hepatocellular carcinoma (HCC), as well as additional regulatory milestones for potential further indications. The agreement also includes up to $545 million of potential commercial milestones and provides for Exelixis to receive tiered royalties up to 26% on Ipsen's net sales of cabozantinib in its territories.

Marc de Garidel, Chairman and Chief Executive Officer of Ipsen said: "The robust results from the METEOR study in advanced renal cell carcinoma demonstrate that cabozantinib has the potential to become a key oncology product in Europe. This transaction will help Ipsen accelerate the growth of the company and strengthen its oncology footprint in Europe. We are excited to bring cabozantinib to patients and clinicians around the world."

Future commercial indications for cabozantinib could include advanced HCC, the subject of CELESTIAL, an Exelixis-sponsored phase 3 pivotal trial for which top-line results are anticipated in 2017. Additional earlier-stage studies are under way through Exelixis' collaboration with the National Cancer Institute's Cancer Therapy Evaluation Program (NCI-CTEP), and its ongoing Investigator-Sponsored Trial (IST) program. Through these two programs, there are more than 45 ongoing or planned studies including trials in advanced RCC, bladder cancer, colorectal cancer, non-small cell lung cancer, and endometrial cancer.

"In Ipsen, Exelixis has an ideal partner to maximize the potential for cabozantinib to have a positive impact on the treatment of cancer on a global basis," said Michael M. Morrissey, Ph.D., President and Chief Executive Officer of Exelixis. "Ipsen's established international oncology marketing presence, late-stage clinical development expertise and shared vision with Exelixis for the franchise potential of cabozantinib will accelerate cabozantinib's commercialization in its territories, while Exelixis remains focused on our launch in the United States. While our immediate priority will be on advanced renal cell carcinoma, Exelixis and Ipsen are committed to exploring and potentially developing cabozantinib in a variety of cancer settings."

Cabozantinib is a small molecule therapy that inhibits the activity of tyrosine kinases including VEGF receptors, MET, AXL, and RET. Following positive results from the METEOR global phase 3 pivotal trial, the tablet form of cabozantinib is the subject of pending U.S. and EU regulatory applications for use as a treatment for advanced RCC in patients who have received one prior therapy. In the EU, the Marketing Authorization Application (MAA) for cabozantinib in advanced RCC has been accepted and granted accelerated assessment. With this designation, the MAA is eligible for a 150-day review, versus the standard 210 days (excluding clock stops when information is requested by the EMA). Exelixis plans to transfer sponsorship of this MAA to Ipsen. Exelixis also anticipates transitioning the commercialization rights to COMETRIQ® outside the U.S. from Exelixis' current international partner for COMETRIQ®, Swedish Orphan Biovitrum AB (Sobi), to Ipsen, in accordance with the terms of its agreement with Sobi. In March 2014, the capsule form of cabozantinib was approved by the European Commission under the trade name COMETRIQ for the treatment of patients with progressive, unresectable, locally advanced or metastatic MTC.

About the METEOR Phase 3 Clinical Trial
METEOR is a global, randomized open-label trial that compares cabozantinib to everolimus, a standard of care therapy, in 658 patients with advanced RCC whose disease progressed following treatment with a VEGF receptor (VEGFR) tyrosine kinase inhibitor (TKI). The trial's primary endpoint is progression-free survival (PFS), and secondary endpoints include overall survival (OS) and objective response rate (ORR). Patients were randomized 1:1 to receive 60 mg of cabozantinib or 10 mg of everolimus daily, and were stratified

based on number of prior VEGFR TKI therapies and on commonly applied RCC risk criteria. No crossover was allowed.

As published in the *New England Journal of Medicine*, the trial met its primary PFS and secondary ORR endpoints. Cabozantinib demonstrated a 42% reduction in the rate of disease progression or death as compared with everolimus, with median PFS of 7.4 months versus 3.8 months for everolimus (Hazard Ratio [*]=0.58, 95% Confidence Interval [*] 0.45-0.75, p<0.001).

Following a pre-planned interim analysis that showed a strong trend in OS favoring cabozantinib (HR=0.67, 95% CI 0.51-0.89, p=0.005) but did not reach statistical significance, Exelixis undertook a second interim analysis after consulting with regulatory authorities. The results of this second interim analysis demonstrated a highly statistically significant and clinically meaningful increase in OS for cabozantinib. Exelixis has shared these data with regulators and intends to present them at a medical conference later this year.

Cabozantinib's safety profile was similar to that of other VEGFR TKIs in this patient population. The incidence of adverse events (any grade), regardless of causality, was 100% with cabozantinib and more than 99% with everolimus. Serious adverse events occurred in 40% of cabozantinib patients and 43% of everolimus patients. The rate of treatment discontinuation due to adverse events was low (~10%) in both treatment arms.

About Advanced Renal Cell Carcinoma
The American Cancer Society's 2015 statistics cite kidney cancer as among the top ten most commonly diagnosed forms of cancer among both men and women in the U.S. Clear cell RCC is the most common type of kidney cancer in adults. If detected in its early stages, the five-year survival rate for RCC is high; however, the five-year survival rate for patients with advanced or late-stage metastatic RCC is under 10 percent, with no identified cure for the disease.

Until the introduction of targeted therapies into the RCC setting a decade ago, treatments for metastatic RCC had historically been limited to cytokine therapy (e.g., interleukin-2 and interferon). In the second- and later-line settings, which encompass approximately 17,000 drug-eligible patients in the U.S. and 37,000 globally, two small-molecule therapies and an immune checkpoint inhibitor have been approved. The currently approved small-molecule agents have shown little differentiation in terms of efficacy, demonstrating only modest PFS benefit in patients refractory to sunitinib, a commonly-used first-line therapy.

About Cabozantinib
Cabozantinib is currently marketed in capsule form under the brand name COMETRIQ® in the United States for the treatment of progressive, metastatic MTC, and in the European Union for the treatment of adult patients with progressive, unresectable locally advanced or metastatic MTC. COMETRIQ is not indicated for patients with RCC. In the METEOR trial, and all other cancer trials currently underway, Exelixis is investigating a tablet formulation of cabozantinib distinct from the COMETRIQ capsule form. The tablet formulation of cabozantinib is the subject of the NDA and MAA for advanced RCC.

Cabozantinib inhibits the activity of tyrosine kinases including VEGF receptors, MET, 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.

The European Commission granted COMETRIQ conditional approval for the treatment of adult patients with progressive, unresectable locally advanced or metastatic MTC. Similar to another drug approved in this setting, the approved indication states that for patients in whom Rearranged during Transfection (RET)

mutation status is not known or is negative, a possible lower benefit should be taken into account before individual treatment decisions.

Important Safety Information, including Boxed WARNINGS
WARNING: PERFORATIONS AND FISTULAS, and HEMORRHAGE

- Serious and sometimes fatal gastrointestinal perforations and fistulas occur in COMETRIQ-treated patients.
- Severe and sometimes fatal hemorrhage occurs in COMETRIQ-treated patients.
- COMETRIQ treatment results in an increase in thrombotic events, such as heart attacks.
- Wound complications have been reported with COMETRIQ.
- COMETRIQ treatment results in an increase in hypertension.
- Osteonecrosis of the jaw has been observed in COMETRIQ-treated patients.
- Palmar-Plantar Erythrodysesthesia Syndrome (PPES) occurs in patients treated with COMETRIQ.
- The kidneys can be adversely affected by COMETRIQ. Proteinuria and nephrotic syndrome have been reported in patients receiving COMETRIQ.
- Reversible Posterior Leukoencephalopathy Syndrome has been observed with COMETRIQ.
- Avoid administration of COMETRIQ with agents that are strong CYP3A4 inducers or inhibitors.
- COMETRIQ is not recommended for use in patients with moderate or severe hepatic impairment.
- COMETRIQ can cause fetal harm when administered to a pregnant woman.

Adverse Reactions – The most commonly reported adverse drug reactions (≥25%) are diarrhea, stomatitis, palmar-plantar erythrodysesthesia syndrome (PPES), decreased weight, decreased appetite, nausea, fatigue, oral pain, hair color changes, dysgeusia, hypertension, abdominal pain, and constipation. The most common laboratory abnormalities (≥25%) are increased AST, increased ALT, lymphopenia, increased alkaline phosphatase, hypocalcemia, neutropenia, thrombocytopenia, hypophosphatemia, and hyperbilirubinemia.

Please see full U.S. prescribing information, including Boxed WARNINGS, at www.COMETRIQ.com/downloads/Cometriq_Full_Prescribing_Information.pdf

Please refer to the full European Summary of Product Characteristics for full European Union prescribing information, including contraindication, special warnings and precautions for use at www.sobi.com once posted.

About Ipsen
Ipsen is a global specialty-driven biotechnological group with total sales exceeding €1.4 billion in 2015. Ipsen sells more than 20 drugs in more than 115 countries, with a direct commercial presence in more than 30 countries. Ipsen's ambition is to become a leader in specialty healthcare solutions for targeted debilitating diseases. Its fields of expertise cover oncology, neurosciences and endocrinology (adult & pediatric). Ipsen's commitment to oncology is exemplified through its growing portfolio of key therapies improving the care of patients suffering from prostate cancer, bladder cancer and neuro-endocrine tumors. Ipsen also has a significant presence in primary care. Moreover, the Group has an active policy of partnerships. Ipsen's R&D is focused on its innovative and differentiated technological platforms, peptides and toxins, located in the heart of the leading biotechnological and life sciences hubs (Les Ulis/Paris-Saclay, France; Slough/Oxford, UK; Cambridge, US). In 2015, R&D expenditure totaled close to €193 million, representing about 13% of Group sales. The Group has more than 4,600 employees worldwide. Ipsen's shares are traded on segment A of Euronext Paris (stock code: IPN, ISIN code: FR0010259150) and eligible to the "Service de Règlement Différé" ("SRD"). The Group is part of the SBF 120 index. Ipsen has implemented a Sponsored Level I

American Depositary Receipt (ADR) program, which trade on the over-the-counter market in the United States under the symbol IPSEY. For more information on Ipsen, visit www.ipsen.com.

About Exelixis

Exelixis, Inc. is a biopharmaceutical company committed to developing small molecule therapies for the treatment of cancer. Exelixis is focusing its development and commercialization efforts primarily on cabozantinib, an internally discovered inhibitor of multiple receptor tyrosine kinases. Another Exelixis-discovered compound, COTELLIC™ (cobimetinib), a selective inhibitor of MEK, has been approved in Switzerland, the United States, the European Union, and Canada, and is being evaluated by Roche and Genentech (a member of the Roche Group) in a broad global development program under a collaboration with Exelixis. For more information, please visit the company's website at www.exelixis.com.

Exelixis Forward-Looking Statement Disclaimer

This press release contains forward-looking statements, including, without limitation, statements related to: the business and financial terms of the collaboration agreement for cabozantinib with Ipsen, including, the division of commercialization rights, development plans and Exelixis' eligibility to receive regulatory and commercial milestones and royalties; Exelixis' plan to continue its discussions to partner commercial rights for cabozantinib in Japan; the potential for cabozantinib to become a key oncology product in Europe and the impact of the transaction on the growth of Ipsen; advanced HCC as a future potential commercial indication for cabozantinib and the timing for anticipated top-line results from CELESTIAL; the impact of the collaboration with Ipsen on Exelixis' plan to maximize the potential for cabozantinib on a global basis; Exelixis' plan to stay focused on the potential launch of cabozantinib in advanced RCC in the United States; advanced RCC as Exelixis' immediate priority; Exelixis' and Ipsen's commitment to exploring and potentially developing cabozantinib in a variety of cancers; the eligibility for an expedited review of Exelixis' MAA for cabozantinib in advanced RCC by the EMA and Exelixis' plans to transfer sponsorship of the MAA to Ipsen; Exelixis' plans to transition the commercialization rights to COMETRIQ outside of the U.S. from Sobi to Ipsen; and Exelixis' intent to present data from the second interim analysis of OS for METEOR at a medical conference later this year. Words such as "will," "potential," "future," "continue," "eligible," "priority," "committed," "plans," "anticipates," "intends," or other similar expressions identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These forward-looking statements are based upon Exelixis' current plans, assumptions, beliefs, expectations, estimates and projections. Forward-looking statements involve risks and uncertainties. Actual results and the timing of events could differ materially from those anticipated in the forward-looking statements as a result of these risks and uncertainties, which include, without limitation: the clinical, therapeutic and commercial potential of cabozantinib; Exelixis' dependence on its relationship with Ipsen, including, the level of Ipsen's investment in the resources necessary to successfully commercialize cabozantinib in the territories where it is approved; Exelixis' ability to maintain its rights under the Ipsen collaboration; risks and uncertainties related to regulatory review and approval processes and Exelixis' compliance with applicable legal and regulatory requirements; the ability to conduct clinical trials of cabozantinib sufficient to achieve a positive completion; Exelixis' ability to judge the proper size and level of experience of the commercialization teams required to support the launch of cabozantinib for advanced RCC; unanticipated complications associated with the transition of the COMETRIQ commercialization rights from Sobi to Ipsen; the availability of data at the referenced times; Exelixis' ability to protect the company's intellectual property rights; market competition; changes in economic and business conditions, and other factors discussed under the caption "Risk Factors" in Exelixis' quarterly report on Form 10-Q filed with the Securities and Exchange Commission (SEC) on November 10, 2015, and in Exelixis' future filings with the SEC, including, without limitation, Exelixis' annual report on Form 10-K expected to be filed with the SEC on February 29, 2016. The forward-looking statements made in this press release

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speak only as of the date of this press release. Exelixis expressly disclaims any duty, obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in Exelixis' expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based.

Ipsen Forward-Looking Statement Disclaimer

The forward-looking statements, objectives and targets contained herein are based on the Group's management strategy, current views and assumptions. Such statements involve known and unknown risks and uncertainties that may cause actual results, performance or events to differ materially from those anticipated herein. All of the above risks could affect the Group's future ability to achieve its financial targets, which were set assuming reasonable macroeconomic conditions based on the information available today. Use of the words "believes," "anticipates" and "expects" and similar expressions are intended to identify forward-looking statements, including the Group's expectations regarding future events, including regulatory filings and determinations. Moreover, the targets described in this document were prepared without taking into account external growth assumptions and potential future acquisitions, which may alter these parameters. These objectives are based on data and assumptions regarded as reasonable by the Group. These targets depend on conditions or facts likely to happen in the future, and not exclusively on historical data. Actual results may depart significantly from these targets given the occurrence of certain risks and uncertainties, notably the fact that a promising product in early development phase or clinical trial may end up never being launched on the market or reaching its commercial targets, notably for regulatory or competition reasons. The Group must face or might face competition from generic products that might translate into a loss of market share. Furthermore, the Research and Development process involves several stages each of which involves the substantial risk that the Group may fail to achieve its objectives and be forced to abandon its efforts with regards to a product in which it has invested significant sums. Therefore, the Group cannot be certain that favorable results obtained during pre-clinical trials will be confirmed subsequently during clinical trials, or that the results of clinical trials will be sufficient to demonstrate the safe and effective nature of the product concerned. There can be no guarantees a product will receive the necessary regulatory approvals or that the product will prove to be commercially successful. If underlying assumptions prove inaccurate or risks or uncertainties materialize, actual results may differ materially from those set forth in the forward-looking statements. Other risks and uncertainties include but are not limited to, general industry conditions and competition; general economic factors, including interest rate and currency exchange rate fluctuations; the impact of pharmaceutical industry regulation and health care legislation; global trends toward health care cost containment; technological advances, new products and patents attained by competitors; challenges inherent in new product development, including obtaining regulatory approval; the Group's ability to accurately predict future market conditions; manufacturing difficulties or delays; financial instability of international economies and sovereign risk; dependence on the effectiveness of the Group's patents and other protections for innovative products; and the exposure to litigation, including patent litigation, and/or regulatory actions. The Group also depends on third parties to develop and market some of its products which could potentially generate substantial royalties; these partners could behave in such ways which could cause damage to the Group's activities and financial results. The Group cannot be certain that its partners will fulfill their obligations. It might be unable to obtain any benefit from those agreements. A default by any of the Group's partners could generate lower revenues than expected. Such situations could have a negative impact on the Group's business, financial position or performance. The Group expressly disclaims any obligation or undertaking to update or revise any forward looking statements, targets or estimates contained in this press release to reflect any change in events, conditions, assumptions or circumstances on which any such statements are based, unless so required by applicable law. The Group's business is subject to the risk factors outlined in its registration documents filed with the French Autorité des Marchés Financiers.

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Exelixis, the Exelixis logo, and COMETRIQ are registered U.S. trademarks, and COTELLIC is a U.S. trademark.

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CONFIDENTIAL **EXHIBIT 10.4**
EXECUTION VERSION

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SUPPLY AGREEMENT

This **Supply Agreement** (the "**Supply Agreement**") is entered into as of February 29, 2016 (the "**Effective Date**") by and between **Exelixis, Inc.**, a Delaware company having an address at 210 East Grand Avenue, South San Francisco, CA 94080, USA ("**Exelixis**"), and **Ipsen Pharma SAS**, a French corporation having an address at 65 Quai Georges Gorse, 92100 Boulogne-Billancourt, France ("**Licensee**"). Exelixis and Licensee may be referred to herein individually as a "**Party**" and collectively as the "**Parties**."

RECITALS

Whereas, Exelixis, a biopharmaceutical company, is developing its proprietary compound known as cabozantinib for the treatment of cancer;

Whereas, Exelixis and Licensee are parties to a certain Collaboration and License Agreement of even date hereof (the "**Collaboration and License Agreement**"), under which Exelixis has granted Licensee the right to develop and commercialize cabozantinib outside the U.S., Canada, and Japan; and

Whereas, the Collaboration and License Agreement contemplates that Exelixis will manufacture and supply cabozantinib to Licensee for development and commercial use, and Exelixis is willing to manufacture and supply cabozantinib to Licensee, on the terms and conditions set forth below.

Now, **Therefore**, in consideration of the foregoing premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

Article 1

DEFINITIONS

Capitalized terms used in this Supply Agreement but not defined herein shall have the meanings set forth in the Collaboration and License Agreement.

1.1 "**Affiliate**" means, with respect to any party, any entity that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such party, but for only so long as such control exists. As used in this Section 1.1, "control" means (a) to possess, directly or indirectly, the power to direct the management or policies of an entity, whether through ownership of voting securities, by contract relating to voting rights or corporate governance;

or (b) direct or indirect beneficial ownership of more than fifty percent (50%) (or such lesser percentage which is the maximum allowed to be owned by a foreign corporation in a particular jurisdiction) of the voting share capital or other equity interest in such entity.

1.2 "**Batch**" means the quantity of a Product produced in a single production run of such Product.

1.3 "**Business Day**" means a day that is not a Saturday, Sunday, or a day on which banking institutions in San Francisco, California, USA are authorized by Law to remain closed.

1.4 "Claims" means any and all Third Party claims, suits, proceedings, damages, expenses (including court costs and reasonable attorneys' fees and expenses) and recoveries against a Party.

1.5 "**Collaboration and License Agreement**" has the meaning set forth in the Recitals.

1.6 "**Compound**" means cabozantinib, having the chemical structure set forth in Exhibit A of the Collaboration and License Agreement, including any pharmaceutically acceptable salt form of cabozantinib.

1.7 "Cost of Goods" or **"COG"** means, with respect to any Compound or Product, the fully burdened cost to manufacture such Compound or Product, which means: (a) in the case of [*]; and (b) in the case of [*]. Actual unit costs shall consist of [*]. Direct labor costs shall include the cost of: [*]. Manufacturing [*] shall include [*].

1.8 "**Drug Substance**" means cabozantinib, having the chemical structure set forth in Exhibit A of the Collaboration and License Agreement.

1.9 "**EMA**" means the European Medicines Agency or its successor.

1.10 "Exelixis Indemnitees" means Exelixis and its Affiliates and their respective officers, directors, employees, and agents.

1.11 "**Exelixis Territory**" means the U.S., Canada, and Japan.

1.12 "**Expanded Access Program**" means the administration of the Product to named individuals who do not meet the clinical trial enrollment criteria either outside of a clinical trial or after the completion of a clinical trial. Expanded Access Programs are also known as named patient programs, named patient supply, and temporary authorization for use.

1.13 "**FDA**" means the U.S. Food and Drug Administration or its successor.

1.14 "**Field**" means all indications and uses in humans and animals.

1.15 "**Finished Product**" means any Product in appropriate final form, packaged and labeled and ready for its intended use (i.e., sale to the end-user, use as part of an Expanded Access Program, use in clinical trials or other development work or use as a sample).

1.16 "**Good Distribution Practice**" means, to the extent applicable, the then-current Good Distribution Practice Guidelines issued by the European Commission to ensure that the level of quality determined by GMP is maintained throughout the distribution network, as set forth in Commission Guidelines 2013/C 343/01 and any and all related Directives, as may be amended from time to time.

1.17 "**Good Manufacturing Practices,**" "**cGMPs**" or "**GMP**" means, to the extent applicable, the then-current Good Manufacturing Practices required by the FDA and/or EMA, for the manufacture and testing of pharmaceutical materials, as set forth in 21 CFR Parts 11, 210 and 220 and Directives 2003/94/EC and 2001/83/EC, as each may be amended from time to time, and comparable laws or regulations applicable to the manufacture and testing of pharmaceutical materials promulgated by other Regulatory Authorities.

1.18 "Governmental Authority" means any national, international, federal, state, provincial or local government, or political subdivision thereof, or any multinational organization or any authority, agency or commission entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power, any court or tribunal (or any department, bureau or division thereof, or any governmental arbitrator or arbitral body).

1.19 "Information" means any data, results, technology, business or financial information or information of any type whatsoever, in any tangible or intangible form, including know-how, trade secrets, practices, techniques, methods, processes, inventions, developments, specifications, formulae, software, algorithms, marketing reports, expertise, technology, test data (including pharmacological, biological, chemical, biochemical, clinical test data, and data resulting from non-clinical studies), CMC information, stability data, and other study data and procedures.

1.20 "Laws" means all laws, statutes, rules, regulations, ordinances, and other pronouncements having the effect of law of any federal, national, multinational, state, provincial, county, city, or other political subdivision, domestic or foreign.

1.21 "Licensee Indemnitees" means Licensee and its Affiliates and their respective directors, officers, employees, and agents.

1.22 "Licensee Territory" means the world outside the Exelixis Territory.

1.23 "**Manufacture**" means with respect to the period prior to the implementation of the Transition Plan as set forth in Section 2.4(e), all activities related to the manufacturing of the Compound and Products, in final, labeled, packaged form for commercial use, including in-process and finished product testing, release of product or any component or ingredient thereof, quality assurance activities related to manufacturing and release of product, ongoing stability tests and regulatory activities related to any of the foregoing. For the period after the Transition

Plan, with regard specifically to packaging, shall be primary packaged bulk tablets, rather than labelled packaged form for commercial use. "**Manufacturing**" has a correlative meaning.

1.24 "**Order Forecast**" has the meaning set forth in Section 2.2(a).

1.25 "**Product**" means any pharmaceutical product containing the Compound as an active ingredient, in any form, presentations, dosage, or formulation, including but not limited to Cometriq.

1.26 "**Quality Agreement**" has the meaning set forth in Section 2.6.

1.27 "**REACH**" shall have the meaning set forth in Section 4.5.

1.28 "**Recall**" means a recall, withdrawal, or correction (including the dissemination of relevant information) of any Product in a Party's territory that is (a) required by a Regulatory Authority of competent jurisdiction, or (b) is deemed advisable by the representative of Licensee's Quality department in its sole discretion in Licensee Territory, or (c) is deemed advisable by the representative of Exelixis' Quality department in the Exelixis Territory.

1.29 "**Regulatory Approval**" means any and all approvals (including MAA Approval, and Pricing and Reimbursement Approval, if applicable), licenses, registrations, permits, notifications and authorizations (or waivers) of any Regulatory Authority that are necessary for the manufacture, use, storage, import, transport, promotion, marketing, distribution, offer for sale, sale or other commercialization of a Product in any country or jurisdiction.

1.30 "Regulatory Authority" means any Governmental Authority that has responsibility in its applicable jurisdiction over the testing, development, manufacture, use, storage, import, transport, promotion, marketing, distribution, offer for sale, sale or other commercialization of pharmaceutical products in a given jurisdiction, including the FDA and EMA. For countries where governmental approval is required for pricing or reimbursement for a pharmaceutical product to be reimbursed by national health insurance (or its local equivalent), Regulatory Authority shall also include any Governmental Authority whose review or approval of pricing or reimbursement of such product is required.

1.31 "**Regulatory Filing**" means all applications, filings, submissions, approvals, licenses, registrations, permits, notifications and authorizations (or waivers) with respect to the testing, Development, Manufacture or Commercialization of any Product made to or received from any Regulatory Authority in a given country, including any INDs and MAAs.

1.32 "**Specification**" means the written specification for each Product, as the same may be amended from time to time by Exelixis, or upon Licensee's reasonable request in accordance with requirements of Regulatory Authorities in the Licensee Territory. Specifications may be required to be different for a Product for use in different countries due to individual Regulatory Authority requirements in such countries.

1.33 "**Stockout Period**" means a period during which Licensee, as a result of failure of Exelixis to supply Product, has no commercial inventory available to supply the market in the Licensee Territory. Inventory stockouts arising from Licensee's failure to maintain the [*] safety stock in accordance with the Supply Agreement shall not give rise to a Stockout Period.

1.34 **"Term"** has the meaning set forth in Section 10.1.

1.35 "**Third Party**" means any entity other than Exelixis or Licensee or an Affiliate of Exelixis or Licensee.

1.36 "**Transfer Price**" has the meaning set forth in Section 3.1.

1.37 "**U.S.**" means the United States of America, including its territories and possessions (including Puerto Rico).

Article 2

PRODUCT SUPPLY

2.1 Purchase and Sale. Pursuant to the terms and conditions of this Supply Agreement, Exelixis (either itself or through its Affiliates or Third Party subcontractors) shall use Commercially Reasonable Efforts to Manufacture and supply Products to Licensee in such quantities as Licensee shall order pursuant to and in accordance with this Article 2, and Licensee shall purchase from Exelixis all of Licensee's and its Affiliates' and Sublicensees' requirements for Products for development and commercialization in the Field in the Licensee Territory pursuant to and in accordance with the Collaboration and License Agreement. For clarity, Exelixis may perform its obligations under this Supply Agreement through one or more Third Party subcontractors, provided that Exelixis remains responsible for the work allocated to, and payment to, such subcontractors as it selects, to the same extent it would if it had done such work itself.

2.2 Order Forecasts.

(a) Rolling Forecast. On or prior to [*] of each Calendar Quarter during the Term of this Supply Agreement, Licensee shall provide Exelixis a rolling forecast of the quantity of Products to be used for commercialization that Licensee plans to order during the [*] period commencing the following Calendar Quarter, itemizing the applicable quantity for each form of Product (i.e., dosage strength and packaging configuration) ("**Order Forecast**"). The Order Forecast shall be made in good faith for budget and capacity planning purposes only and shall be non-binding on Licensee and Exelixis, except as provided in Section 2.2(b). The Parties shall discuss and review the Order Forecast at each regularly scheduled meeting of the JSC established by the Parties under the Collaboration and License Agreement (or by a subcommittee established by the JSC to oversee the manufacture and supply of the Product). The Order Forecast will be in substantially the form attached hereto as **Exhibit A**.

(b) Binding Commitment. The [*] of each Order Forecast shall constitute a binding commitment for Licensee to purchase, pursuant to Section 2.3(a), [*] of the quantities for each form of Finished Product specified therein and Licensee shall be required to order such quantities pursuant to Section 2.3(a). The [*] of each Order Forecast shall constitute a binding commitment for Licensee to purchase, pursuant to Section 2.3(a), [*] of each form of Finished Product specified therein. For clarity, the numbers set out in the following [*] of the Order Forecast constitute the non-binding forecast of Licensee's expected requirements.

2.3 Purchase Orders; Delivery Terms.

(a) Purchase Orders. On or before the [*] of each Calendar Quarter during the Term of this Supply Agreement, Licensee shall submit to Exelixis a binding purchase order (a **"Purchase Order**") for Product to be delivered during the next Calendar Quarter as follows:

(i) with respect to commercial supply, in quantities [*] to those set forth for such Calendar Quarter in the Order Forecast, and

(ii) with respect to development supply, in quantities [*] with those projected for use in clinical development by Licensee as set forth in the Global Development Plan (as defined in the Collaboration and License Agreement), as well as any comparator drugs set forth in the Global Development Plan as to be supplied by Exelixis to Licensee.

Exelixis shall accept or reject each Purchase Order in writing within [*] after its receipt of such Purchase Order; *provided, however*, that Exelixis shall accept such Purchase Order, if the quantities of Product ordered in such Purchase Order are consistent with the quantities set forth in subsection (i) and/or (ii), as applicable.

(b) Additional Quantities. In the event Licensee desires to obtain quantities of Product in a particular Calendar Quarter in excess of the quantities specified in the Order Forecast after such forecast became binding, Licensee shall notify Exelixis in writing the Parties will discuss in good faith as to whether Exelixis may be able to supply Licensee with such additional quantities, provided that Exelixis shall have the right to accept and/or reject such order at its sole discretion.

(c) Delivery and Shipping Terms. Purchase Orders submitted for quantities of Product that are in accordance with Section 2.3(a) and/or Section 2.3(b) will be binding on both Parties after acceptance in writing by Exelixis; provided, however, that should Exelixis neither reject a Purchase Order nor provide written confirmation of acceptance within [*] of receipt, Exelixis shall be deemed to have accepted the Purchase Order effectively. The Purchase Order will specify a single delivery date for such order to be delivered in such Calendar Quarter, but will in no event be a date sooner than [*]. By way of example, a Purchase Order submitted on [*] would specify the quantity of Product ordered for delivery in the [*] Calendar Quarter of [*], with a delivery date no sooner than [*]. Exelixis shall deliver all Products [*]. Exelixis shall be responsible for obtaining all licenses or other authorizations for the exportation of such shipments and shall supply Licensee with the documentation required for filing or claiming credit or deduction for any applicable taxes and/or duties. Licensee shall be responsible for obtaining all freight, handling, insurance, and shipping expenses for such shipments, and shall be the importer of record

and responsible for all duties and taxes for such shipments, and shall be responsible for obtaining all distribution licenses for the Products.

(d) Separate Contracts. Each Purchase Order will constitute a separate contract for the supply of Products on the terms of this Agreement (and excluding all other terms and conditions including any set out or referred to in any Purchase Order). In the event of a conflict between a Purchase Order and the terms of this Agreement, the terms of this Agreement will govern.

2.4 Supply.

(a) Documentation. Exelixis shall establish and maintain any necessary drug master files, standard operating procedures, protocols, and master batch records for the Manufacturing of the Products. Exelixis shall, in connection with each shipment of Product to Licensee, provide to Licensee the certificate of compliance, certificate of analysis, completed batch records and any other documentation as may be required in the Quality Agreement with respect to such shipment.

(b) Traceability. Exelixis shall mark the Product supplied to Licensee with a lot number for the purposes of traceability. Licensee shall record the lot number of each Product used for each promotion and marketing event, distributed to each named patient in an Expanded Access Program, or sold to each customer, and shall retain all such records for [*] after the date of termination or expiration of this Supply Agreement to facilitate in the event of a Recall under Section 5.9 of the Collaboration and License Agreement.

(c) Form of Supply. Exelixis shall supply Licensee with Finished Product in finished, labeled form at Licensee's cost and expense. Exelixis shall supply Product for commercialization in the Licensee Territory according to Licensee's written instructions specifying desired quantities of Product in each of the available dosages and product configurations (i.e. bottles and/or blister strips) to meet the requirements for the Regulatory Authorities in each applicable jurisdiction. Licensee shall be responsible for ensuring that the Finished Product conforms with all applicable Laws and Regulatory Approvals for each applicable jurisdiction within Licensee Territory.

(d) Finished Product Release. Prior to implementation of the Transition Plan as such term is defined in Section 2.4(e), Exelixis (by itself or through its contract manufacturer) shall conduct release tests of the Product for Licensee, and Exelixis shall supply Licensee with Finished Product release documentation so that Licensee may fulfil its obligations as the Marketing Authorization Holder in the applicable Licensee Territory.

(e) Transition Plan. Licensee shall develop, and submit to JSC for review and approval, a transition plan ("**Transition Plan**") by [*]. The Transition Plan shall provide for Licensee's assumption of responsibility for primary packaged bulk tablets, including but not limited to labeling, Finished Product release, and QP release to market by [*]. Such Transition Plan will take effect at [*] unless otherwise agreed by the JSC, and this Supply Agreement will be updated to reflect this shift of responsibilities between the Parties. The Parties further agree that Licensee will concurrently assume contractual responsibility for the abovementioned

activities with Exelixis' commercial manufacturer, Patheon, Inc. ("Patheon") by entering into privity of contract with Patheon. In the event that Licensee chooses to assume the responsibility contemplated in this section through any other means of manufacture other than a direct contract with Patheon, Licensee agrees to provide Exelixis with at least [*] prior written notice in order to enable Exelixis to fulfill its own notice requirements to Patheon.

(f) Product Shelf Life. The Product supplied by Exelixis to Licensee hereunder shall have a remaining shelf life of [*] of approved shelf life upon delivery pursuant to Section 2.3(c).

(g) Inventory Management; Safety Stock. Each Party shall manage its inventory in a manner that maximizes the remaining shelf life of its inventory. Licensee shall carry a reasonable quantity of inventory of the Finished Product, and Exelixis shall carry a reasonable quantity of raw materials, including API, which may be used in the event of an interruption to the supply chain. The quantity of such safety stock shall be sufficient to cover the quantity set forth in the Order Forecast for the next [*]. The Parties shall replace and replenish the safety stock continuously on a first to expire, first out basis. Each Party shall be responsible for the cost of maintaining its own safety stock.

2.5 Inspection and Acceptance.

(a) Shortages. Licensee shall notify Exelixis in writing of any shortage in any shipment of Product within [*] of receipt. In the event of an undisputed shortage, Exelixis shall make up the shortage at no cost to Licensee, within [*] if replacement Finished Product stock is available, or, if replacement stock is unavailable at such time, as soon as reasonably practicable after it becomes available.

(b) Non-Conforming Product.

(i) Licensee shall inspect all shipments of Product promptly upon receipt, and shall notify Exelixis in writing in reasonable detail within [*] of receipt if Licensee is rejecting any Product that fails to conform to Exelixis' warranties set forth in Sections 8.2(a) or 8.2(b). All Product not rejected within such [*] period will be deemed accepted.

(ii) If Licensee notifies Exelixis of any nonconformity of any Product in accordance with Section 2.5(b)(i), Exelixis shall have the right to inspect the Product in question and Licensee shall cooperate with Exelixis' inspection, including providing Exelixis with samples of the Product in question for testing upon request. If Exelixis agrees with such notice of nonconformity, Exelixis shall, at its discretion and expense, either: (i) replace such Product, at no additional expense to Licensee, as soon as reasonably practicable after receipt of notification of such nonconformity or (ii) refund any portion of the applicable Transfer Price that has already been paid.

(iii) In the event that Exelixis disagrees with Licensee that a Product does not conform to Exelixis' warranties set forth in Sections 8.2(a) or 8.2(b), or considers that the defect was caused by occurrences after the delivery of the Product to Licensee, it may require a sample

of the allegedly nonconforming Product to be delivered to a mutually acceptable independent testing laboratory for testing or, in the case of a dispute concerning compliance with GMP, an independent consultant for evaluation. Except in the case of manifest error, the determination of the laboratory or consultant as to whether the Product is nonconforming will be final and binding on the Parties. The fees and expenses of such laboratory testing or consultant, as the case may be, shall be borne entirely by the Party against whom such laboratory's or consultant's determination is made. If, as the case may be, such determination is against Exelixis, then Exelixis shall either refund the Transfer Price paid by Licensee for such Product or replace such Product, at no additional cost to Licensee, as soon as reasonably possible, but in no event later than [*] if replacement Product stock is available, or if replacement Product stock is unavailable at such time, as soon as reasonably practical after it becomes available. If, as the case may be, such determination is against Licensee, then such Product shall be deemed accepted by Licensee.

(c) Sole Remedy. Notwithstanding anything to the contrary in this Supply Agreement, the remedy set forth in this Section 2.5 will be Licensee's sole and exclusive remedy and recourse with respect to the shortages that are not also Stockout Periods, or nonconforming Product delivered to Licensee by Exelixis hereunder.

(d) Damage after Delivery. Licensee shall bear the risk of damage to the Product after delivery to Licensee pursuant to Section 2.3(c). If the Product is damaged after delivery to Licensee pursuant to Section 2.3(c) and Licensee intends to order replacement Product, Licensee shall promptly notify Exelixis of the damage and any orders for replacement Product, and Exelixis may, at its sole discretion but in good faith, accept or reject all or a portion of the order for the replacement Product.

2.6 Quality Agreement. The Parties have substantially agreed to the terms and conditions of a quality agreement (the "**Quality Agreement**") setting forth in detail the quality assurance arrangements and procedures for the Manufacture of the Product, which Quality Agreement will be in substantially the form attached hereto as Exhibit B and incorporated herein by reference. To the extent that the terms of this Supply Agreement and those of the Quality Agreement are in conflict, the terms of this Supply Agreement shall control except with respect to quality issues, which shall be governed by the Quality Agreement. For clarity, if there are any financial terms in the Quality Agreement that are in conflict with this Supply Agreement, this Supply Agreement shall control with respect to such financial terms.

2.7 Business Continuity Plan. Within [*] after Regulatory Approval, Exelixis and Licensee shall begin preparation of a business continuity plan that would address, as a result of a Force Majeure Event or otherwise, Exelixis' inability to provide the supply of Product or the volume of Product as forecasted, including a set of clearly defined measures that would allow a quick response and recovery to the disruption of Product supply. Specifically, such business continuity plan will address, at a minimum, provisions related to rolling safety stock, Exelixis' holdings of API stock, and Exelixis' holdings of sufficient API stock to cover the period necessary for a successful transfer to a new commercial manufacturer under Section 2.(e), provisions for technology transfer of API and Product manufacturing capabilities if applicable in the event of a failure in performance of the then-current contract manufacturing organization. In addition, the Parties shall

agree that in the event Licensee were to forecast that future sales of the Product shall exceed [*] in one Calendar Year, the business continuity plan shall be revised to include the set-up of a second manufacturing facility for the Finished Product. The Parties shall submit the business continuity plan to the JSC (or a manufacturing subcommittee) for further discussion. The Parties shall review the business continuity plan on a yearly basis (or at such other intervals as the Parties may agree).

2.8 Backup Supplier. In the event that for a period of [*], Exelixis has failed to supply at least [*] of the quantity of the Product set forth in the binding portion of the Order Forecast, upon Licensee's request, Exelixis shall select a Third Party manufacturer (a "**Backup Manufacturer**") that is reasonably acceptable to Licensee to Manufacture the Product for supply to Licensee to the extent Exelixis is unable to meet Licensee's requirement for the Product as set forth in the binding portion of the Order Forecast. The costs and expenses associated with the engagement of the Backup Manufacturer, including the costs for transferring the Manufacturing process to such Backup Manufacturer, shall be borne by Exelixis.

2.9 Allocation in the Event of Product Shortages.

(a) This Section 2.9 shall apply in the event that Exelixis is unable to supply, with respect to a Calendar Quarter, [*] of (i) Product ordered by Licensee pursuant to Sections 2.2 and 2.3 for delivery in such Calendar Quarter, plus (ii) Product required by Exelixis or its Affiliates or other licensees for their own use with respect to such Calendar Quarter (such event, a "**Shortfall**"). The purpose of these allocation rules is to permit Licensee (with respect to the Licensee Territory) and Exelixis (with respect to the Exelixis Territory) to independently make their respective long-term purchase decisions for the Product, with the benefits and risks of such purchase decisions to be allocated to Licensee or Exelixis, as the case may be.

(b) If Exelixis is unable to supply [*] of (i) Product ordered by Licensee pursuant to a Purchase Order plus (ii) Product required by Exelixis or its Affiliates or other licensees for their own use, then the available Product in each Calendar Quarter in which a Shortfall occurs shall be [*].

(c) The [*] set forth in this Section 2.9 shall restart for each Calendar Quarter, without any carryover of a Shortfall realized by either Licensee or Exelixis in the prior Calendar Quarter.

(d) If Exelixis determines that it will not be able to deliver the quantities of the Product specified in the Purchase Order on the requested delivery date, or Exelixis is made aware of any future anticipated shortages, then Exelixis shall promptly notify Licensee of such determination, and in any event, no later than [*] following such determination. Such notification shall include the reasons for and the expected duration of Exelixis' anticipated inability to deliver such quantities of the Product. Promptly thereafter, but in no event more than [*] after such notification, the Parties shall discuss in good faith the matters set forth in such notification and begin good faith negotiations with respect to an alternative delivery schedule or alternative sourcing for such Product; *provided* that any such negotiations shall not relieve Exelixis of its obligations hereunder.

2.10 Continuous Improvement; Supply Contacts.

(a) The Parties acknowledge their common goal in optimizing the supply chain and reducing the costs associated with the Manufacturing and supply of the Product. As part of the supply chain optimization, the Parties shall cooperate to optimize, among others, an agreed-on service level measured by means of key performance indicators, as well as seek to extend the duration of the Product shelf life to at least [*]. The Parties will discuss cost reduction mechanisms through the JSC (or any manufacturing subcommittee established by the JSC). The Parties shall reasonably cooperate with each other to implement such improvement, the cost of which shall be shared by the Parties as mutually agreed.

(b) Each Party shall designate one (1) qualified and experienced supply chain professional to serve as that Party's primary supply contact regarding the supply of Product within this Agreement ("**Supply Contacts**") and under the direction of the JCC. Each Party may replace its Supply Contact with an alternative representative at any time with prior written notice to the other Party. Supply Contacts shall be responsible for facilitating information exchange and discussion between the Parties regarding the supply of Product under this Agreement. Supply Contact shall have decision-making authority within the guidance and subject to the review and approval of the JSC. Each Party shall bear its own costs of its Supply Contact, which costs shall be excluded from the Parties' respective Development and Cost of Goods.

2.11 Stockout Period. In the event of a Stockout Period, Licensee shall be entitled to certain royalty reductions as provided under Sections 6.3(e) and 9.5(f) of the Collaboration and License Agreement. In addition to such royalty reductions, in the event that Exelixis recovers third party damages arising directly from a Stockout Period, Exelixis agrees to share such damages with Licensee [*] in accordance with each party's demonstrated losses.

Article 3

FINANCIALS

3.1 Price. The transfer price (the "**Transfer Price**") for Finished Product supplied by Exelixis to Licensee will be equal to [*], which shall be calculated for each configuration of the Product.

3.2 Invoice and Payment. Concurrently with delivery of Product to Licensee, Exelixis shall submit to Licensee an invoice for payment, in U.S. Dollars, of the Transfer Price for Product included in such delivery. Licensee shall pay each invoice, in U.S. Dollars, within [*] following the date of such invoice by wire transfer of immediately available funds into an account designated by Exelixis. Financial audits shall be conducted in accordance with Section 10.4 of the Collaboration and License Agreement, and late payments shall bear interest as set forth in Section 10.5 of the Collaboration and License Agreement.

3.3 Other Manufacture Related Costs. Licensee shall be responsible for the costs and expenses of any Manufacture-related work that is performed by or on behalf of Exelixis at Licensee's reasonable request, which costs and expenses are not included in the calculation of

COG. Within [*] after the end of each Calendar Quarter during which such work has been performed by or on behalf of Exelixis at Licensee's request, Exelixis shall submit to Licensee a reasonably detailed invoice, in U.S. Dollars, setting forth the costs and expenses incurred by Exelixis in connection with such work. Licensee shall pay to Exelixis the amount invoiced, in U.S. Dollars, within [*] after the receipt of the invoice by wire transfer of immediately available funds into an account designated by Exelixis. Late payments shall bear interest as set forth in Section 10.5 of the Collaboration and License Agreement.

3.4 Tax. Licensee shall pay any and all taxes (other than taxes based on Exelixis' income), duties, assessments, and other charges and expenses imposed by any Government Authority in connection with the supply and transfer of Product to Licensee. If a withholding or deduction obligation occurs, then the sum payable by Licensee (in respect of which such deduction or withholding is required to be made) shall be increased to the extent necessary to ensure that Exelixis receives a sum equal to the sum which it would have received had no such withholding or deduction occurred.

Article 4

REGULATORY

4.1 Regulatory Inspections. Exelixis shall cooperate with any inspection of its facilities by any Regulatory Authority overseeing the Manufacture of the Product for use in the Licensee Territory. Each Party shall notify the other Party of any such inspection and shall permit the other Party's representative to observe such inspection to the extent such inspection is scheduled at least [*] in advance and such observation is permitted by applicable Laws and any applicable agreement between Exelixis and a Third Party (such as a contract manufacturing organization) in the event such facility is owned and/or operated by such Third Party.

4.2 GMP, Quality Assurance and Other Audits. Licensee shall have the right to conduct cGMP, quality assurance, and other audits (e.g., Environment, Health & Safety) pursuant to the terms and conditions of the Quality Agreement, but subject to any applicable agreement between Exelixis and a Third Party (such as a contract manufacturing organization) in the event such facility is owned and/or operated by such Third Party.

4.3 Inquiries and Customer Complaints. Licensee shall comply with the Pharmacovigilance Agreement and Section 5.5 of the Collaboration and License Agreement with respect to all inquiries, complaints, and adverse events regarding the Products in the Licensee Territory.

4.4 Notification of Potential Recall; Recalls. Each Party will act in accordance with the notice requirements set forth in Sections 5.7 and 5.9 of the Collaboration and License Agreement. In the event that any Recall with respect to a Product is the direct result of a breach of any warranty of Exelixis set forth in Section 8.2 and is not the result of Licensee's, its Affiliates', or its sublicensees' transportation, storage, marketing, use, sale, or distribution of the Product, then Exelixis shall bear (and reimburse Licensee for) all of the costs and expenses of such Recall and the destruction of such Recalled Product. To the extent that the reason for any

Recall with respect to the Product hereunder is in part the direct result of the breach of any warranty of Exelixis set forth in Section 8.2 and in part the result of Licensee's, its Affiliates', or its sublicensees' transportation, storage, marketing, use, sale, or distribution of the Product, then the expenses of such Recall shall be allocated in an equitable manner between the Parties.

4.5 Reach Registration. If the Product is or contains any substance which has to be registered under Regulation (EC) No. 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorization and Restriction of Chemicals ("**REACH**") (hereinafter referred to as a "Substance"), Exelixis shall ensure that such Substance will be pre-registered and registered in accordance with REACH at the (pre-) registration date set forth under REACH, provided that Licensee and/or its Affiliates do not qualify as an importer of such Substance under REACH. Upon request of Licensee, Exelixis shall immediately provide Licensee with proof of the (pre-) registration of the Substance, and shall immediately inform Licensee if it becomes aware that any Substance was not (pre-) registered in due time or if the (pre-) registration is cancelled. If Licensee and/or any of its Affiliates qualify as an importer of the Substance under REACH, Exelixis shall, upon request of Licensee, provide Licensee and/or its Affiliates immediately with all data and information that Licensee and/or its Affiliates require for (i) the assessment as to whether such Substance must be (pre-) registered, and (ii) the (pre-) registration under REACH. Licensee and its Affiliates shall be entitled to use such data and information to the extent required for the (pre-) registration of the Substance

Article 5

CONFIDENTIALITY

5.1 Confidentiality. Any and all Information disclosed by a Party to the other Party under this Supply Agreement shall be deemed Confidential Information of such Party under the Collaboration and License Agreement and subject to the confidentiality provisions set forth in Article 14 of the Collaboration and License Agreement.

Article 6

INTELLECTUAL PROPERTY

6.1 Intellectual Property. Any and all inventions, whether patentable or not and including all intellectual property rights therein, generated by either Party in the course of conducting their activities under this Supply Agreement shall be deemed to be generated under the Collaboration and License Agreement and subject to the rights and obligations of the Parties as set forth therein.

Article 7

FORCE MAJEURE

7.1 Force Majeure. Notwithstanding anything to the contrary in this Supply Agreement, both Parties shall be excused from the performance of their obligations under this

Supply Agreement to the extent that (a) force majeure prevents such performance or, with respect to Exelixis' supply obligations pursuant to Article 2, prevents the combined supply of (i) Product specified in accepted orders placed by Licensee in accordance with Section 2.3(a) and (ii) Product required by Exelixis and its Affiliates, and (b) the nonperforming Party promptly provides notice of the force majeure to the other Party. Such excuse shall continue so long as the condition constituting force majeure continues and the nonperforming Party takes reasonable efforts to remove the condition. For purposes of this Supply Agreement, force majeure shall include conditions beyond the reasonable control of the applicable Party, including an act of God, war, civil commotion, terrorist act, labor strike or lock-out, epidemic, failure or default of public utilities or common carriers, destruction of production facilities or materials by fire, earthquake, storm, or like catastrophe, and failure of plant or machinery. Notwithstanding the foregoing, a Party will not be excused from making payments owed hereunder because of a force majeure affecting such Party. If a force majeure persists for more than [*], then the Parties will discuss in good faith the modification of the Parties' obligations under this Supply Agreement in order to mitigate the delays caused by such force majeure.

Article 8

REPRESENTATIONS AND WARRANTIES

8.1 Mutual Representations and Warranties. Each Party hereby represents and warrants to the other Party as follows:

(a) Corporate Existence. As of the Effective Date, it is a company or corporation duly organized, validly existing, and in good standing under the Laws of the jurisdiction in which it is incorporated.

(b) Corporate Power, Authority and Binding Agreement. As of the Effective Date, (i) it has the corporate power and authority and the legal right to enter into this Supply Agreement and perform its obligations hereunder; (ii) it has taken all necessary corporate action on its part required to authorize the execution and delivery of this Supply Agreement and the performance of its obligations hereunder; and (iii) this Supply Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, and binding obligation of such Party that is enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, and similar Laws affecting creditors' rights and remedies generally.

8.2 Product Warranties. Exelixis represents and warrants to Licensee that:

(a) all Product supplied to Licensee pursuant to this Supply Agreement will be Manufactured in conformity with cGMPs and Good Distribution Practice;

(b) each Product supplied to Licensee pursuant to this Supply Agreement, at the time of shipment of such Product to Licensee pursuant to Section 2.3(c), will conform to the applicable Specifications for such Product; and

(c) all Product supplied to Licensee pursuant to this Supply Agreement will, at the time of shipment of such Product to Licensee pursuant to Section 2.3(c), be free and clear of all liens, security interests, and other encumbrances; provided, however, that Exelixis shall retain a security interest in such Product until Licensee pays for it in full pursuant to Section 3.2.

8.3 Disclaimers. EXCEPT AS EXPRESSLY STATED IN THIS SUPPLY AGREEMENT, NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, WHETHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, ARE MADE OR GIVEN BY OR ON BEHALF A PARTY, AND ALL REPRESENTATIONS AND WARRANTIES, WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE, ARE HEREBY EXPRESSLY EXCLUDED.

Article 9

INDEMNIFICATION

9.1 Indemnification by Exelixis. Exelixis shall defend, indemnify, and hold the Licensee Indemnitees harmless from and against all Claims to the extent such Claims arise out of, are based on, or result from: (a) any negligence or willful misconduct of Exelixis, its Affiliates, or the officers, directors, employees, or agents of Exelixis or its Affiliates; or (b) Exelixis' breach of this Supply Agreement, including the representations and warranties contained herein. The foregoing indemnity obligations shall not apply to the extent that (i) the Licensee Indemnitees fail to comply with the indemnification procedure set forth in Section 9.3 and Exelixis' defense of the relevant Claims is prejudiced by such failure; or (ii) any Claim arises from, is based on, or results from any occurrence for which Licensee is obligated to indemnify the Exelixis Indemnitees under Section 9.2.

9.2 Indemnification by Licensee. Licensee shall defend, indemnify, and hold the Exelixis Indemnitees harmless from and against all Claims to the extent such Claims arise out of, are based on, or result from: (a) any negligence or willful misconduct of Licensee, its Affiliates, or the officers, directors, employees, or agents of Licensee or its Affiliates; (b) Licensee's breach of this Supply Agreement, including the representations and warranties contained herein; (c) the export, import, storage, packaging, or labeling, by or on behalf of Licensee or its Affiliates or sublicensees, of any Product supplied by Exelixis hereunder; or (d) the commercialization of any Product supplied by Exelixis hereunder. The foregoing indemnity obligations will not apply to the extent that (i) the Exelixis Indemnitees fail to comply with the indemnification procedure set forth in Section 9.3 and Licensee's defense of the relevant Claims is prejudiced by such failure; or (ii) any Claim arises from, is based on, or results from any activities or occurrence for which Exelixis is obligated to indemnify the Licensee Indemnitees under Section 9.1.

9.3 Indemnification Procedures. The Party claiming indemnity under this Article 9 (the "**Indemnified Party**") shall give written notice to the Party from whom indemnity is being sought (the "**Indemnifying Party**") promptly after learning of such Claim and shall offer control of the defense of such Claim to the Indemnifying Party. The Indemnified Party shall provide the Indemnifying Party with reasonable assistance, at the Indemnifying Party's expense, in connection with the defense of the Claim for which indemnity is being sought. The Indemnified Party may

participate in and monitor such defense with counsel of its own choosing at its sole expense; provided, however, that the Indemnifying Party shall have the right to assume and conduct the defense of such Claim with counsel of its choice. The Indemnifying Party shall not settle any Claim without the prior written consent of the Indemnified Party, not to be unreasonably withheld, unless the settlement involves only the payment of money. So long as the Indemnifying Party is actively defending the Claim in good faith, the Indemnified Party shall not settle or compromise any such Claim without the prior written consent of the Indemnifying Party. If the Indemnifying Party does not assume and conduct the defense of the Claim as provided above, (a) the Indemnified Party may defend against, consent to the entry of any judgment, or enter into any settlement with respect to such Claim in any manner the Indemnified Party may deem reasonably appropriate (and the Indemnified Party need not consult with, or obtain any consent from, the Indemnifying Party in connection therewith), and (b) the Indemnifying Party shall remain responsible to indemnify the Indemnified Party as provided in this Article 9.

9.4 Limitation of Liability. NEITHER PARTY SHALL BE LIABLE TO THE OTHER FOR ANY SPECIAL, CONSEQUENTIAL, INCIDENTAL, PUNITIVE, OR INDIRECT DAMAGES ARISING FROM OR RELATING TO ANY BREACH OF THIS SUPPLY AGREEMENT, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING, NOTHING IN THIS SECTION 9.4 IS INTENDED TO OR SHALL LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF ANY PARTY UNDER SECTIONS 9.1 OR 9.2, OR DAMAGES AVAILABLE FOR A PARTY'S BREACH OF CONFIDENTIALITY OBLIGATIONS IN Article 5.

Article 10

TERM AND TERMINATION

10.1 Term. This Supply Agreement will become effective on the Effective Date and, unless earlier terminated pursuant to this Article 10, will remain in effect until the expiration of the Collaboration and License Agreement (the "**Term**").

10.2 Termination.

(a) Termination for Breach. A Party's material breach of this Supply Agreement will constitute such Party's material breach of the Collaboration and License Agreement, and each Party shall have the right to terminate this Supply Agreement and the Collaboration and License Agreement for the other Party's uncured material breach of this Supply Agreement as set forth in Section 15.2(a) of the Collaboration and License Agreement.

(b) Termination Due to Termination of the Collaboration and License Agreement. This Supply Agreement shall automatically terminate upon termination of the Collaboration and License Agreement.

10.3 Performance on Termination; Survival. Termination or expiration of this Supply Agreement shall not affect the rights or obligations of the Parties under this Supply

Agreement that have accrued prior to the date of termination or expiration. Upon termination of this Supply Agreement for any reason: (a) Products Manufactured pursuant to Purchase Orders will be delivered on the scheduled delivery dates and Licensee shall pay Exelixis not later than [*] after the delivery date (provided, however, that Licensee makes advance payment prior to shipment in the event of termination due to payment default by Licensee); and (b) all costs of unused raw materials, labels, and packaging incurred by Exelixis shall be paid by Licensee in the event that Exelixis terminates this Supply Agreement pursuant to Section 10.2(a) or that this Supply Agreement is terminated pursuant to Section 10.2(b) as a result of termination of the Collaboration and License Agreement by Licensee pursuant to Sections 15.3(a) or (b) of the Collaboration and License Agreement. Notwithstanding anything to the contrary, the following provisions shall survive any expiration or termination of this Supply Agreement: Sections 5, 6, 8, 9, 10.3 and 11.

Article 11

MISCELLANEOUS

11.1 Entire Agreement; Amendment. This Supply Agreement, including the Exhibits, together with the Collaboration and License Agreement, is both a final expression of the Parties' agreement and a complete and exclusive statement with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements and communications, whether oral, written, or otherwise, with respect to the subject matter hereof. This Supply Agreement may only be modified or supplemented in a writing expressly stated for such purpose and signed by an authorized officer of each Party. No modification to this Supply Agreement will be effected by the acknowledgment or acceptance of any Purchase Order or shipping instruction forms or similar documents containing terms or conditions at variance with or in addition to those set forth herein.

11.2 Notices. Any notice to be given under this Supply Agreement must be in writing and specifically refer to this Supply Agreement, and be addressed to the appropriate Party at the address specified below or such other address as may be specified by such Party, and will be deemed to have been given for all purposes (a) when received, if hand-delivered; (b) if air mailed, five (5) days after the date of postmark; (c) if delivered by overnight courier, the next day the overnight courier regularly makes deliveries; or (d) if sent by facsimile, the date of confirmation of receipt if during the recipient's normal business hours, otherwise the next business day.

If to Licensee, notices must be addressed to:

Ipsen Pharma SAS
65 Quai Georges Gorse
92100 Boulogne-Billancourt, France
Attention: Jonathan Barnsley, EVP Technical Operations
Facsimile: [*]

with a copy to:

Ipsen Pharma SAS
65 Quai Georges Gorse
92100 Boulogne-Billancourt, France
Attention: François Garnier, EVP General Counsel
Facsimile: [*]

If to Exelixis, notices must be addressed to:

Exelixis, Inc.
210 East Grand Avenue
South San Francisco, CA 94080, USA
Attention: Executive Vice President and General Counsel
Facsimile: [*]

11.3 Interpretation. The headings of clauses contained in this Supply Agreement preceding the text of the sections, subsections, and paragraphs hereof are inserted solely for convenience and ease of reference only and do not constitute any part of this Supply Agreement, or have any effect on its interpretation or construction. All references in this Supply Agreement to the singular include the plural where applicable. Unless otherwise specified, references in this Supply Agreement to any Article include all Sections, subsections, and paragraphs in such Article, references to any Section include all subsections and paragraphs in such Section, and references in this Supply Agreement to any subsection include all paragraphs in such subsection. The word "including" and similar words means including without limitation. The word "or" means "and/or" unless the context dictates otherwise because the subject of the conjunction are mutually exclusive. The words "herein," "hereof," and "hereunder" and other words of similar import refer to this Supply Agreement as a whole and not to any particular Section or other subdivision. All references to days in this Supply Agreement mean calendar days, unless otherwise specified. Ambiguities and uncertainties in this Supply Agreement, if any, shall not be interpreted against either Party, irrespective of which Party may be deemed to have caused the ambiguity or uncertainty to exist. This Supply Agreement has been prepared in the English language and the English language controls its interpretation. In addition, all notices required or permitted to be given hereunder, and all written, electronic, oral, or other communications between the Parties regarding this Supply Agreement shall be in the English language.

11.4 Assignment. Except as expressly provided hereunder, neither this Supply Agreement nor any rights or obligations hereunder may be assigned or otherwise transferred by either Party without the prior written consent of the other Party (which consent shall not be unreasonably withheld); *provided, however*, that either Party may assign or otherwise transfer this Agreement and its rights and obligations hereunder without the other Party's consent:

(a) in connection with the assignment of the Collaboration and License Agreement to a Third Party as set forth in Section 17.5 of the Collaboration and License Agreement; or

(b) to an Affiliate, provided that the assigning Party shall remain liable and responsible to the non-assigning Party hereto for the performance and observance of all such duties and obligations by such Affiliate.

The rights and obligations of the Parties under this Supply Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the Parties specified above, and the name of a Party appearing herein will be deemed to include the name of such Party's successors and permitted assigns to the extent necessary to carry out the intent of this Section 11.4. Any assignment not in accordance with this Section 11.4 shall be null and void.

11.5 Performance by Affiliates. Each Party may discharge any obligations and exercise any right hereunder through any of its Affiliates. Each Party hereby guarantees the performance by its Affiliates of such Party's obligations under this Supply Agreement, and shall cause its Affiliates to comply with the provisions of this Supply Agreement in connection with such performance. Any breach by a Party's Affiliate of any of such Party's obligations under this Supply Agreement shall be deemed a breach by such Party, and the other Party may proceed directly against such Party without any obligation to first proceed against such Party's Affiliate.

11.6 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 Supply Agreement.

11.7 Severability. If, for any reason, any part of this Supply Agreement is adjudicated invalid, unenforceable, or illegal by a court of competent jurisdiction, such adjudication shall not, to the extent feasible, affect or impair, in whole or in part, the validity, enforceability, or legality of any remaining portions of this Agreement. All remaining portions will remain in full force and effect as if the original Supply Agreement had been executed without the invalidated, unenforceable, or illegal part.

11.8 No Waiver. The failure of a Party to insist upon strict performance of any provision of this Supply Agreement or to exercise any right arising out of this Supply Agreement will neither impair that provision or right nor constitute a waiver of that provision or right, in whole or in part, in that instance or in any other instance. Any waiver by a Party of a particular provision or right shall be in writing, shall be as to a particular matter and, if applicable, for a particular period of time and shall be signed by such Party.

11.9 Relationship Between the Parties. The Parties' relationship, as established by this Supply Agreement together with the Collaboration and License Agreement, is solely that of independent contractors. This Agreement does not create any partnership, joint venture, or similar business relationship between the Parties. Neither Party is a legal representative of the other Party and neither Party can assume or create any obligation, representation, warranty, or guarantee, express or implied, on behalf of the other Party for any purpose whatsoever.

11.10 Counterparts; Electronic or Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. This Agreement may be executed and delivered electronically or

by facsimile and upon such delivery such electronic or facsimile signature will be deemed to have the same effect as if the original signature had been delivered to the other Party.

11.11 Governing Law; Dispute Resolution. This Supply Agreement, and all questions regarding the existence, validity, interpretation, breach, or performance of this Supply Agreement, shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, United States, without reference to its conflicts of law principles. The application of the U.N. Convention on Contracts for the International Sale of Goods (1980) is excluded. Any controversy or claim arising out of, relating to, or in connection with any provision of this Supply Agreement shall be resolved in accordance with Article 16 of the Collaboration and License Agreement.

11.12 Compliance with Laws. Each Party shall comply in all material respects with all applicable Laws and regulations, including, but not limited to, those concerning drugs, drug manufacture regulatory requirements, or exportation or importation of Products, including but not limited to proper declaration of dutiable values. Except as provided in Section 2.3(c), Licensee shall be responsible for obtaining all exportation and importation licenses or other authorizations.

11.13 Debarment. Each Party represents, warrants, and covenants to the other Party that it is not debarred or disqualified under the U.S. Federal Food, Drug and Cosmetic Act, as amended, or comparable laws in any country or jurisdiction other than the U.S., and it does not, and will not during the Term, employ or use the services of any person who is debarred or disqualified, in connection with services to be performed under this Supply Agreement. In the event that either Party becomes aware of the debarment or disqualification or threatened debarment or disqualification of any person providing services to such Party, including the Party itself or its Affiliates or sublicensees, that directly or indirectly relate to activities contemplated by this Agreement, such Party shall immediately notify the other Party in writing and such Party shall cease employing, contracting with, or retaining any such person to perform any such services.

{Signature Page Follows}

In Witness Whereof, the Parties hereto have caused this **Supply Agreement** to be executed and entered into by their duly authorized representatives as of the Effective Date.

Exelixis, Inc.	**Ipsen Pharma SAS**
By: /s/ Michael M. Morrissey	By: /s/ Marc de Garidel
Name: Michael M. Morrissey	Name: Marc de Garidel
Title: CEO	Title: Chariman & CEO

[*] = 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.

List of Exhibits

Exhibit A: Form of Order Forecast

Exhibit B: Quality Agreement

[*] = 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 A
Form of Order Forecast

[*]

[*] = 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 B
Quality Agreement

[*]

[*] = 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 periods presented. The following table sets forth our our deficiency of earnings to cover fixed charges.

	Three Months Ended March 31,	Year Ended December 31,			
	2016	2015	2014	2013	2012
Fixed charges:					
Interest expense	$ 12,414	$ 48,673	$ 48,607	$ 45,347	$ 27,088
Interest portion of rental expense	168	755	886	935	2,948
Total fixed charges	$ 12,582	$ 49,428	$ 49,493	$ 46,282	$ 30,036
Earnings:					
Net loss before income taxes	$ (61,347)	$ (169,682)	$ (268,724)	$ (244,856)	$ (147,538)
Fixed charges per above	12,582	49,428	49,493	46,282	30,036
Earnings	$ (48,765)	$ (48,178)	$ (219,049)	$ (198,574)	$ (117,502)
Deficiency of earnings available to cover fixed charges	$ (61,347)	$ (97,606)	$ (268,724)	$ (244,856)	$ (147,538)

Exhibit 31.1

CERTIFICATION

I, Michael M. Morrissey, Ph.D., 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: May 4, 2016

Exhibit 31.2

CERTIFICATION

I, Christopher J. Senner, 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: May 4, 2016

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 President and Chief Executive Officer of Exelixis, Inc. (the "Company"), and Christopher J. Senner, the Executive Vice President and Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended April 1, 2016, 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 4th day of May 2016.

/s/ MICHAEL M. MORRISSEY

Michael M. Morrissey, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

/s/ CHRISTOPHER J. SENNER

Christopher J. Senner
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)