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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2011

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 No.)**

210 East Grand Ave.
South San Francisco, CA 94080
(Address of Principal Executive Offices) (Zip Code)

(650) 837-7000
(Registrant's Telephone Number, Including Area Code)

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 October 21, 2011, there were 129,685,614 shares of the registrant's common stock outstanding.

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EXELIXIS, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2011

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EXELIXIS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2011 (unaudited)	December 31, 2010 (1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 66,211	$ 97,440
Marketable securities	156,947	65,224
Other receivables	4,654	5,896
Prepaid expenses and other current assets	17,062	14,926
Total current assets	244,874	183,486
Restricted cash and investments	4,199	6,399
Long-term investments	85,787	87,314
Property and equipment, net	10,196	15,811
Goodwill	63,684	63,684
Other assets	2,896	4,096
Total assets	$ 411,636	$ 360,790
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 3,390	$ 2,046
Accrued compensation and benefits	8,835	6,555
Accrued clinical trial liabilities	24,957	30,975
Other accrued liabilities	15,195	15,026
Current portion of notes payable and bank obligations	5,974	8,848
Current portion of convertible loans	28,900	28,900
Current portion of restructuring	2,725	7,294
Deferred revenue	76,639	100,297
Total current liabilities	166,615	199,941
Long-term portion of notes payable and bank obligations	85,787	87,314
Long-term portion of convertible loans	89,295	83,396
Long-term portion of restructuring	7,670	6,987
Other long-term liabilities	8,247	9,005
Deferred revenue	50,968	202,472
Total liabilities	408,582	589,115
Commitments		
Stockholders' equity (deficit):		
Common stock	129	109
Additional paid-in-capital	1,155,827	953,608
Accumulated other comprehensive income	(249)	12
Accumulated deficit	(1,152,653)	(1,182,054)
Total stockholders' equity (deficit)	3,054	(228,325)
Total liabilities and stockholders' equity (deficit)	$ 411,636	$ 360,790

(1) The condensed consolidated balance sheet at December 31, 2010 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

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 September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Contract	$ 5,024	$ 11,865	$ 25,761	$ 43,915
License	122,703	24,542	167,984	73,648
Collaboration reimbursements	545	18,067	2,583	26,706
Total revenues	128,272	54,474	196,328	144,269
Operating expenses:				
Research and development	37,465	49,388	126,058	168,375
General and administrative	8,171	8,952	26,119	27,358
Restructuring charge	2,937	339	6,190	25,823
Total operating expenses	48,573	58,679	158,367	221,556
Gain (loss) from operations	79,699	(4,205)	37,961	(77,287)
Other income (expense):				
Interest income (loss) and other, net	98	(376)	1,479	331
Interest expense	(4,142)	(4,094)	(12,249)	(5,378)
Gain on sale of business	2,210	—	2,210	7,797
Total other income (expense), net	(1,834)	(4,470)	(8,560)	2,750
Consolidated income (loss) before taxes	77,865	(8,675)	29,401	(74,537)
Income tax benefit (provision)	—	72	—	72
Net income (loss)	$ 77,865	$ (8,603)	$ 29,401	$ (74,465)
Net income (loss) per share, basic	$ 0.60	$ (0.08)	$ 0.24	$ (0.69)
Net income (loss) per share, diluted	$ 0.59	$ (0.08)	$ 0.23	$ (0.69)
Shares used in computing basic income (loss) per share amounts	129,145	108,667	123,426	108,373
Shares used in computing diluted income (loss) per share amounts	131,344	108,667	129,430	108,373

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

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

	Nine Months Ended September 30,	
	2011	2010
Cash flows from operating activities:		
Consolidated net income (loss)	$ 29,401	$ (74,465)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	5,035	8,276
Stock-based compensation expense	9,409	16,744
Impairment of assets due to restructuring	379	2,481
Gain on sale of business	(2,210)	(7,797)
Accretion of debt discount	5,900	1,661
Other	3,637	2,415
Changes in assets and liabilities:		
Other receivables	1,242	4,558
Prepaid expenses and other current assets	(1,522)	(2,957)
Other assets	701	(1,720)
Accounts payable and other accrued expenses	(2,225)	(1,210)
Restructuring liability	(3,886)	9,169
Other long-term liabilities	(758)	(1,256)
Deferred revenue	(175,162)	(78,201)
Net cash used in operating activities	(130,059)	(122,302)
Cash flows from investing activities:		
Purchases of property and equipment	(712)	(1,481)
Proceeds from sale of property and equipment	—	179
Proceeds on sale of business	3,010	8,600
Decrease in restricted cash and investments	2,200	45
Proceeds from maturities of marketable securities	117,244	95,100
Proceeds from sale of marketable securities	—	12,780
Purchases of marketable securities	(210,580)	(141,186)
Net cash used in investing activities	(88,838)	(25,963)
Cash flows from financing activities:		
Proceeds from issuance of common stock	179,377	—
Proceeds from exercise of stock options and warrants	11,705	1,054
Proceeds from employee stock purchase plan	987	2,122
Proceeds from note payable and bank obligations	2,589	162,508
Principal payments on notes payable and bank obligations	(6,990)	(8,873)
Net cash provided by financing activities	187,668	156,811
Net (decrease) increase in cash and cash equivalents	(31,229)	8,546
Cash and cash equivalents, at beginning of period	97,440	86,796
Cash and cash equivalents, at end of period	$ 66,211	$ 95,342

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

EXELIXIS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011
(unaudited)

NOTE 1. Organization and Summary of Significant Accounting Policies

Organization

Exelixis, Inc. ("Exelixis," "we," "our" or "us") is a biotechnology company committed to developing small molecule therapies for the treatment of cancer. We are focusing our proprietary resources and development efforts exclusively on cabozantinib (XL184), our most advanced compound, in order to maximize the therapeutic and commercial potential of this compound. We believe cabozantinib has the potential to be a high-quality, broadly-active, differentiated pharmaceutical product that can make a meaningful difference in the lives of patients. Cabozantinib inhibits MET, VEGFR2 and RET, proteins that are key drivers of tumor growth, vascularization and/or metastasis. Cabozantinib is being evaluated in a broad development program encompassing multiple cancer indications. We have also developed a portfolio of other novel compounds that we believe have the potential to address serious unmet medical needs, many of which are being advanced by partners as part of collaborations.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP") 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 GAAP for complete financial statements. In our opinion, all adjustments (consisting 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. Certain reclassifications of prior period amounts have been made to our condensed consolidated financial statements to conform to the current period presentation.

Exelixis has adopted a 52- or 53-week fiscal year that ends on the Friday closest to December 31st of each year. Fiscal year 2010, a 52-week year, ended on December 31, 2010, and fiscal year 2011, a 52-week year, will end on December 30, 2011. For convenience, references in these Condensed Consolidated Financial Statements and Notes as of and for the fiscal quarters ended October 1, 2010 and September 30, 2011 are indicated as ended September 30, 2010 and 2011, respectively.

Operating results for the three and nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for the fiscal year ending December 30, 2011 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 fiscal year ended December 31, 2010 included in our Annual Report on Form 10-K filed with the SEC on February 22, 2011.

Basis of Consolidation

The consolidated financial statements include the accounts of Exelixis and those of our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

Use of Estimates

The preparation of the consolidated financial statements is in conformity with GAAP, which requires management to make 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, long-lived assets, derivative instruments, accrued liabilities, and share-based compensation. We base our estimates on historical experience and on various other market-specific and other relevant assumptions that are believed 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.

Cash and Investments

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. We invest in high-grade, short-term commercial paper and money market funds, which are subject to minimal credit and market risk.

All marketable securities are classified as available-for-sale and are carried at fair value. We view our available-for-sale portfolio as available for use in current operations. Accordingly, we have classified certain investments as short-term marketable securities, even though the stated maturity date may be one year or more beyond the current balance sheet date. Available-for-sale securities are stated at fair value based upon quoted market prices of the securities. We have classified certain investments as cash and

cash equivalents or marketable securities that collateralize loan balances; however, they are not restricted to withdrawal. Funds that are used to collateralize equipment lines of credit that extend for over 12 months have been classified as long-term investments, in accordance with the loan arrangement. Unrealized gains and losses on available-for-sale investments are reported as a separate component of stockholders' deficit. Realized gains and losses, net, on available-for-sale securities are recorded in our Consolidated Statement of Operations as Interest income and other, net. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are recorded in our Consolidated Statements of Operations as Interest income and other, net.

All of our marketable securities are subject to quarterly reviews for impairment that is deemed to be other-than-temporary. An investment is considered other-than-temporarily impaired when its fair value is below its amortized cost and (1) we intend to sell the security; (2) it is "more likely than not" that we will be required to sell the security before recovery of its amortized cost basis or (3) the present value of expected cash flows from the investment is not expected to recover the entire amortized cost basis.

The following summarizes available-for-sale securities included in cash and cash equivalents and restricted cash and investments as of September 30, 2011 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 96,475	$ —	$ —	$ 96,475
Commercial paper	23,873	1	—	23,874
Corporate bonds	120,999	12	(257)	120,754
U.S. Government sponsored enterprises	33,702	1	(3)	33,700
Municipal bonds	38,344	2	(5)	38,341
Total	$ 313,393	$ 16	$ (265)	$ 313,144

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As reported:				
Cash and cash equivalents	$ 66,211	$ —	$ —	$ 66,211
Marketable securities	157,196	16	(265)	156,947
Restricted cash and investments	4,199	—	—	4,199
Long-term investments	85,787	—	—	85,787
Total	$ 313,393	$ 16	$ (265)	$ 313,144

As of September 30, 2011, all securities that were in an unrealized loss position have been so for less than one year and the unrealized losses were not attributed to credit risk. Based on the scheduled maturities of our marketable securities, 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 summarizes available-for-sale securities included in cash and cash equivalents and restricted cash and investments as of December 31, 2010 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 171,048	$ —	$ —	$ 171,048
Commercial paper	19,283	—	—	19,283
Corporate bonds	36,869	18	(10)	36,877
U.S. Government sponsored enterprises	18,811	5	—	18,816
Municipal bonds	10,913	—	(1)	10,912
Total	$ 256,924	$ 23	$ (11)	$ 256,936

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
As reported:				
Cash and cash equivalents	$ 98,001	$ —	$ (2)	$ 97,999
Marketable securities	65,210	23	(9)	65,224
Restricted cash and investments	6,399	—	—	6,399
Long-term investments	87,314	—	—	87,314
Total	$ 256,924	$ 23	$ (11)	$ 256,936

The following summarizes available-for-sale securities included in cash and cash equivalents and restricted cash and investments as of September 30, 2011 by contractual maturity (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Mature in less than one year	$297,888	$ 16	$ (222)	$297,682
Mature in one to two years	15,505	—	(43)	15,462
Total	$313,393	$ 16	$ (265)	$313,144

As of December 31, 2010, all of our available-for-sale-securities matured in less than one year.

Foreign Currency Forward Contract

We have entered into foreign currency forward contracts to reduce our net exposure to Eurodollar currency fluctuations. On March 30, 2011, we entered into a new foreign contract for a notional amount of $7.0 million that will expire in December 2011. The fair value of the foreign currency contract is estimated based on pricing models using readily observable inputs from actively quoted markets. As of September 30, 2011 and December 31, 2010, the fair values of the foreign currency forward contracts held were at losses of approximately $0.3 million and $0.2 million, respectively. The net unrealized gain or loss on our foreign currency forward contracts, neither of which has been designated as a hedge, is recorded in our Consolidated Statements of Operations as Interest income and other, net.

Fair Value Measurements

The fair value of our financial instruments reflects the amounts that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The fair value hierarchy has the following three levels:

Level 1—quoted prices in active markets for identical assets and liabilities.

Level 2—observable inputs other than quoted prices in active markets for identical assets and liabilities.

Level 3—unobservable inputs.

Our financial instruments are valued using quoted prices in active markets or based upon other observable inputs. The following table sets forth the fair value of our financial assets that were measured on a recurring basis as of September 30, 2011 and December 31, 2010, respectively (in thousands):

As of September 30, 2011:

	Level 1	Level 2	Level 3	Total
Money market funds	$96,475	$ —	$ —	$ 96,475
Commercial paper	—	23,874	—	23,874
Corporate bonds	—	120,754	—	120,754
U.S. Government sponsored agencies	—	33,700	—	33,700
Municipal bonds and variable rate demand notes	—	38,341	—	38,341
Foreign currency forward contract	—	514	—	514
Total	$96,475	$217,183	$ —	$313,658

As of December 31, 2010:

	Level 1	Level 2	Level 3	Total
Money market funds	$171,048	$ —	$ —	$171,048
Commercial paper	—	19,283	—	19,283
Corporate bonds	—	36,877	—	36,877
U.S. Government sponsored enterprises	—	18,816	—	18,816
Municipal bonds and variable rate demand notes	—	10,912	—	10,912
Foreign currency forward contract	—	(156)	—	(156)
Total	$171,048	$85,732	$ —	$256,780

We have estimated the fair value of our long-term debt instruments, where possible, using the net present value of the payments discounted at an interest rate that is consistent with our current borrowing rate for similar long-term debt. However, due to the unique structure of our 2010 financing agreement with entities affiliated with Deerfield Management Company L.P. (“Deerfield”) and the current non-liquid market in structured notes, there is no practicable method to determine the fair value of this instrument. See “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” and “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Cash Requirements” for details on the structure and terms of our 2010 financing with Deerfield. The estimated fair value of our outstanding debt, excluding our 2010 financing with Deerfield, was as follows (in thousands):

	September 30, 2011	December 31, 2010
GlaxoSmithKline loan	$ 28,672	$ 26,693
Equipment lines of credit	11,708	16,064
Silicon Valley Bank loan	77,480	77,480
Total	$ 117,860	$ 120,237

At September 30, 2011 and December 31, 2010, the book value of our debt outstanding, including our 2010 financing with Deerfield, was $210.0 million and $208.5 million, respectively. Our payment commitments associated with these debt instruments are fixed during the corresponding terms and are comprised of interest payments, principal payments or a combination thereof. The fair value of our debt will fluctuate with movements of interest rates, increasing in periods of declining rates of interest, and declining in periods of increasing rates of interest.

In accordance with the terms of our loan and security agreement with GlaxoSmithKline, we have elected to repay the third and final installment of the loan in stock. The repayment shares are priced at $6.66 per share, resulting in the issuance of 5,537,906 shares of our common stock to GlaxoSmithKline on October 27, 2011, as satisfaction in full of our $36.9 million repayment obligation, including $8.0 million in accrued interest, under the loan and security agreement.

Long-Lived Assets

The carrying value of our long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate that the asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. Long-lived assets include property and equipment and identified intangible assets. In the nine months ended September 30, 2011 and September 30, 2010, we wrote down property and equipment in the amount of approximately $0.3 million and $2.5 million, respectively, in connection with our 2010 and 2011 restructuring plans. These amounts exclude the impact of any auction proceeds received relating to the sale of these impaired assets. See Note 5 for further information on the restructuring plans.

Concentration of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk are primarily cash and cash equivalents, accounts receivable and investments in marketable securities. Cash equivalents and marketable securities consist of money market funds, taxable commercial paper, corporate bonds with high credit quality, U.S. government agency obligations and U.S. government sponsored enterprises. All cash and cash equivalents and marketable securities are maintained with financial institutions that management believes are creditworthy. Other receivables are typically 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.

Net Income (Loss) Per Share

Basic net income (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) per share gives effect to potential incremental common shares issuable upon the exercise of stock options and warrants and shares issuable pursuant to restricted stock units ("RSUs") (calculated based on the treasury stock method), and upon conversion of our convertible debt (calculated using an as-if-converted method).

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Numerator:				
Net income (loss)	$ 77,865	$ (8,603)	$ 29,401	$ (74,465)
Denominator:				
Shares used in computing basic income (loss) per share amounts	129,145	108,667	123,426	108,373
Add effect of dilutive securities:	—	—	—	—
Shares issuable upon conversion of our GlaxoSmithKline loan	449	—	1,568	—
Shares issuable upon the exercise of outstanding stock options	1,444	—	3,471	—
Shares issuable pursuant to the issuance of vested RSUs	144	—	558	—
Shares issuable pursuant to the exercise of warrants	48	—	281	—
Shares issuable upon the purchase of ESPP	114	—	126	—
Shares used in computing diluted net income (loss) per common share	2,199	—	6,004	—
Shares used in computing diluted income (loss) per share amounts	131,344	108,667	129,430	108,373
Net income (loss) per share, basic	$ 0.60	$ (0.08)	$ 0.24	$ (0.69)
Net income (loss) per share, diluted	$ 0.59	$ (0.08)	$ 0.23	$ (0.69)

For the three and nine months ended September 30, 2011, the total number of antidilutive outstanding common stock equivalents excluded from the net income per share computation was 15.5 million and 7.4 million, respectively. As of September 30, 2010, 47.7 million common stock equivalents were excluded from the total number of dilutive shares because their effect is anti-dilutive.

Collaboration Arrangements

Collaborative agreement reimbursement revenues or collaboration cost-sharing expenses are recorded as earned or owed based on the performance requirements by both parties under the respective contracts. On December 11, 2008, we entered into a worldwide Collaboration Agreement with Bristol-Myers Squibb Company ("Bristol-Myers Squibb") for the development of cabozantinib and XL281, which was amended and restated by the Amended and Restated Collaboration Agreement dated as of April 15, 2011 by and between us and Bristol-Myers Squibb (as amended and restated, the "2008 Agreement"). However, on June 18, 2010, we regained full rights to develop and commercialize cabozantinib under the 2008 Agreement following receipt of notice from Bristol-Myers Squibb of its decision to terminate the 2008 Agreement, solely as to cabozantinib, on a worldwide basis. Prior to the termination of the 2008 Agreement as to cabozantinib, both parties were actively involved with compound development and certain research and development expenses were partially reimbursable to us on a net basis by compound. On an annual basis, amounts owed by Bristol-Myers Squibb to us, net of amounts reimbursable to Bristol-Myers Squibb by us for the development of cabozantinib and XL281, were recorded as collaboration reimbursement revenues. Conversely, research and development expenses would include the net settlement of amounts we owed Bristol-Myers Squibb for research and development expenses that Bristol-Myers Squibb incurred in connection with the development of cabozantinib, less amounts reimbursable to us by Bristol-Myers Squibb for the development of both cabozantinib and XL281. On July 8, 2011, we received written notification from Bristol-Myers Squibb of its decision to terminate the 2008 Agreement in its entirety. Due to this termination, which became effective on October 8, 2011, for the period ended September 30, 2011, reimbursement payments were presented as collaboration reimbursement revenues and will

continue to be presented as such through the period ending December 31, 2011, at which point we do not expect to record any further collaboration cost-sharing expense or collaboration reimbursement revenues under our current collaborations. See Note 4 for further information on our 2008 cancer collaboration with Bristol-Myers Squibb.

Revenues and expenses from collaborations that are not co-development agreements are recorded as contract revenues or research and development expenses in the period incurred.

Foreign Currency Translation and Remeasurement

Assets and liabilities denominated in currencies other than the functional currency are remeasured using exchange rates in effect at the end of the period and related gains or losses are recorded in interest income and other, net. Gains and losses on the remeasurement of foreign currency assets and liabilities were not material for the periods presented.

Recent Accounting Pronouncements

In October 2009, the FASB issued ASU No. 2009-13, Revenue Recognition – *Multiple Deliverable Revenue Arrangements* ("ASU 2009-13"). ASU 2009-13 provides application guidance on whether multiple deliverables exist, how the deliverables should be separated and how the consideration should be allocated to one or more units of accounting. This update establishes a selling price hierarchy for determining the selling price of a 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. Under ASU 2009-13, we may be required to exercise considerable judgment in determining the estimated selling price of delivered items under new agreements and our revenue under new agreements may be more accelerated as compared to the prior accounting standard. We adopted this guidance beginning January 1, 2011, and expect that this adoption could have a material impact on our financial statements going forward.

In June 2011, Accounting Standards Codification Topic 220, *Comprehensive Income* was amended to increase the prominence of items reported in other comprehensive income. Accordingly, a company can present all non-owner changes in stockholders' equity either in a single continuous statement of comprehensive income or in two separate but consecutive statements. We plan to adopt this guidance as of January 1, 2012 on a retrospective basis and do not expect the adoption thereof to have a material effect on our consolidated financial statements.

NOTE 2. Comprehensive Income (Loss)

Comprehensive income (loss) represents consolidated net income (loss) plus any unrealized gains and losses on available-for-sale securities not reflected in our Consolidated Statements of Operations. Comprehensive income (loss) was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Consolidated net income (loss)	$ 77,865	$ (8,603)	$ 29,401	$ (74,465)
Unrealized losses on available-for-sale securities, net of taxes	(236)	—	(261)	(138)
Comprehensive income (loss)	$ 77,629	$ (8,603)	$ 29,140	$ (74,603)

NOTE 3. Stock-Based Compensation

We recorded and allocated employee stock-based compensation expenses as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Research and development expense	$ 1,378	$ 2,477	$ 4,557	$ 9,148
General and administrative expense	1,401	2,956	4,102	6,546
Restructuring-related stock-based compensation expense	176	—	625	961
Total employee stock-based compensation expense	$ 2,955	$ 5,433	$ 9,284	$ 16,655

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

	Stock Options Three Months Ended September 30,		ESPP Three Months Ended September 30,	
	2011	2010 (1)	2011	2010
Weighted average fair value of awards	$ 3.28	$ N/A	$ 4.24	$ 2.08
Risk-free interest rate	0.97%	N/A	0.10%	0.25%
Dividend yield	0%	N/A	0%	0%
Volatility	70%	N/A	70%	75%
Expected life	5.4 years	N/A	0.5 years	0.5 years

(1) There were no options granted during the three months ended September 30, 2010.

	Stock Options Nine Months Ended September 30,		ESPP Nine Months Ended September 30,	
	2011	2010	2011	2010
Weighted average fair value of awards	$ 3.52	$ 3.60	$ 3.05	$ 1.99
Risk-free interest rate	1.05%	2.25%	0.13%	0.20%
Dividend yield	0%	0%	0%	0%
Volatility	70%	70%	68.%	66.%
Expected life	5.5 years	5.2 years	0.5 years	0.5 years

A summary of all stock option activity for the nine months ended September 30, 2011 is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding at December 31, 2010	19,630,030	$ 7.52		
Granted	2,268,701	5.91		
Exercised	(2,028,647)	5.77		
Cancelled	(1,889,114)	8.71		
Options outstanding at September 30, 2011	17,980,970	$ 7.38	4.95 years	$1,111,592
Exercisable at September 30, 2011	13,660,215	$ 7.80	4.28 years	$ 795,535

As of September 30, 2011, $12.1 million of total unrecognized compensation expense related to employee stock options was expected to be recognized over a weighted-average period of 2.77 years.

A summary of all RSU activity for the nine months ended September 30, 2011 is presented below:

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
RSUs outstanding at December 31, 2010	2,172,431	$ 7.31		
Awarded	354,270	6.17		
Released	(574,670)	7.44		
Forfeited	(462,007)	7.46		
RSUs outstanding at September 30, 2011	1,490,024	$ 6.95	1.59 years	$8,135,531

As of September 30, 2011, $7.2 million of total unrecognized compensation expense related to employee RSUs was expected to be recognized over a weighted-average period of 2.85 years.

NOTE 4. Collaborations

Bristol-Myers Squibb

2008 Cancer Collaboration

In December 2008, we entered into a worldwide collaboration with Bristol-Myers Squibb for cabozantinib and XL281 (BMS-908662), a RAF inhibitor. Upon effectiveness of the 2008 Agreement in December 2008, Bristol-Myers Squibb made a nonrefundable upfront cash payment of $195.0 million for the development and commercialization rights to both programs. The 2008 Agreement required Bristol-Myers Squibb to make additional license payments to us of $45.0 million, which were received during 2009.

On July 8, 2011, we and one of our wholly-owned subsidiaries received written notification from Bristol-Myers Squibb of its decision to terminate the 2008 Agreement, on a worldwide basis as to XL281. The termination was made pursuant to the terms of the 2008 Agreement and became effective on October 8, 2011. Bristol-Myers Squibb informed us that the termination was based upon Bristol-Myers Squibb's review of XL281 in the context of Bristol-Myers Squibb's overall research and development priorities and pipeline products. Upon the effectiveness of the termination, Bristol-Myers Squibb's license relating to XL281 terminated, and rights to XL281 reverted to us. We also received, subject to certain terms and conditions, licenses from Bristol-Myers Squibb to research, develop and commercialize XL281. We plan to wind down ongoing activities related to XL281 and do not currently expect to further research, develop or commercialize XL281 following the wind-down.

Under the 2008 Agreement, we and Bristol-Myers Squibb originally agreed to co-develop cabozantinib and Bristol-Myers Squibb also received an exclusive worldwide license to develop and commercialize XL281. On June 18, 2010, we received a notice from Bristol-Myers Squibb of its decision to terminate the 2008 Agreement solely as to cabozantinib, on a worldwide basis, pursuant to the terms of the 2008 Agreement. We continued to carry out certain clinical trials of XL281 under the 2008 Agreement, and Bristol-Myers Squibb was responsible for funding all future development of XL281, including our activities. We were eligible for development and regulatory milestones of up to $315.0 million on XL281, sales performance milestones of up to $150.0 million and double-digit royalties on worldwide sales of XL281.

For purposes of recognizing upfront license fees received under the 2008 Agreement, prior to receiving the termination notification from Bristol-Myers Squibb in July 2011, we were recognizing revenue related to the upfront license fees through the estimated period of our involvement, or April 2014. As a result of the July 2011 termination, the estimated research term was revised to end on October 8, 2011. Accordingly, we accelerated the recognition of the remaining deferred revenue balance through the revised end of the research term and recognized $109.9 million in revenue during the quarter ended September 30, 2011. We expect to recognize the remaining $10.4 million in revenue in the fourth quarter of 2011. Amounts attributable to programs under the 2008 Agreement consisted of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Exelixis research and development expenses (1)	$ 478	$ 845	$ 2,376	$ 41,320
Net amount due from collaboration partner	545	18,067	2,583	26,706

(1) Total research and development expenses attributable to us include direct third party expenditures plus estimated internal personnel costs and are calculated in accordance with the terms of the particular collaboration.

sanofi-aventis

In May 2009, we entered into a global license agreement with sanofi-aventis for XL147 and XL765 and a broad collaboration for the discovery of inhibitors of phosphoinositide-3 kinase ("PI3K") for the treatment of cancer. The license agreement and collaboration agreement became effective on July 7, 2009. In connection with the effectiveness of the license and collaboration, on July 20, 2009, we received upfront payments of $140.0 million ($120.0 million for the license and $20.0 million for the collaboration), less applicable withholding taxes of $7.0 million, for a net receipt of $133.0 million. We expect to receive a refund payment from the French government in early 2012 with respect to the withholding taxes previously withheld.

Under the license agreement, sanofi-aventis received a worldwide exclusive license to XL147 and XL765, which are in phase 1, phase 1b/2 and phase 2 clinical trials, and has sole responsibility for all subsequent clinical, regulatory, commercial and manufacturing activities. sanofi-aventis is responsible for funding all development activities with respect to XL147 and XL765, including our activities. Following the effectiveness of the license agreement, we had been conducting the majority of the clinical trials for XL147 and XL765 at the expense of sanofi-aventis. As provided for under the license agreement, however, the parties agreed to transition all future development activities for these compounds to sanofi-aventis. The transition was substantially completed by the end of June 2011. As a result of the transition of development activities to sanofi-aventis, we expect to no longer receive reimbursements from sanofi-aventis with respect to XL147 and XL765 and we have reduced our headcount commensurately such that no further material operating expenses will be incurred in connection with these programs going forward.

Under the collaboration agreement, the parties agreed to combine efforts in establishing several pre-clinical PI3K programs and jointly share responsibility for research and preclinical activities related to isoform-selective inhibitors of PI3K-a and -ß. sanofi-aventis is required to provide us with guaranteed annual research and development funding during the research term and is responsible for funding all development activities for each product following approval of the investigational new drug application filed with the applicable regulatory authorities for such product. We are entitled to receive guaranteed research funding of $21.0 million over three years to cover certain of our costs under the collaboration agreement. sanofi-aventis will have sole responsibility for all subsequent clinical, regulatory, commercial and manufacturing activities of any products arising from the collaboration; however, we may be requested to conduct certain clinical trials at sanofi-aventis' expense. The research term under the collaboration is three years, although sanofi-aventis has the right to extend the term for an additional one-year period upon prior written notice.

Under the license agreement and the collaboration agreement combined, we are eligible to receive total development, regulatory and commercial milestones of over $1.0 billion in the aggregate, as well as royalties on sales of any products commercialized under the license agreement or collaboration agreement.

sanofi-aventis may, upon certain prior notice to us, terminate the license as to products containing XL147 or XL765. In the event of such termination election, sanofi-aventis' license relating to such product would terminate and revert to us, and we would receive, subject to certain terms, conditions and potential payment obligations, licenses from sanofi-aventis to research, develop and commercialize such product.

The collaboration will automatically terminate under certain circumstances upon the expiration of the research term, in which case all licenses granted by the parties to each other will terminate and revert to the respective party, subject to sanofi-aventis' right to receive, under certain circumstances, the first opportunity to obtain a license from us to any isoform-selective PI3K inhibitor. In addition, sanofi-aventis may, upon certain prior written notice to us, terminate the collaboration in whole or as to certain products following expiration of the research term, in which case we would receive, subject to certain terms, conditions and potential payment obligations by us, licenses from sanofi-aventis to research, develop and commercialize such products.

NOTE 5. Restructurings

During 2010, we implemented two restructuring plans that resulted in an overall reduction in our workforce by 386 employees. In March 2011, we implemented an additional restructuring plan that resulted in further terminations in 2011. Taking into consideration certain employees who have since been recalled, there has been an aggregate reduction in headcount from the 2010 and 2011 restructuring plans of 402 employees. The restructuring plans are a consequence of our decision to focus our proprietary resources and development efforts on the late-stage development and commercialization of cabozantinib. Further personnel reductions are expected to be made through the end of 2012 as we complete our obligations under collaboration agreements and withdraw resources from completed projects.

In connection with the 2010 and 2011 restructuring plans, we have recorded aggregate restructuring charges of $38.9 million, of which $20.4 million related to termination benefits and $18.5 million related to facility charges and the impairment of various assets. In connection with these restructurings, for the nine months ended September 30, 2011, we recorded $6.2 million in total restructuring charges, of which $4.3 million related to lease-exit and moving costs. Our facility-related charges take into consideration our entry into two sublease agreements for portions of our building at 170 Harbor Way, South San Francisco, California ("Building 170") that we

entered into in July 2011. The balance of our restructuring charges primarily related to termination benefits for employees of $2.7 million. Additionally, we received auction proceeds from the sale of excess equipment and other assets, partially offset by impairment charges for such assets.

With respect to our restructuring plans, we expect to incur an additional restructuring charge of $3.7 million relating to the sublease of portions of Building 170 and a building we lease at 249 East Grand Avenue, South San Francisco, California that we exited and subleased in 2010 ("Building 249"), plus additional restructuring charges of up to $15 million in connection with the anticipated exit of additional facilities in South San Francisco, California. We expect to record the remaining facility-related charges, as they are determined, through the end of 2017, or the end of the building lease terms.

As of September 30, 2011, the 2010 and 2011 restructuring plans resulted in aggregate cash expenditures of $23.0 million, of which $14.1 million was paid in 2010 and $8.9 million has been paid in 2011. We expect to pay an additional $8.0 million, net of cash received from our subtenant, for Building 249 and an additional $6.1 million, net of cash received from our subtenants, for Building 170. In addition, we expect to make cash expenditures of $0.7 million relating to termination benefits and up to $18 million relating to facility costs in connection with the anticipated exit of additional facilities in South San Francisco, California. We expect the termination benefits to be paid during the fourth quarter of 2011 and the facility costs to be paid through 2017, or the end of our lease term for both Building 170 and Building 249.

The total outstanding restructuring liability is included in Current portion of restructuring and Long-term portion of restructuring on our Condensed Consolidated Balance Sheet and is based upon restructuring charges recognized as of September 30, 2011 in connection with the 2010 and 2011 restructuring plans. As of September 30, 2011, the components of these liabilities are summarized in the following table (in thousands):

	Employee Severance And Other Benefits	Facility Charges	Asset Impairment	Legal and Other Fees	Total
Balance as of December 31, 2010	$ 5,523	$ 8,688	$ —	$ 70	$14,281
Restructuring charge recorded in the nine months ended September 30, 2011	2,689	4,276	(773)	27	6,219
Cash payments	(6,809)	(2,938)	844	(16)	(8,919)
Adjustments or non-cash credits including stock compensation expense	(711)	(374)	(71)	(30)	(1,186)
Ending accrual balance as of September 30, 2011	$ 692	$ 9,652	$ —	$ 51	$10,395

NOTE 6. Sale of Shares of Common Stock

In March 2011, we completed a public offering of 17.3 million shares of our common stock pursuant to a shelf registration statement previously filed with the SEC, which the SEC declared effective on May 8, 2009. We received approximately $179.4 million in net proceeds from the offering after deducting the underwriting discount and related offering expenses.

NOTE 7. Debt

Silicon Valley Bank Loan and Security Agreement

In December 2007, we entered into a third loan modification agreement to the loan and security agreement originally entered into in May 2002 with Silicon Valley Bank. The terms associated with the original line of credit under the May 2002 agreement and the subsequent loan modifications were not modified. The December 2007 loan modification agreement provided for an additional equipment line of credit in the amount of up to $30.0 million with a draw down period of approximately 2 years (the "2007 Line of Credit"). Each advance must be repaid in 48 equal, monthly installments of principal, plus accrued interest, at an annual rate of 0.75% fixed. In December 2009, we amended the agreement and extended the draw down period on the 2007 Line of Credit for an additional 18 months through June 2011 and increased the principal amount of the line of credit from $30.0 million to $33.6 million. Pursuant to the terms of the amendment, we were required to make minimum draws of $2.5 million every 6 months through June 2011, for total additional draws of $7.5 million. The loan facility required security for the 2007 Line of Credit in the form of a non-interest bearing certificate of deposit account with the bank, in an amount equal to at least 100% of the outstanding obligations under the line of credit. In June 2008, we drew down $13.6 million under the 2007 Line of Credit, in December 2009, we drew down $5.0 million, and we drew down an additional $2.5 million in each of June 2010, December 2010 and June 2011 in accordance with the terms of the modified agreement. In accordance with the amended loan terms, the 2007 Line of Credit has expired and we have no further draw down obligations under the line of credit.

On June 2, 2010, we amended our loan and security agreement with Silicon Valley Bank to provide for a new seven-year term loan in the amount of $80.0 million. 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. We were required to maintain at all times on deposit in one or more non-interest bearing demand deposit accounts with Silicon Valley Bank or one of its affiliates a compensating balance, constituting support for the obligations under the term loan, with a principal balance in value equal to at least 100% of the outstanding principal balance of the term loan.

In August 2011, we amended our term loan agreement to allow for the compensating balance to be maintained on deposit in one or more investment accounts with Silicon Valley Bank or one of its affiliates and to earn interest which would be recognized as additional interest income in our consolidated income statement. This compensating balance is to have a value equal to at least 100%, but not to exceed 107%, of the outstanding principal balance of the term loan and all lines of credit associated with Silicon Valley Bank. 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.

The total outstanding obligation under the term loan and all other lines of credit with Silicon Valley Bank as of September 30, 2011 and December 31, 2010 was $91.8 million and $96.1 million, respectively. The total collateral balance as of September 30, 2011 and December 31, 2010 was $93.6 million and $96.9 million, respectively, and is reflected in our Condensed Consolidated Balance Sheet as Cash and cash equivalents and Marketable securities as the deposit account is not restricted as to withdrawal.

NOTE 8. Artemis

On November 20, 2007, we entered into a share sale and transfer agreement with Taconic Farms, Inc. (“Taconic”), pursuant to which Taconic acquired from us, for $19.8 million in cash, 80.1% of the outstanding share capital in our wholly-owned subsidiary, Artemis Pharmaceuticals GmbH (“Artemis”), located in Cologne, Germany. Subsequent to the transaction, Artemis was renamed TaconicArtemis GmbH. In connection with the sale and transfer agreement, we also entered into a shareholders’ agreement and approved amended articles of association of Artemis that govern the relationship between us and Taconic as shareholders of Artemis, particularly with respect to matters of corporate governance and the transfer of our respective ownership interests. The shareholders’ agreement provides that we may require Taconic to purchase our remaining 19.9% interest in Artemis between 2010 and 2015 or in the event of a change in control of Taconic, and that Taconic may require us to sell our 19.9% interest to Taconic between 2013 and 2015 or in the event of a change in control of Exelixis, in each case subject to certain conditions set forth in the shareholders’ agreement. On September 27, 2011, in accordance with the terms and conditions of the shareholders’ agreement, we exercised our right to sell our remaining 19.9% interest in Artemis to Taconic and Taconic is obligated to remit payment for such interest within 90 days. Pursuant the terms of the shareholder’s agreement, during the quarter ended September 30, 2011, we recognized a gain of $2.2 million after writing off the carrying value of our investment in Artemis and we expect to receive approximately $3.0 million within 90 days of exercising our right to sell our remaining 19.9% interest.

NOTE 9. Provision for Income Taxes

In 2009, we recorded an income tax credit as a result of the Housing and Economic Recovery Act of 2008, which credit was extended through 2009 in connection with the enactment of the American Recovery and Reinvestment Act of 2009. In the third quarter of 2010, after filing our 2009 tax return, we adjusted the credit associated with the 2009 refundable credit and recorded an increase to our tax benefit of $0.1 million.

As a result of the termination of our 2008 Agreement with Bristol Myers-Squibb, which became effective on October 8, 2011, we accelerated the remaining deferred revenue balance under the 2008 Agreement and recognized $109.9 million in revenue during the three months ended September 30, 2011. This acceleration of revenue under the 2008 Agreement caused us to have book income for the three and nine months ended September 30, 2011. However, since the income from our 2008 Agreement with Bristol Myers-Squibb was recorded in 2008 and 2009 for tax purposes, the acceleration of the recognition of license revenue under the 2008 Agreement did not impact our tax position and therefore no tax provision was required for the three and nine months ended September 30, 2011.

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 our current expectations, assumptions, estimates and projections about our business and our industry, and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied in, or contemplated by, the forward-looking statements. Words such as "believe," "anticipate," "expect," "intend," "plan," "focus," "goal," "objective," "will," "may," "could," "would," "estimate," "predict," "potential," "continue," "encouraging," 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, 2010, filed with the Securities and Exchange Commission, or SEC, on February 22, 2011. Operating results are not necessarily indicative of results that may occur in future periods. We undertake no obligation to update any forward-looking statement to reflect events after the date of this report.

Overview

We are a biotechnology company committed to developing small molecule therapies for the treatment of cancer. We are focusing our proprietary resources and development efforts exclusively on cabozantinib (XL184), our most advanced compound, in order to maximize the therapeutic and commercial potential of this compound. We believe cabozantinib has the potential to be a high-quality, broadly-active, differentiated pharmaceutical product that can make a meaningful difference in the lives of patients. We have also established a portfolio of other novel compounds that we believe have the potential to address serious unmet medical needs, many of which are being advanced by partners as part of collaborations.

Cabozantinib inhibits MET, VEGFR2 and RET, proteins that are key drivers of tumor growth, vascularization and/or metastasis. Cabozantinib is being evaluated in a broad development program encompassing multiple cancer indications. The current clinical program for cabozantinib is focused on the treatment of metastatic castration-resistant prostate cancer and medullary thyroid cancer and will be expanded to other solid tumor indications, based on encouraging interim data that has emerged from a randomized discontinuation trial, or RDT, investigating cabozantinib in nine distinct tumor types, and other clinical trials.

Our strategy is to aggressively advance cabozantinib through development toward commercialization. In doing so, we will pursue a pragmatic development plan focused on those cancer indications where we believe cabozantinib has the greatest therapeutic and commercial potential. We are aggressively managing our expenses to preserve our cash resources and ensure we are appropriately dedicating those resources towards successfully executing our strategy.

As part of our ongoing effort to manage costs and our strategy to focus our proprietary resources and development efforts on our most advanced compound, cabozantinib, we implemented two restructuring plans during 2010 and an additional restructuring plan in March 2011 that resulted in an overall reduction in our workforce by 402 employees. Personnel reductions were made across our entire organization, including discovery, development and general and administrative departments. We expect to make additional reductions through the end of 2012 as we complete our obligations under collaboration agreements and withdraw resources from completed projects. With the exception of activities related to cabozantinib, we are discontinuing efforts with respect to all of our compounds and programs that are not funded by partners pursuant to collaboration agreements and are actively pursuing collaborations or other external opportunities for the continued development of these compounds and programs. Discovery and clinical activities under various collaborations will continue to be funded by partners until we complete our contractual obligations.

Cabozantinib

Cabozantinib is a first-in-class inhibitor of tumor growth, metastasis and angiogenesis that simultaneously targets MET, VEGFR2 and RET, which are key kinases involved in the development and progression of many cancers. It has recently been shown in preclinical models that treatment with selective inhibitors of VEGF signaling can result in tumors that are more invasive and aggressive compared to control treatment. In preclinical studies, upregulation of MET has been shown to occur in concert with development of invasiveness after selective anti-VEGF therapy, and may constitute a mechanism of acquired or evasive resistance to agents that target VEGF signaling without inhibiting MET. Accordingly, treatment with cabozantinib in similar preclinical studies resulted in tumors that were less invasive and aggressive compared to control or selective anti-VEGF treatment. Therefore, we believe that cabozantinib has the potential for improving outcomes in a range of indications, including those where selective anti-VEGF therapy has shown minimal or no activity.

EXAM Phase 3 Clinical Trial in Medullary Thyroid Cancer

We continue to advance our efforts on our ongoing phase 3 clinical trial of cabozantinib as a potential treatment for medullary thyroid cancer, known as the EXAM trial. This registration trial was initiated in July 2008 following agreement between the United States Food and Drug Administration, or FDA, and us on the trial design through the FDA's Special Protocol Assessment, or SPA, process. The SPA documents the FDA's agreement that the design and planned analyses of the EXAM trial are appropriate to support a regulatory submission for product registration, assuming a positive trial outcome and subject to review of complete data from the trial.

EXAM is an international, randomized, placebo-controlled, double-blinded trial of cabozantinib in patients with progressive, unresectable, locally advanced, or metastatic medullary thyroid cancer. Patients were randomized in a 2:1 ratio to receive cabozantinib or placebo administered at a daily dose of 175 mg. The trial does not allow for cross-over from the placebo arm to cabozantinib. Progression-free survival, or PFS, is the primary endpoint in this trial. With an enrollment target of 315 patients and a planned event-driven analysis, the trial provides 90% power to detect a 75% increase in PFS. Additionally, the trial is designed to assess overall survival at a later time point once the survival events have been achieved, and is powered to detect a 50% improvement in survival compared with placebo.

On October 24, 2011, we announced the top-line results of the primary endpoint of the EXAM trial. The trial met its primary endpoint of improving PFS compared with placebo and substantially exceeded the threshold of a 75% increase in PFS originally assumed when the trial was designed. Cabozantinib significantly improved median PFS by 7.2 months compared with placebo. The median PFS on the cabozantinib arm was 11.2 months versus 4.0 months on the placebo arm; hazard ratio (HR) 0.28, (95% CI 0.19, 0.40), $p < 0.0001$. We intend to report data from the EXAM trial at an upcoming medical conference.

We are requesting permission from the FDA to initiate a rolling submission of a new drug application, or NDA, for cabozantinib in medullary thyroid cancer. If the FDA permits a rolling submission, we plan to initiate the submission in December 2011 or January 2012 by submitting to the FDA key parts of the NDA, including preclinical and chemistry, manufacturing and controls information, and we would expect to complete the NDA filing in the first half of 2012. Cabozantinib is eligible for a potential rolling submission as a result of the FDA's granting Fast Track designation for cabozantinib in medullary thyroid cancer, as described below. The timing of our NDA submission will depend upon the outcome of our pre-NDA meeting with the FDA, which is scheduled to occur in December 2011. Assuming a rolling submission and approval of our NDA by the FDA, we currently anticipate a potential commercial launch of cabozantinib for the treatment of medullary thyroid cancer in the second half of 2012.

In January 2011, we announced that the FDA granted orphan drug designation to cabozantinib for the treatment of follicular, medullary and anaplastic thyroid carcinoma, and metastatic or locally advanced papillary thyroid cancer. Orphan drug status is granted to treatments for diseases that affect fewer than 200,000 people in the U.S. and provides the benefits of potential market exclusivity for the orphan-designated product for the orphan designated indication for seven years, tax credits of up to 50% of the qualified clinical trial expenses and a waiver of FDA application user fees.

In April 2011, the FDA designated cabozantinib as a Fast Track development program for patients with unresectable, locally advanced or metastatic medullary thyroid carcinoma. The Fast Track process is designed to facilitate the development, and expedite the review of drugs to treat serious diseases and fill an unmet medical need. A drug that receives Fast Track designation is eligible for rolling submission, which means that a sponsor can submit completed modules of its NDA separately for review by the FDA. In addition, most drugs that receive Fast Track designation are likely to be considered appropriate to receive a priority review.

Opportunity in Castration-Resistant Prostate Cancer and Other Solid Tumors

The broader clinical program for cabozantinib beyond medullary thyroid cancer is focused on the treatment of metastatic castration-resistant prostate cancer and will be expanded to other solid tumor indications, based on encouraging interim data that has emerged from the RDT investigating cabozantinib in nine distinct tumor types, and other clinical trials. Data from the RDT were released at the American Society of Clinical Oncology, or ASCO, Annual Meeting in June 2010 and demonstrated broad activity for cabozantinib across multiple tumor types, in particular, metastatic castration-resistant prostate, ovarian, non-small cell lung and hepatocellular cancers. Updated interim data presented at the 22nd EORTC-NCI-AACR Symposium on Molecular Targets and Cancer Therapeutics in November 2010, at the ASCO 2011 Genitourinary Cancers Symposium in February 2011, and at the 2011 ASCO Annual Meeting in June 2011 suggest that cabozantinib has a novel and differentiated clinical profile in metastatic castration-resistant prostate cancer and other solid tumors. The data presented indicate that cabozantinib has shown novel activity against bone and soft tissue lesions in patients with metastatic castration-resistant prostate cancer. In addition, we have observed resolution of metastatic bone lesions on bone scan in patients with metastatic breast cancer, renal cell carcinoma, thyroid cancer and melanoma. It will be a priority for us to generate additional data in the various other cohorts of the RDT, including ovarian cancer, melanoma, breast cancer, non-small cell lung cancer and hepatocellular cancer, to support further prioritization of our clinical and commercial options. In addition, we are conducting ongoing exploratory clinical trials for cabozantinib in other tumor types, including renal cell carcinoma and differentiated thyroid cancer. Objective tumor responses have been observed in patients with cabozantinib in 12 of 13 individual tumor types investigated to date, reflecting the broad potential clinical activity and commercial opportunity with this new agent.

Planned Phase 3 Clinical Trials in Castration - Resistant Prostate Cancer

In June 2011, we submitted to the FDA the protocol for a planned pivotal trial for cabozantinib in metastatic castration-resistant prostate cancer using an endpoint of pain reduction and bone scan response (XL184-306) for consideration of an SPA. Our goal is to initiate this trial by the end of 2011. We are also planning two additional pivotal trials in castration-resistant prostate cancer for overall survival and bone metastasis-free survival (XL184-307 and XL184-308, respectively), and expect to initiate both of these trials in 2012.

Other Discovery and Development Programs

Based on the strength of our expertise in biology, drug discovery and development, we have established collaborations with leading pharmaceutical and biotechnology companies, including Bristol-Myers Squibb Company, or Bristol-Myers Squibb, sanofi-aventis, Genentech, Inc. (a wholly owned member of the Roche Group), GlaxoSmithKline and Daiichi Sankyo Company Limited for various compounds and programs in our portfolio. Pursuant to these collaborations, we have out-licensed compounds or programs to a partner for further development and commercialization, generally have no further unfunded cost obligations related to such compounds or programs and may be entitled to receive research funding, milestones and royalties or a share of profits from commercialization. With respect to our partnered compounds, we are eligible to receive potential milestone payments under our collaborations totaling approximately $2.9 billion in the aggregate on a non-risk adjusted basis, of which 12.3% are related to clinical development milestones, 46.2% are related to regulatory milestones and 41.5% are related to commercial milestones.

Recent Development

Planned Repayment of GlaxoSmithKline Loan Repayment Obligations

In October 2002, we entered into a collaboration with GlaxoSmithKline to discover and develop novel therapeutics in the areas of vascular biology, inflammatory disease and oncology. As part of the collaboration, we entered into a loan and security agreement with GlaxoSmithKline, pursuant to which we borrowed $85.0 million for use in our efforts under the collaboration. The loan bears interest at a rate of 4.0% per annum and was secured by certain intellectual property, technology and equipment created or utilized pursuant to the collaboration. Repayment of all or any of the amounts advanced to us under the loan and security agreement may, at our election, be made in the form of our common stock at fair market value, subject to certain conditions, or cash. We have elected to repay the third and final installment of the loan in stock. The repayment shares are priced at $6.66 per share, resulting in the issuance of 5,537,906 shares of our common stock to GlaxoSmithKline on October 27, 2011, as satisfaction in full of our $36.9 million repayment obligation, including $8.0 million in accrued interest, under the loan and security agreement.

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

Successful development of drugs is inherently difficult and uncertain. Our business requires significant investments in research and development over many years, often for products that fail during the research and development process. Our long-term prospects depend upon our ability, particularly with respect to cabozantinib, and the ability of our partners to successfully commercialize new therapeutics in highly competitive areas such as cancer treatment. Our financial performance is driven by many factors, including those described below.

Clinical Development of Cabozantinib and Other Product Candidates

On December 11, 2008, we entered into a worldwide Collaboration Agreement with Bristol-Myers Squibb for cabozantinib and XL281, which was amended and restated by the Amended and Restated Collaboration Agreement dated as of April 15, 2011 by and between us and Bristol-Myers Squibb, or as amended and restated, the 2008 Agreement. Upon effectiveness of the 2008 Agreement in December 2008, Bristol-Myers Squibb made a nonrefundable upfront cash payment of $195.0 million for the development and commercialization rights to both programs. The 2008 Agreement required Bristol-Myers Squibb to make additional license payments to us of $45.0 million, which were received during 2009.

On June 18, 2010, we regained full rights to develop and commercialize cabozantinib under the 2008 Agreement following receipt of notice from Bristol-Myers Squibb of its decision to terminate the 2008 Agreement, solely as to cabozantinib, on a worldwide basis. Bristol-Myers Squibb informed us that the termination was based upon its review of cabozantinib in the context of Bristol-Myers Squibb's overall research and development priorities and pipeline products. On June 28, 2010, in connection with the termination, we received a $17.0 million transition payment from Bristol-Myers Squibb in satisfaction of its obligations under the 2008 Agreement to continue to fund its share of development costs for cabozantinib for a period of three months following the notice of termination. As a result of the termination, Bristol-Myers Squibb's license relating to cabozantinib terminated and its rights to cabozantinib reverted to us, and we received, subject to certain terms and conditions, licenses from Bristol-Myers Squibb to research, develop and commercialize cabozantinib.

We are focusing our proprietary resources and development efforts on the development of cabozantinib. However, the product candidate may fail to show adequate safety or efficacy in clinical testing. 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 expect to incur increased expenses for the development of cabozantinib as it advances in clinical development.

With the exception of activities related to cabozantinib, we are discontinuing efforts with respect to all of our compounds and programs that are not funded by partners pursuant to collaboration agreements and are actively pursuing collaborations or other external opportunities for the continued development of these compounds and programs. Discovery and clinical activities under various collaborations are expected to continue at funded levels until we complete our contractual obligations.

Limited Sources of Revenues

We have no pharmaceutical products that have received marketing approval, and we have generated no revenues to date from the sale of such products. We do not expect to generate revenues from the sale of pharmaceutical products in the near term and expect that all of our near-term revenues, such as research and development funding, license fees and milestone payments and royalty revenues, will be generated from collaboration agreements with our current and potential future partners. Milestones under these agreements may be tied to factors that are outside of our control, such as significant clinical or regulatory events with respect to compounds that have been licensed to our partners.

Liquidity

As of September 30, 2011, we had $313.1 million in cash and cash equivalents, marketable securities and long-term investments, which included restricted cash and investments of $4.2 million and approximately $93.6 million of cash and cash equivalents and marketable securities that we are required to maintain on deposit with Silicon Valley Bank or one of its affiliates pursuant to covenants in our loan and security agreement with Silicon Valley Bank. We anticipate that our current cash and cash equivalents, marketable securities, long-term investments and funding that we expect to receive from existing collaborators will enable us to maintain our operations for a period of at least 12 months following the filing date of this report. However, our future capital requirements will be substantial and depend on many factors, including the following:

- the progress and scope of the development activity with respect to cabozantinib;
- whether we elect to pay cash or to issue shares of our common stock in respect of any conversion of our principal, prepayments or payments of interest in connection with the secured convertible notes we issued to entities affiliated with Deerfield Management Company, L.P., or Deerfield, under a note purchase agreement;
- whether we elect to prepay the amounts advanced under our loan from Silicon Valley Bank;
- the level of payments received under existing collaboration agreements, licensing agreements and other arrangements;
- the degree to which we conduct funded development activity on behalf of partners to whom we have out-licensed compounds; and
- whether we enter into new collaboration agreements, licensing agreements or other arrangements (including, in particular, with respect to cabozantinib) that provide additional capital.

Our minimum liquidity needs are also determined by financial covenants in our loan and security agreement with Silicon Valley Bank and our note purchase agreement with Deerfield, as well as other factors, which are described under “—Liquidity and Capital Resources—Cash Requirements”.

Our ability to raise additional funds may be severely impaired if any of our product candidates fails to show adequate safety or efficacy in clinical testing.

Deerfield Facility

On June 2, 2010, we entered into a note purchase agreement with Deerfield pursuant to which, on July 1, 2010, we sold to Deerfield an aggregate of $124.0 million initial principal amount of our secured convertible notes due June 2015 for an aggregate purchase price of $80.0 million, less closing fees and expenses of approximately $2.0 million. The outstanding principal amount of the notes bears interest in the annual amount of $6.0 million, payable quarterly in arrears. We will be required to make mandatory prepayments on the notes on an annual basis in 2013, 2014 and 2015 equal to 15% of certain payments from our collaborative arrangements received during the prior fiscal year, subject to a maximum annual prepayment amount of $27.5 million and, for payments due in January 2013 and 2014, a minimum prepayment amount of $10.0 million. We may also prepay all or a portion (not less than $5.0 million) of the principal amount of the notes at an optional prepayment price based on a discounted principal amount (during the first three years of the term, subject to a prepayment premium) determined as of the date of prepayment, plus accrued and unpaid interest, plus in the case of a prepayment of the full principal amount of the notes (other than prepayments upon the occurrence of specified transactions relating to a change of control or a substantial sale of assets), all accrued interest that would have accrued between the date of such prepayment and the next anniversary of the note purchase agreement. In lieu of making any optional or

mandatory prepayment in cash, at any time after July 1, 2011, 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 notes into, or satisfy all or any portion of the optional prepayment amounts or mandatory prepayment amounts (other than the first $10.0 million of mandatory prepayments required in 2013 and 2014) with shares of our common stock. Additionally, in lieu of making any payment of accrued and unpaid interest in respect of the notes in cash, at any time after July 1, 2011, 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 our company, a sale or transfer of assets in one transaction or a series of related transactions for a purchase price of more than $400 million or a sale or transfer of more than 50% of our assets, Deerfield may require us to prepay the notes at the optional prepayment price, plus accrued and unpaid interest and any other accrued and reimbursable expenses, or the Put Price. Upon an event of default, Deerfield may declare all or a portion of the Put Price to be immediately due and payable.

We also entered into a security agreement in favor of Deerfield which provides that our obligations under the notes will be secured by substantially all of our assets except intellectual property. The note purchase agreement and the security agreement include customary representations and warranties and covenants made by us, including restrictions on the incurrence of additional indebtedness.

sanofi-aventis

In May 2009, we entered into a global license agreement with sanofi-aventis for XL147 and XL765 and a broad collaboration for the discovery of inhibitors of phosphoinositide-3 kinase, or PI3K, for the treatment of cancer. The license agreement and collaboration agreement became effective on July 7, 2009. In connection with the effectiveness of the license and collaboration, on July 20, 2009, we received upfront payments of $140.0 million ($120.0 million for the license and $20.0 million for the collaboration), less applicable withholding taxes of $7.0 million, for a net receipt of $133.0 million. We expect to receive a refund payment from the French government in early 2012 with respect to the withholding taxes previously withheld.

Under the license agreement, sanofi-aventis received a worldwide exclusive license to XL147 and XL765, which are in phase 1, phase 1b/2 and phase 2 clinical trials, and has sole responsibility for all subsequent clinical, regulatory, commercial and manufacturing activities. sanofi-aventis is responsible for funding all development activities with respect to XL147 and XL765, including our activities. Following the effectiveness of the license agreement, we had been conducting the majority of the clinical trials for XL147 and XL765 at the expense of sanofi-aventis. As provided for under the license agreement, however, the parties agreed to transition all future development activities for these compounds to sanofi-aventis. The transition was substantially completed by the end of June 2011. As a result of the transition of development activities to sanofi-aventis, we expect to no longer receive reimbursements from sanofi-aventis with respect to XL147 and XL765 and we have reduced our headcount commensurately such that no further material operating expenses will be incurred in connection with these programs going forward.

Under the collaboration agreement, the parties agreed to combine efforts in establishing several pre-clinical PI3K programs and jointly share responsibility for research and preclinical activities related to isoform-selective inhibitors of PI3K-a and -ß. sanofi-aventis is required to provide us with guaranteed annual research and development funding during the research term and is responsible for funding all development activities for each product following approval of the investigational new drug application filed with the applicable regulatory authorities for such product. We are entitled to receive guaranteed research funding of $21.0 million over three years to cover certain of our costs under the collaboration agreement. sanofi-aventis will have sole responsibility for all subsequent clinical, regulatory, commercial and manufacturing activities of any products arising from the collaboration; however, we may be requested to conduct certain clinical trials at sanofi-aventis' expense. The research term under the collaboration is three years, although sanofi-aventis has the right to extend the term for an additional one-year period upon prior written notice.

Under the license agreement and the collaboration agreement combined, we are eligible to receive total development, regulatory and commercial milestones of over $1.0 billion in the aggregate, as well as royalties on sales of any products commercialized under the license agreement or collaboration agreement.

sanofi-aventis may, upon certain prior notice to us, terminate the license as to products containing XL147 or XL765. In the event of such termination election, sanofi-aventis' license relating to such product would terminate and revert to us, and we would receive, subject to certain terms, conditions and potential payment obligations, licenses from sanofi-aventis to research, develop and commercialize such products.

The collaboration will automatically terminate under certain circumstances upon the expiration of the research term, in which case all licenses granted by the parties to each other would terminate and revert to the respective party, subject to sanofi-aventis' right to receive, under certain circumstances, the first opportunity to obtain a license from us to any isoform-selective PI3K inhibitor. In addition, sanofi-aventis may, upon certain prior written notice to us, terminate the collaboration in whole or as to certain products following expiration of the research term, in which case we would receive, subject to certain terms, conditions and potential payment obligations by us, licenses from sanofi-aventis to research, develop and commercialize such products.

Restructuring Plans

During 2010, we implemented two restructuring plans that resulted in an overall reduction in our workforce by 386 employees. In March 2011, we implemented an additional restructuring plan that resulted in further terminations in 2011. Taking into consideration certain employees who have since been recalled, there has been an aggregate reduction in headcount from the 2010 and 2011 restructuring plans of 402 employees. The restructuring plans are a consequence of our decision to focus our proprietary resources and development efforts on the late-stage development and commercialization of cabozantinib. Further personnel reductions are expected to be made through the end of 2012 as we complete our obligations under collaboration agreements and withdraw resources from completed projects.

In connection with the 2010 and 2011 restructuring plans, we have recorded aggregate restructuring charges of $38.9 million, of which $20.4 million related to termination benefits and $18.5 million related to facility charges and the impairment of various assets. In connection with these restructuring plans, for the nine months ended September 30, 2011, we recorded $6.2 million in total restructuring charges, of which $4.3 million related to lease-exit and moving costs. Our facility-related charges take into consideration our entry into two sublease agreements for portions of our building at 170 Harbor Way, South San Francisco, California, or Building 170, that we entered into in July 2011. The balance of our restructuring charges primarily related to termination benefits for employees of $2.7 million. Additionally, we received auction proceeds from the sale of excess equipment and other assets, partially offset by impairment charges for such assets.

With respect to our restructuring plans, we expect to incur an additional restructuring charge of $3.7 million relating to the sublease of portions of Building 170 and a building we lease at 249 East Grand Avenue, South San Francisco, California that we exited and subleased in 2010, or Building 249, plus additional restructuring charges of up to $15 million in connection with the anticipated exit of additional facilities in South San Francisco, California. We expect to record the remaining facility-related charges, as they are determined, through the end of 2017, or the end of the building lease terms.

As of September 30, 2011, the 2010 and 2011 restructuring plans had resulted in aggregate cash expenditures of $23.0 million, of which $14.1 million was paid in 2010 and $8.9 million has been paid in 2011. We expect to pay an additional $8.0 million, net of cash received from our subtenant, for Building 249 and an additional $6.1 million, net of cash received from our subtenants, for Building 170. In addition, we expect to make cash expenditures of $0.7 million relating to termination benefits and up to $18 million relating to facility costs in connection with the anticipated exit of additional facilities in South San Francisco, California. We expect the termination benefits to be paid during the fourth quarter of 2011 and the facility costs to be paid through 2017, or the end of our lease term for both Building 170 and Building 249.

The restructuring charges that we expect to incur in connection with the restructuring plans are subject to a number of assumptions, and actual results may materially differ. We may also incur other material charges not currently contemplated due to events that may occur as a result of, or associated with, the restructuring plans. See Note 5 of the Notes to Consolidated Financial Statements for a further discussion on our restructuring charges.

Critical Accounting Estimates

Our consolidated financial statements and related notes are prepared in accordance with U.S. generally accepted accounting principles which require us to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. We have based our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our senior management has discussed the development, selection and disclosure of these estimates with the Audit Committee of our Board of Directors. Actual results may differ from these estimates under different assumptions or conditions.

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 the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our consolidated financial statements.

Revenue Recognition

Our revenues are derived from three primary sources: license fees, milestone payments and collaborative agreement reimbursements.

Revenues from license fees and milestone payments primarily consist of upfront license fees and milestone payments received under various collaboration agreements. We initially recognize upfront fees received from third party collaborators as unearned revenues and then recognize these amounts on a ratable basis over the expected term of the research collaboration. Therefore, any changes in the expected term of the research collaboration will impact revenue recognition for the given period. For example, in the fourth quarter of 2010, in association with the new ROR agreement with Bristol-Myers Squibb, the estimated research term under our 2007 cancer collaboration with Bristol-Myers Squibb was extended from December 2011 until April 2014, resulting in an extension in the period over which we recognized milestone revenues and a decrease in the milestone revenues recognized each quarter. Often, the total research term is not contractually defined and an estimate of the term of our total obligation must be made. For example, under the 2008 Agreement with Bristol-Myers Squibb, we originally estimated our term to be through August 2013, which is the estimated term of our performance obligations for XL281. We estimated that this would be the period over which we would be obligated to perform services and therefore the appropriate term with which to ratably recognize any license fees. During the fourth quarter of 2010, this estimate was extended to April 2014 as a result of the decision with Bristol-Myers Squibb to complete additional phase 1 trial programs for XL281. On July 8, 2011, we received written notification from Bristol-Myers Squibb of its decision to terminate the 2008 Agreement in its entirety. As a result of the termination of the 2008 Agreement, the estimated research term was revised to end on October 8, 2011. Accordingly, we accelerated the remaining deferred revenue balance through the revised end of the research term and recognized $109.9 million in revenue during the quarter ended September 30, 2011. We expect to recognize the remaining $10.4 million in revenue in the fourth quarter of 2011. License fees are classified as license revenues in our consolidated statement of operations.

Although milestone payments are generally non-refundable once the milestone is achieved, we recognize milestone revenues on a straight-line basis over the expected research term of the arrangement. This typically results in a portion of a milestone being recognized on the date the milestone is achieved, with the balance being recognized over the remaining research term of the agreement. In certain situations, we may receive milestone payments after the end of our period of continued involvement. In such circumstances, we would recognize 100% of the milestone revenues when the milestone is achieved. Milestones are classified as contract revenues in our consolidated statement of operations.

Collaborative agreement reimbursement revenues consist of research and development support received from collaborators and are recorded as earned based on the performance requirements by both parties under the respective contracts. Under the 2008 Agreement with Bristol-Myers Squibb and prior to its termination by Bristol-Myers Squibb as to cabozantinib, both parties were actively involved with compound development and certain research and development expenses were partially reimbursable to us. On an annual basis, amounts owed by Bristol-Myers Squibb to us, net of amounts reimbursable to Bristol-Myers Squibb by us for the development of cabozantinib and XL281, were recorded as collaboration reimbursement revenues. Conversely, research and development expenses would include the net settlement of amounts we owed Bristol-Myers Squibb for research and development expenses that Bristol-Myers Squibb incurred in connection with the development of cabozantinib, less amounts reimbursable to us by Bristol-Myers Squibb for the development of both cabozantinib and XL281. In annual periods when net research and development funding payments were payable to Bristol-Myers Squibb, these payments were presented as collaboration cost-sharing expenses. Reimbursements under co-development agreements were classified as collaboration reimbursement revenues, while reimbursements under other arrangements were classified as contract revenues in our consolidated statement of operations.

As a result of the termination of the 2008 Agreement with Bristol-Myers Squibb, which became effective on October 8, 2011, for the period ended September 30, 2011, reimbursement payments were presented as collaboration reimbursement revenues and will continue to be presented as such through the period ending December 31, 2011 at which point we do not expect to record any further collaboration cost-sharing expense or collaboration reimbursement revenues under our current collaborations. See Note 4 of the Notes to the Consolidated Financial Statements for further information on our 2008 Agreement with Bristol-Myers Squibb.

Some of our research and licensing arrangements have multiple deliverables in order to meet our customer’s needs. For example, the arrangements may include a combination of intellectual property rights and research and development services. Multiple element revenue agreements are evaluated to determine whether the delivered item has value to the customer on a stand-alone basis and whether objective and reliable evidence of the fair value of the undelivered item exists. Deliverables in an arrangement that do not meet the separation criteria are treated as one unit of accounting for purposes of revenue recognition. Generally, the revenue recognition guidance applicable to the final deliverable is followed for the combined unit of accounting. For certain arrangements, the period of time over which certain deliverables will be provided is not contractually defined. Accordingly, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. For example, in 2008, under our collaboration with GlaxoSmithKline, we accelerated $18.5 million in previously deferred revenue as a result of the development term concluding on the earliest scheduled end date of October 27, 2008, instead of the previously estimated end date of October 27, 2010.

Clinical Trial Accruals

All of our clinical trials have been performed by third-party contract research organizations, or CROs, and other vendors. We accrue costs for clinical trial activities performed by CROs based upon the estimated amount of work completed on each trial. For

clinical trial expenses, the significant factors used in estimating accruals include the number of patients enrolled, the number of active clinical sites, and the duration for which the patients will be enrolled in the trial. We monitor patient enrollment levels and related activities to the extent possible through internal reviews, correspondence with CROs and review of contractual terms. We base our estimates on the best information available at the time. However, additional information may become available to us which will allow us to make a more accurate estimate in future periods. In this event, we may be required to record adjustments to research and development expenses in future periods when the actual level of activity becomes more certain. Such increases or decreases in cost are generally considered to be changes in estimates and will be reflected in research and development expenses in the period first known.

Stock Option Valuation

Our estimate of compensation expense requires us to determine the appropriate fair value model and a number of complex and subjective assumptions including our stock price volatility, employee exercise patterns, future forfeitures and related tax effects. The most significant assumptions are our estimates of the expected volatility and the expected term of the award. We have limited historical information available to support the underlying estimates of certain assumptions required to value stock options. The value of a stock option is derived from its potential for appreciation. The more volatile the stock, the more valuable the option becomes because of the greater possibility of significant changes in stock price. Because there is a market for options on our common stock, we have considered implied volatilities as well as our historical realized volatilities when developing an estimate of expected volatility. The expected option term also has a significant effect on the value of the option. The longer the term, the more time the option holder has to allow the stock price to increase without a cash investment and thus, the more valuable the option. Further, lengthier option terms provide more opportunity to exploit market highs. However, empirical data shows that employees, for a variety of reasons, typically do not wait until the end of the contractual term of a nontransferable option to exercise. Accordingly, companies are required to estimate the expected term of the option for input to an option-pricing model. As required under the accounting rules, we review our valuation assumptions at each grant date and, as a result, from time to time we will likely change the valuation assumptions we use to value stock based awards granted in future periods. The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and recognize expense only for those shares expected to vest. If our actual forfeiture rate is materially different from our estimate, the stock-based compensation expense could be significantly different from what we have recorded in the current period. As of September 30, 2011, $12.1 million of total unrecognized compensation expense related to stock options was expected to be recognized over a weighted-average period of 2.77 years in addition to $7.2 million of total unrecognized compensation expense relating to restricted stock units, which was expected to be recognized over 2.85 years. See Note 3 of the Notes to Consolidated Financial Statements for a further discussion on stock-based compensation.

Restructuring Charges

We record costs and liabilities associated with exit and disposal activities at fair value in the period in which the cost or liability is incurred. Restructuring charges consist of charges related to employee severance and benefits, lease termination costs, equipment write-downs and other restructuring related charges. Charges related to employee severance and benefits are determined based on the estimated severance and fringe benefit charge for identified employees. Our facility charges are based upon our ability to vacate certain of our facilities and the timing and nature of potential future sublease rates. Based on our future equipment needs, we have disposed of certain assets no longer in use and recorded a charge to impair the book value to an amount relative to our expected future use of the remaining assets.

If the actual amounts differ from our estimates, the amount of restructuring charges could be materially impacted. See Note 5 of the Notes to Consolidated Financial Statements for a further discussion on our restructuring plans.

Fiscal Year Convention

We have adopted a 52- or 53-week fiscal year that ends on the Friday closest to December 31st of each year. Fiscal year 2010, a 52-week year, ended on December 31, 2010, and fiscal year 2011, a 52-week year, will end on December 30, 2011. For convenience, references in this report as of and for the fiscal quarters ended October 1, 2010 and September 30, 2011 and as of the fiscal year ending December 30, 2011 are indicated as ended September 30, 2010 and 2011 and as ending December 31, 2011, respectively.

Results of Operations

Revenues

Total revenues by category, as compared to the prior year period, were as follows (dollar amounts are presented in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Contract revenue:				
Research and development funding	$ 0.6	$ 10.5	$ 14.0	$ 32.6
Milestones	4.5	1.4	11.7	11.4
License revenue and amortization of upfront payments	122.7	24.5	168.0	73.6
Collaboration reimbursements	0.5	18.1	2.6	26.7
Total revenues	$ 128.3	$ 54.5	$ 196.3	$ 144.3
Dollar increase	$ 73.8		$ 52.0	
Percentage increase	135%		36%	

Total revenues by customer, as compared to the prior year period, were as follows (dollar amounts are presented in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Bristol-Myers Squibb	$ 119.0	$ 34.6	$ 153.3	$ 75.9
sanofi-aventis	9.3	19.2	40.3	58.6
Genentech	—	—	2.0	7.0
Boehringer Ingelheim	—	0.7	0.7	2.8
Total revenues	$ 128.3	$ 54.5	$ 196.3	$ 144.3
Dollar decrease	$ 73.8		$ 52.0	
Percentage increase	135%		36%	

The increase in revenues for the three and nine months ended September 30, 2011, as compared to the comparable periods for the prior year, was primarily due to the acceleration of license revenue as a result of the July 2011 termination of our 2008 Agreement with Bristol Myers-Squibb which became effective on October 8, 2011. This increase was partially offset by a decline in collaboration reimbursement revenue and research funding related to the termination of our 2008 Agreement with Bristol Myers-Squibb and the transfer of substantially all development activities pertaining to XL147 and XL765 under our 2009 collaboration agreement with sanofi-aventis. Furthermore, there was a decline in revenue relating to the one-time milestone payments made by Genentech of $2.0 million in 2011 for the Notch agreement and $7.0 million in 2010 for the MEK agreement.

Total collaboration reimbursement revenue consisted of research and development expenses and reimbursements related to our 2008 Agreement with Bristol Myers-Squibb for cabozantinib and XL281. To the extent that net annual research and development funding payments were expected to be received from Bristol-Myers Squibb, these payments would have been presented as collaboration reimbursement revenues. In years when net research and development funding payments were expected to be payable to Bristol-Myers Squibb, these payments would have been presented as collaboration cost-sharing expense. As a result of the complete termination of the 2008 Agreement with Bristol-Myers Squibb, which became effective on October 8, 2011, we do not expect any further collaboration reimbursement revenues or collaboration cost-sharing expenses to be recorded with respect to this agreement for either cabozantinib or XL281.

Research and Development Expenses

Total research and development expenses, as compared to the prior year period, were as follows (dollar amounts are presented in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Research and development expenses	$ 37.5	$ 49.4	$ 126.1	$ 168.4
Dollar decrease	$ 11.9		$ 42.3	
Percentage decrease	24%		25%	

The decrease for the three and nine months ended September 30, 2011, as compared to the comparable periods in 2010, resulted primarily from the following:

- Personnel—Personnel expense, which includes salaries, bonuses, related fringe benefits, recruiting and relocation costs, decreased by $4.5 million, or 39%, and $17.3 million, or 41%, respectively, primarily due to the reduction in headcount resulting from our 2010 and 2011 restructuring plans.
- General Corporate Costs—There was a decrease of $1.6 million, or 20%, and $6.2 million, or 22%, respectively, in the allocation of general corporate costs (such as facility costs, property taxes and insurance) to research and development, primarily as a result of a decrease in personnel and the exit of certain facilities in San Diego and South San Francisco, as a result of our 2010 and 2011 restructuring plans, and the resulting decrease in costs to be allocated.
- Laboratory Supplies—Laboratory supplies decreased by $1.2 million, or 73%, and $5.7 million, or 79%, respectively, primarily due to the decrease in headcount and other cost cutting measures as a result of our 2010 and 2011 restructuring plans.
- Stock-Based Compensation—Stock-based compensation expense decreased by $1.1 million, or 44%, and $4.6 million, or 50%, respectively, as a result of our reduction in headcount from our 2010 and 2011 restructuring plans.
- Clinical Trial Costs—Clinical trial expenses, which include services performed by third-party contract research organizations and other vendors, decreased by $2.2 million, or 11%, and $4.1 million, or 6%, respectively, primarily due to the transfer of XL765 and XL147 to sanofi-aventis, the wind-down of activities associated with XL228 and the decrease in patient activity for XL281 trials. These decreases were partially offset by an increase in clinical trial activities for cabozantinib.

We do not track total research and development expenses separately for each of our research and development programs. We group our research and development expenses into three categories: drug discovery, development and other. Our drug discovery group utilizes a variety of high-throughput technologies to enable the rapid discovery, optimization and extensive characterization of lead compounds such that we are able to select development candidates with the best potential for further evaluation and advancement into clinical development. Drug discovery expenses relate primarily to personnel expense, lab supplies and general corporate costs. Our development group leads the development and implementation of our clinical and regulatory strategies and prioritizes disease indications in which our compounds may be studied in clinical trials. Development expenses relate primarily to clinical trial, personnel and general corporate costs. The other category primarily includes stock-based compensation expense.

In addition to reviewing the three categories of research and development expenses described above, we principally consider qualitative factors in making decisions regarding our research and development programs. Such factors include enrollment in clinical trials for our drug candidates, the results of and data from clinical trials, the potential indications for our drug candidates, the therapeutic and commercial potential for our drug candidates and competitive dynamics. We also make our research and development decisions in the context of our overall business strategy, which historically included the pursuit of commercial collaborations with major pharmaceutical and biotechnology companies for the development of our drug candidates. As noted under "—Overview," we are focusing our proprietary resources and development efforts exclusively on cabozantinib in order to maximize the therapeutic and commercial potential of this compound. Our strategy is to aggressively advance cabozantinib through development toward commercialization, and as a result, we expect nearly all of our future research and development expenses to relate to the clinical development of cabozantinib.

The expenditures summarized in the following table reflect total research and development expenses by category, including allocations for general and administrative expense (dollar amounts are presented in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,		Inception to date (1)
	2011	2010	2011	2010	
Drug discovery	$ 4.0	$ 11.7	$ 14.3	$ 45.5	$ 452.9
Development	32.0	34.9	106.3	111.7	687.3
Other	1.5	2.8	5.5	11.2	99.6
Total	$ 37.5	$ 49.4	$ 126.1	$ 168.4	$1,239.8

(1) Inception is as of January 1, 2006, the date on which we began tracking research and development expenses by category.

While we do not track total research and development expenses separately for each program, beginning in fiscal 2006, we began tracking third party expenditures directly relating to each program as a way of monitoring external costs. Our third party research and

development expenditures relate principally to our clinical trial and related development activities, such as preclinical and clinical studies and contract manufacturing, and represent only a portion of the costs related to each program. Third party expenditures for programs initiated prior to the beginning of fiscal 2006 have not been tracked from project inception, and therefore such expenditures from the actual inception for most of our programs are not available. We do not accumulate on a program-specific basis internal research and development expenses, such as salaries and personnel expenses, facilities overhead expenses and external costs not directly attributable to a specific project. Nevertheless, we believe that third party expenditures by program provide a reasonable estimate of the percentage of our total research and development expenses that are attributable to each such program. Under our current strategy, we are focusing our proprietary resources and development efforts exclusively on the late-stage development and commercialization of cabozantinib. As a result, for the nine months ended September 30, 2011, approximately 90% of our external third party research and development expenditures were spent on this program. The expenses for the cabozantinib program were primarily included in the development category of our research and development expenses and exclude the impact of any amounts reimbursed by our partners.

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. In general, we will incur increased research and development expenses for compounds that advance in clinical development, whereas expenses will end for compounds that do not warrant further clinical development.

We do not have reliable estimates of total costs for a particular drug candidate 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 products may fail to demonstrate safety and efficacy, which could prevent or significantly delay regulatory approval.

General and Administrative Expenses

Total general and administrative expenses, as compared to the prior year period, were as follows (dollar amounts are presented in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
General and administrative expenses	$ 8.2	$ 9.0	$ 26.1	$ 27.4
Dollar decrease	$ 0.8		$ 1.3	
Percentage decrease	9%		5%	

The decrease in general and administrative expenses for the three and nine months ended September 30, 2011, as compared to the comparable period in 2010, was primarily due to a decrease in facility and personnel costs relating to our 2010 and 2011 restructuring plans. This decrease was partially offset by a decrease in allocation of general corporate costs to research and development also as a result of the reduction in headcount from our 2010 and 2011 restructuring plans, as well as an increase in marketing expenses relating to preparing for the launch of cabozantinib.

Restructuring Charge

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Restructuring charge	$ 2.9	$ 0.3	$ 6.2	$ 25.8
Dollar increase (decrease)	$ 2.6		$ (19.6)	
Percentage change	766%		76%	

As part of our ongoing efforts to manage costs and our strategy to focus our proprietary resources and development efforts on cabozantinib, we implemented two restructuring plans during 2010 that resulted in an overall reduction of our workforce by 386 employees. In March 2011, we implemented an additional restructuring plan that resulted in further terminations in 2011. Taking into consideration certain employees who have since been recalled, there has been an aggregate reduction in headcount from the 2010 and 2011 restructuring plans of 402 employees. The restructuring charge taken in 2010 primarily related to termination benefits for the initial reduction of 243 positions in March 2010, in addition to facility charges relating to the exit and sublease of Building 249, while the restructuring charge taken in 2011 related primarily to facility charges associated with the exit and sublease of portions of Building 170. As a result of our 2010 and 2011 restructuring plans, we expect to incur additional restructuring charges, primarily related to facility costs, through the end of 2017.

Total Other Income (Expense), Net

Total other income (expense), net, as compared to the prior year period, was as follows (dollar amounts are presented in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Total other income (expense), net	$ (1.8)	$ (4.5)	$ (8.6)	$ 2.8
Dollar change	$ 2.7		$ (11.4)	
Percentage change	59%		411%	

Total other income (expense), net consists primarily of interest income earned on our marketable securities and gains on sales of businesses, offset by interest expense incurred on our notes payable, bank obligations, capital lease obligations, convertible notes and loans and our credit facility. The change in total other income for the three months ended September 30, 2011, as compared to the comparable period in 2010, was primarily due to a gain of $2.2 million relating to the September 2011 sale of our remaining 19.9% equity interest in TaconicArtemis GmbH (formerly know as Artemis Pharmaceuticals GmbH), or Artemis. The change in total other income (expense) for the nine months ended September 30, 2011, as compared to the comparable period in 2010, was primarily due to the recording of gains relating to the sale of our plant trait business and the sale of our cell factory business in 2010. In addition, we had increased interest expense in 2011 as a result of our entry into a note purchase agreement with Deerfield in June 2010, and gains relating to the sale of our remaining 19.9% equity interest in Artemis and the sale of excess XL647 materials in 2011.

Liquidity and Capital Resources

Sources and Uses of Cash

The following table summarizes our cash flow activities for the nine months ended September 30, 2011 and 2010, respectively (dollar amounts are presented in thousands):

	Nine Months Ended September 30,	
	2011	2010
Consolidated net income (loss)	$ 29,401	$ (74,465)
Adjustments to reconcile net income (loss) to net cash provided by operating activities	22,150	23,780
Changes in operating assets and liabilities	(181,610)	(71,617)
Net cash used in operating activities	(130,059)	(122,302)
Net cash used in investing activities	(88,838)	(25,963)
Net cash provided by financing activities	187,668	156,811
Net (decrease) increase in cash and cash equivalents	(31,229)	8,546
Cash and cash equivalents, at beginning of period	97,440	86,796
Cash and cash equivalents, at end of period	$ 66,211	$ 95,342

To date, we have financed our operations primarily through the sale of equity, payments and loans from collaborators and banks, debt-financing arrangements and equipment financing facilities. We have also financed certain of our research and development activities under our agreements with various collaborators. As of September 30, 2011, we had $313.1 million in cash and cash equivalents, marketable securities and long-term investments, which included restricted cash and investments of $ 4.2 million and approximately $ 93.6 million of cash and cash equivalents and marketable securities that we are required to maintain on deposit with Silicon Valley Bank or one of its affiliates pursuant to covenants in our loan and security agreement with Silicon Valley Bank.

Operating Activities

Our operating activities used cash of $130.1 million for the nine months ended September 30, 2011, compared to cash used of $122.3 million for the comparable period in 2010. Cash used by operating activities for the 2011 period related primarily to a reduction in our deferred revenue balance due to the termination of the 2008 Agreement with Bristol-Myers Squibb. In addition, there was a decrease in our restructuring liability as we made severance payments relating to our 2010 and 2011 restructuring plans, and a reduction in our other accrual balances due to the timing of payments made to vendors. These increases in cash used were partially offset by non-cash charges relating to stock-based compensation, depreciation and amortization, accretion of implied interest under our 2010 note purchase agreement with Deerfield, impairment of assets due to our 2010 and 2011 restructuring plans, and other non-cash changes.

Cash used by operating activities for the 2010 period related primarily to our net loss of $74.5 million, a $78.2 million reduction in deferred revenue and a gain on sale of our plant trait and cell factory businesses of $7.8 million. These increases in cash used were partially offset by non-cash charges totaling $27.5 million relating to stock-based compensation, depreciation and amortization, and asset impairment as a result of our 2010 restructuring plans in addition to a restructuring liability of $9.2 million primarily relating to Building 249.

Investing Activities

Our investing activities used cash of $88.8 million for the nine months ended September 30, 2011, compared to cash used of $26.0 million for the comparable period in 2010. Cash used by investing activities for the 2011 period was primarily driven by the purchase of $210.6 million in marketable securities offset by proceeds received from the maturity of marketable securities of $117.2 million and a decrease in our restricted cash balance of $2.2 million.

Cash used by investing activities for the 2010 period was primarily driven by the purchase of $141.2 million of marketable securities and certificates of deposit. These uses of cash were offset by proceeds from the maturity of marketable securities of $95.1 million, the sale of investments prior to maturity of $12.8 million and proceeds of $8.6 million associated with our 2007 transaction with Agrigenetics and the sale of our cell factory business in 2010. The proceeds provided by the sale and maturity of our investments were used to fund our operations.

Financing Activities

Our financing activities provided cash of $187.7 million for the nine months ended September 30, 2011, compared to cash provided of $156.8 million for the comparable period in 2010. Cash provided by our financing activities for the 2011 period consisted of net proceeds of $179.4 million from the issuance of 17.3 million shares of common stock, proceeds from the exercise of stock options of $11.7 million and $2.6 million from our Silicon Valley Bank loan agreement. These increases were partially offset by cash used for principal payments on notes payable and bank obligations of $7.0 million. Cash provided by our financing activities for the 2010 period primarily consisted of $162.5 million from our loan agreements with Silicon Valley Bank and Deerfield, as well as proceeds from employee option exercises of $2.1 million, offset by principal payments on notes payable and bank obligations of $8.9 million.

We finance property and equipment purchases through equipment financing facilities, such as bank notes payable. Proceeds from collaboration loans and common stock issuances are used for general working capital purposes, such as research and development activities and other general corporate purposes. Over the next several years, we are required to make certain payments on notes.

Cash Requirements

We have incurred net losses since inception. For the three and nine months ended September 30, 2011, we were in a net income position of $77.9 million and $29.4 million, respectively, primarily as a result of the acceleration of deferred revenue under our 2008 Agreement with Bristol Myers-Squibb which terminated in October 2011. Notwithstanding our net income position for the three and nine months ended September 30, 2011, we anticipate further net losses and negative operating cash flow for the foreseeable future. As of September 30, 2011, we had $313.1 million in cash and cash equivalents, marketable securities and long-term investments, which included restricted cash and investments of $4.2 million and approximately $93.6 million of cash and cash equivalents and marketable securities that we are required to maintain on deposit with Silicon Valley Bank or one of its affiliates pursuant to covenants in our loan and security agreement with Silicon Valley Bank. We anticipate that our current cash and cash equivalents, marketable securities, long-term investments and funding that we expect to receive from existing collaborators will enable us to maintain our operations for a period of at least 12 months following the filing date of this report. However, our future capital requirements will be substantial and will depend on many factors that may require us to use available capital resources significantly earlier than we currently anticipate. These factors include:

- the cabozantinib development program—We are focusing our proprietary resources and development efforts on cabozantinib, our most advanced compound, which is being studied in a variety of tumor types, with the goal of rapidly commercializing the compound. Cabozantinib is being evaluated in a broad development program encompassing multiple cancer indications. The current clinical program for cabozantinib is focused on the treatment of metastatic castration-resistant prostate cancer and medullary thyroid cancer and will be expanded to other solid tumor indications, based on encouraging interim data that has emerged from a randomized discontinuation trial investigating cabozantinib in nine distinct tumor types and other clinical trials. On October 24, 2011, we announced that our phase 3 clinical trial of cabozantinib in medullary thyroid cancer met its primary endpoint. Assuming that the FDA permits a rolling submission of our NDA, we expect to complete an NDA filing for cabozantinib in medullary thyroid cancer in the first half of 2011 and, assuming approval of our NDA by the FDA, we currently anticipate a potential commercial launch of

cabozantinib for the treatment of medullary thyroid cancer in the second half of 2012. In addition, in June 2011, we submitted to the FDA the protocol for a planned pivotal trial for cabozantinib in metastatic castration-resistant prostate cancer using an endpoint of pain reduction and bone scan response (XL184-306) for consideration of an SPA. Our goal is to initiate this trial by the end of 2011. We are also planning two additional pivotal trials in castration-resistant prostate cancer for overall survival and bone metastasis-free survival (XL184-307 and XL184-308, respectively), and expect to initiate both of these trials in 2012. Our development and commercialization plans for cabozantinib are dependent on the extent of our available financial resources. There can be no assurance that we will have sufficient financial resources independently or through other arrangements to fund a broad development plan for cabozantinib or to fund commercialization efforts. If adequate funds are not available, we may be required to delay, discontinue or elect not to pursue one or more trials or commercialization efforts for cabozantinib;

- repayment of the notes under our note purchase agreement with Deerfield—On June 2, 2010, we entered into a note purchase agreement with Deerfield, pursuant to which, on July 1, 2010, we sold to Deerfield an aggregate of $124.0 million initial principal amount of our secured convertible notes, due June 2015, for an aggregate purchase price of $80.0 million, less closing fees and expenses. The outstanding principal amount of the notes bears interest in the annual amount of $6.0 million, payable quarterly in arrears. We will be required to make mandatory prepayments on the notes on an annual basis in 2013, 2014 and 2015 equal to 15% of certain payments from our collaborative arrangements received during the prior fiscal year, subject to a maximum annual prepayment amount of $27.5 million and, for payments due in January 2013 and 2014, a minimum prepayment amount of $10.0 million. We may also prepay all or a portion (not less than $5.0 million) of the principal amount of the notes at an optional prepayment price based on a discounted principal amount (during the first three years of the term, subject to a prepayment premium) determined as of the date of prepayment, plus accrued and unpaid interest, plus in the case of a prepayment of the full principal amount of the notes (other than prepayments upon the occurrence of specified transactions relating to a change of control or a substantial sale of assets), all accrued interest that would have accrued between the date of such prepayment and the next anniversary of the note purchase agreement. In lieu of making any optional or mandatory prepayment in cash, subject to certain limitations, we have the right to convert all or a portion of the principal amount of the notes into, or satisfy all or any portion of the optional prepayment amounts or mandatory prepayment amounts (other than the first $10.0 million of mandatory prepayments required in 2013 and 2014) with shares of our common stock. Additionally, in lieu of making any payment of accrued and unpaid interest in respect of the 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. In the event the market price for our common stock is depressed, we may not be able to convert the principal amount of the notes or satisfy our payment obligations in full using shares of our common stock due to restrictions in the agreement on the number of shares we may issue. In addition, the issuance of shares of our common stock to convert the notes or satisfy our payment obligations may result in significant dilution to our stockholders. As a result, we may need to obtain additional funding to satisfy our repayment obligations. There can be no assurance that we will have sufficient funds to repay the notes or satisfy our payment obligations under the note purchase agreement when due or that we will comply with the conditions to our ability to convert the principal amount of the notes into or satisfy our payment obligations with shares of our common stock;
- repayment of our loan from Silicon Valley Bank—On June 2, 2010, we amended our loan and security agreement with Silicon Valley Bank to provide for a new seven-year term loan in an amount of $80.0 million. 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 also required to maintain on deposit an amount equal to at least 100% of the outstanding principal balance of the term loan at all times as support for our obligations under the loan and security agreement. As a result, although the proceeds of the new term loan improve our ability to comply with minimum working capital and cash covenants imposed by our debt instruments with Deerfield and thus provide us with more flexibility to use our other cash resources, the proceeds of the term loan cannot directly be used to satisfied our other obligations without causing a default under our loan and security agreement with Silicon Valley Bank;
- the level of payments received under existing collaboration agreements, licensing agreements and other arrangements;
- the degree to which we conduct funded development activity on behalf of partners to whom we have out-licensed compounds;
- whether we enter into new collaboration agreements, licensing agreements or other arrangements (including, in particular, with respect to cabozantinib) that provide additional capital;

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 also required to maintain on deposit an amount equal to at least 100% of the outstanding principal balance of the term loan at all times as support for our obligations under the loan and security agreement. As a result, although the proceeds of the new term loan improve our ability to comply with minimum working capital and cash covenants imposed by our debt instruments with Deerfield and thus provide us with more flexibility to use our other cash resources, the proceeds of the term loan cannot directly be used to satisfied our other obligations without causing a default under our loan and security agreement with Silicon Valley Bank;

- the level of payments received under existing collaboration agreements, licensing agreements and other arrangements;
- the degree to which we conduct funded development activity on behalf of partners to whom we have out-licensed compounds;
- whether we enter into new collaboration agreements, licensing agreements or other arrangements (including, in particular, with respect to cabozantinib) that provide additional capital;
- 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 amount of our cash and cash equivalents and marketable securities that serve as collateral for bank lines of credit;
- future clinical trial results;
- our need to expand our product and clinical development efforts;
- our ability to share the costs of our clinical development efforts with third parties;
- the cost and timing of regulatory approvals;
- the cost of clinical and research supplies of our product candidates;
- the effect of competing technological and market developments;
- the filing, maintenance, prosecution, defense and enforcement of patent claims and other intellectual property rights; and
- the cost of any acquisitions of or investments in businesses, products and technologies.

One or more of these factors or changes to our current operating plan may require us to use available capital resources significantly earlier than we anticipate. If our capital resources are insufficient to meet future capital requirements, we will have to raise additional funds. We may seek to raise funds through the sale of equity or debt securities or through external borrowings. In addition, we may enter into additional strategic partnerships or collaborative arrangements for the development and commercialization of our compounds. However, we may be unable to raise sufficient additional capital when we need it, on favorable terms or at all. The sale of equity or convertible debt securities in the future may be dilutive to our stockholders, and debt-financing arrangements may require us to pledge certain assets and enter into covenants that would restrict certain business activities or our ability to incur further indebtedness, and may contain other terms that are not favorable to our stockholders or us. If we are unable to obtain adequate funds on reasonable terms, we may be required to curtail operations significantly or obtain funds by entering into financing, supply or collaboration agreements on unattractive terms or we may be required to relinquish rights to technology or product candidates or to grant licenses on terms that are unfavorable to us.

We may need to obtain additional funding in order to stay in compliance with financial covenants contained in agreements with third parties. As described below, the terms of our debt owed to Deerfield and Silicon Valley Bank each contain covenants requiring us to maintain specified cash balances or levels of working capital:

- Deerfield—Our note purchase agreement with Deerfield contains an event of default that would be triggered if our “cash and cash equivalents” fall below $10.0 million as of December 30, 2011, subject to a cure period. Upon such an event of default, Deerfield may declare all or a portion of the Put Price to be immediately due and payable. “Cash and cash equivalents” for purposes of our note purchase agreement includes our total cash, cash equivalents and short-term and long-term marketable securities. As of September 30, 2011, our “cash and cash equivalents” were $308.9 million.
- Silicon Valley Bank—Our loan and security agreement with Silicon Valley Bank requires that we maintain an amount equal to at least 100%, but not to exceed 107%, of the outstanding principal balance of the term loan and all lines of credit under the loan and security agreement at all times in one or more non-interest bearing certificate of deposit account(s) or interest bearing investment account(s) with Silicon Valley Bank or one of its affiliates as support for our obligations under the loan and security agreement. If the balance on our deposit account(s) falls below the required level for more than 10 days, 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. Our loan and security agreement with Silicon Valley Bank also contains similar deposit covenants with respect to funds drawn under our equipment lines of credit.

If we cannot raise additional capital in order to remain in compliance with our financial covenants or if we are unable to renegotiate such covenants and the lender exercises its remedies under the agreement, we would not be able to operate under our current operating plan.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our market risks at September 30, 2011 have not changed significantly from those discussed in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission on February 22, 2011. Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio and our long-term debt. We have estimated the effects on our interest rate sensitive assets and liabilities based on a one percentage point hypothetical adverse change in interest rates as of September 30, 2011 and December 31, 2010. As of September 30, 2011 and December 31, 2010, a decrease in the interest rates of one percentage point would have had a net adverse change in the fair value of interest rate sensitive assets and liabilities of $7.6 million and $9.7 million, respectively.

In addition, we have exposure to fluctuations in certain foreign currencies in countries in which we conduct clinical trials. Most of our foreign expenses incurred are associated with establishing and conducting clinical trials for cabozantinib and various other compounds in our pipeline at sites outside of the United States. 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. As of September 30, 2011 and December 31, 2010, approximately $3.0 million and $3.1 million, respectively, of our clinical accrual balance related to foreign currencies. As of September 30, 2011 and December 31, 2010, an adverse change of one percentage point in the foreign currency exchange rates would have resulted in a net loss of $30 thousand and $31 thousand, 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.

Changes in internal controls. 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 1A. RISK FACTORS

In addition to the factors discussed elsewhere in this report and our other reports filed with the Securities and Exchange Commission, 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 facing the company. Additional risks and uncertainties not presently known to us or that we currently 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 from the risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the Securities and Exchange Commission on February 22, 2011.

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

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

We will need to raise additional capital to:

- fund our operations and clinical trials;

- continue our research and development efforts; and
- commercialize our product candidates, if any such candidates receive regulatory approval for commercial sale.

As of September 30, 2011, we had $313.1 million in cash and cash equivalents, marketable securities and long-term investments, which included restricted cash and investments of $4.2 million and approximately $93.6 million of cash and cash equivalents and marketable securities that we are required to maintain on deposit with Silicon Valley Bank or one of its affiliates pursuant to covenants in our loan and security agreement with Silicon Valley Bank. We anticipate that our current cash and cash equivalents, marketable securities, long-term investments and funding that we expect to receive from existing collaborators will enable us to maintain our operations for a period of at least 12 months following the filing date of this report. However, our future capital requirements will be substantial and will depend on many factors that may require us to use available capital resources significantly earlier than we currently anticipate. These factors include:

- the cabozantinib development program—We are focusing our proprietary resources and development efforts on cabozantinib, our most advanced compound, which is being studied in a variety of tumor types, with the goal of rapidly commercializing the compound. Cabozantinib is being evaluated in a broad development program encompassing multiple cancer indications. The current clinical program for cabozantinib is focused on the treatment of metastatic castration-resistant prostate cancer and medullary thyroid cancer and will be expanded to other solid tumor indications, based on encouraging interim data that has emerged from a randomized discontinuation trial investigating cabozantinib in nine distinct tumor types and other clinical trials. On October 24, 2011, we announced that our phase 3 clinical trial of cabozantinib in medullary thyroid cancer met its primary endpoint. Assuming the FDA permits a rolling submission of our NDA, we expect to complete an NDA filing for cabozantinib in medullary thyroid cancer in the first half of 2011 and, assuming approval of our NDA by the FDA, we currently anticipate a potential commercial launch of cabozantinib for the treatment of medullary thyroid cancer in the second half of 2012. In addition, in June 2011, we submitted to the FDA the protocol for a planned pivotal trial for cabozantinib in metastatic castration-resistant prostate cancer using an endpoint of pain reduction and bone scan response (XL184-306) for consideration of an SPA. Our goal is to initiate this trial by the end of 2011. We are also planning two additional pivotal trials in castration-resistant prostate cancer for overall survival and bone metastasis-free survival (XL184-307 and XL184-308, respectively), and expect to initiate both of these trials in 2012. Our development and commercialization plans for cabozantinib are dependent on the extent of our available financial resources. There can be no assurance that we will have sufficient financial resources independently or through other arrangements to fund a broad development plan for cabozantinib or to fund commercialization efforts. If adequate funds are not available, we may be required to delay, discontinue or elect not to pursue one or more trials or commercialization efforts for cabozantinib;
- repayment of the notes under our note purchase agreement with Deerfield—On June 2, 2010, we entered into a note purchase agreement with entities affiliated with Deerfield, pursuant to which, on July 1, 2010, we sold to Deerfield an aggregate of $124.0 million initial principal amount of our secured convertible notes, due June 2015, for an aggregate purchase price of $80.0 million, less closing fees and expenses. The outstanding principal amount of the notes bears interest in the annual amount of $6.0 million, payable quarterly in arrears. We will be required to make mandatory prepayments on the notes on an annual basis in 2013, 2014 and 2015 equal to 15% of our collaborative arrangements received during the prior fiscal year, subject to a maximum annual prepayment amount of $27.5 million and, for payments due in January 2013 and 2014, a minimum prepayment amount of $10.0 million. We may also prepay all or a portion (not less than $5.0 million) of the principal amount of the notes at an optional prepayment price based on a discounted principal amount (during the first three years of the term, subject to a prepayment premium) determined as of the date of prepayment, plus accrued and unpaid interest, plus in the case of a prepayment of the full principal amount of the notes (other than prepayments upon the occurrence of specified transactions relating to a change

of control or a substantial sale of assets), all accrued interest that would have accrued between the date of such prepayment and the next anniversary of the note purchase agreement. In lieu of making any optional or mandatory prepayment in cash, subject to certain limitations, we have the right to convert all or a portion of the principal amount of the notes into, or satisfy all or any portion of the optional prepayment amounts or mandatory prepayment amounts (other than the first $10.0 million of mandatory prepayments required in 2013 and 2014) with shares of our common stock. Additionally, in lieu of making any payment of accrued and unpaid interest in respect of the 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. In the event the market price for our common stock is depressed, we may not be able to convert the principal amount of the notes or satisfy our payment obligations in full using shares of our common stock due to restrictions in the agreement on the number of shares we may issue. In addition, the issuance of shares of our common stock to convert the notes or satisfy our payment obligations may result in significant dilution to our stockholders. As a result, we may need to obtain additional funding to satisfy our repayment obligations. There can be no assurance that we will have sufficient funds to repay the notes or satisfy our payment obligations under the note purchase agreement when due or that we will comply with the conditions to our ability to convert the principal amount of the notes into or satisfy our payment obligations with shares of our common stock;

- repayment of our loan from Silicon Valley Bank—On June 2, 2010, we amended our loan and security agreement with Silicon Valley Bank to provide for a new seven-year term loan in an amount of $80.0 million. 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 also required to maintain on deposit an amount equal to at least 100% of the outstanding principal balance of the term loan at all times as support for our obligations under the loan and security agreement. As a result, although the proceeds of the new term loan improve our ability to comply with minimum working capital and cash covenants imposed by our debt instruments with Deerfield and thus provide us with more flexibility to use our other cash resources, the proceeds of the term loan cannot directly be used to satisfied our other obligations without causing a default under our loan and security agreement with Silicon Valley Bank;
- the level of payments received under existing collaboration agreements, licensing agreements and other arrangements;
- the degree to which we conduct funded development activity on behalf of partners to whom we have out-licensed compounds;
- whether we enter into new collaboration agreements, licensing agreements or other arrangements (including, in particular, with respect to cabozantinib) that provide additional capital;
- 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 amount of our cash and cash equivalents and marketable securities that serve as collateral for bank lines of credit;
- future clinical trial results;
- our need to expand our product and clinical development efforts;
- our ability to share the costs of our clinical development efforts with third parties;
- the cost and timing of regulatory approvals;
- the cost of clinical and research supplies of our product candidates;
- the effect of competing technological and market developments;
- the filing, maintenance, prosecution, defense and enforcement of patent claims and other intellectual property rights; and
- the cost of any acquisitions of or investments in businesses, products and technologies.

One or more of these factors or changes to our current operating plan may require us to use available capital resources significantly earlier than we anticipate. If our capital resources are insufficient to meet future capital requirements, we will have to raise additional funds. We may seek to raise funds through the sale of equity or debt securities or through external borrowings. In addition, we may enter into additional strategic partnerships or collaborative arrangements for the development and commercialization of our compounds. However, we may be unable to raise sufficient additional capital when we need it, on favorable terms or at all. The

sale of equity or convertible debt securities in the future may be dilutive to our stockholders, and debt-financing arrangements may require us to pledge certain assets and enter into covenants that would restrict certain business activities or our ability to incur further indebtedness, and may contain other terms that are not favorable to our stockholders or us. If we are unable to obtain adequate funds on reasonable terms, we may be required to curtail operations significantly or obtain funds by entering into financing, supply or collaboration agreements on unattractive terms or we may be required to relinquish rights to technology or product candidates or to grant licenses on terms that are unfavorable to us.

We may need to obtain additional funding in order to stay in compliance with financial covenants contained in agreements with third parties. As described above under "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Cash Requirements," the terms of our debt owed to Deerfield and Silicon Valley Bank each contain covenants requiring us to maintain specified cash balances or working capital. The failure to comply with these covenants could result in an acceleration of the underlying debt obligations. If we cannot raise additional capital in order to remain in compliance with such covenants or if we are unable to renegotiate such covenants and the lender exercises its remedies under the agreement, we would not be able to operate under our current operating plan.

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

We have incurred net losses since inception. However, for the three and nine months ended September 30, 2011, we were in a net income position of $77.9 million and $29.4 million, respectively, primarily as a result of the acceleration of deferred revenue under our 2008 Agreement with Bristol Myers-Squibb that terminated in October 2011. As of September 30, 2011, we had an accumulated deficit of $1,152.7 million. Notwithstanding our net income position for the three and nine months ended September 30, 2011, we anticipate further net losses and negative operating cash flow for the foreseeable future. We have not yet completed the development, including obtaining regulatory approval, of cabozantinib or any other product candidates and, consequently, have not generated revenues from the sale of pharmaceutical products. We have derived substantially all of our revenues to date from collaborative research and development agreements. Revenues from research and development collaborations depend upon continuation of the collaborations, research funding, the achievement of milestones and royalties we earn from any future products developed from the collaborative research. If research funding we receive from collaborators decreases, we are unable to successfully achieve milestones or our collaborators fail to develop successful products, we will not earn the revenues contemplated under such collaborative agreements. The amount of our net losses will depend, in part, on the rate of growth, if any, in our license and contract revenues and on the level of our expenses. These losses have had and will continue to have an adverse effect on our stockholders' equity and working capital. Our research and development expenditures and general and administrative expenses have exceeded our revenues to date, and we expect to spend significant additional amounts to fund the development 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 profitability. Because of the numerous risks and uncertainties associated with developing drugs, we are unable to predict the extent of any future losses or when we will become profitable, if at all.

We may not realize the expected benefits of our initiatives to control costs.

Managing costs is a key element of our business strategy. Consistent with this element of our strategy, on December 1, 2010 we implemented a restructuring that will result in a reduction of our workforce by approximately 65% over a two-year period. We anticipate that we will incur restructuring charges through the end of 2017 as we implement this restructuring.

We are still assessing our ability to sublease certain of our facilities in light of the workforce reduction as well as the potential for sublease income. Estimates for sublease income would require significant assumptions regarding the time required to contract with subtenants, the amount of idle space we would be able to sublease and potential future sublease rates. If we are able to vacate certain of our facilities, we would need to continue to update our estimate of the lease exist costs in our financial statements until we were able to negotiate an exit to the lease or negotiate a sublease for the remaining term of the lease.

If we experience excessive unanticipated inefficiencies or incremental costs in connection with restructuring activities, such as unanticipated inefficiencies caused by reducing headcount, we may be unable to meaningfully realize cost savings and we may incur expenses in excess of what we anticipate. Either of these outcomes could prevent us from meeting our strategic objectives and could adversely impact our results of operations and financial condition.

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

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

Global credit and financial market conditions could negatively impact the value of our current portfolio of cash equivalents or short-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 filing 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 September 30, 2011, 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 Development of Cabozantinib

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

The success of our business is dependent upon the successful development and commercialization of cabozantinib. As part of our strategy, we intend to dedicate all of our proprietary resources to advance cabozantinib as aggressively as feasible. Our ability to realize the value of our investment is contingent on, among other things, successful clinical development, regulatory approval and market acceptance of cabozantinib. If we encounter difficulties in the development of cabozantinib due to any of the factors discussed in this “Risk Factors” section or otherwise, or we do not receive regulatory approval and are unable to commercialize cabozantinib, we will not have the resources necessary to continue our business in its current form.

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

Clinical trials are inherently risky and may reveal that our product candidates are ineffective or have unacceptable toxicity or other side effects that may significantly decrease the likelihood of regulatory approval. 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, 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 subsequently discover other compounds or therapies that we believe 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 withhold authorization of, 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 or our ability to generate revenues from cabozantinib 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 including those identified based on our discussions with the FDA. 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 as a product candidate. 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 that ultimately participate in the clinical trial;
- the duration of patient follow-up that is appropriate in view of the results;
- 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 may experience similar risks with respect to the compounds we have outlicensed 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.

We do not have the ability to independently conduct clinical trials for cabozantinib, and we rely on third parties we do not control such as 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 the 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 successfully commercialize cabozantinib.

We lack the capability to manufacture compounds for clinical trials and rely on third parties to manufacture cabozantinib, and we may be unable to obtain required material in a timely manner, at an acceptable cost or at a quality level required to receive regulatory approval.

We do not have the manufacturing capabilities or experience necessary to enable us to produce materials for our clinical trials. We rely on collaborators and third-party contractors to produce cabozantinib for clinical testing. These suppliers must comply with applicable regulatory requirements, including the FDA's current good manufacturing processes, or GMP. Our current and anticipated future dependence upon these third-party manufacturers may adversely affect our future profit margins and our ability to develop and commercialize cabozantinib on a timely and competitive basis. These manufacturers 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 timelines and applicable regulatory requirements. We may not be able to maintain or renew our existing third-party manufacturing arrangements, or enter into new arrangements, on acceptable terms, or at all. Our third-party manufacturers could terminate or decline to renew our manufacturing 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 may be delayed. Delays in preclinical or clinical testing could delay the initiation of clinical trials.

Our third-party manufacturers may not be able to comply with the GMP regulations, other applicable FDA regulatory requirements or similar regulations applicable outside of the United States. Additionally, if we are required to enter into new supply arrangements, we may not be able to obtain approval from the FDA of any alternate 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 us to obtain approval from the FDA or to comply with applicable regulations could result in sanctions being imposed on us, including fines, civil penalties, delays in or failure to grant marketing approval of cabozantinib, injunctions, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products and compounds, operating restrictions and criminal prosecutions, any of which could have a significant adverse affect on our business.

Materials necessary to manufacture cabozantinib may not be available on commercially reasonable terms, or at all, which may delay its development and commercialization.

Some of the materials necessary for the manufacture of cabozantinib may, from time to time, be available either in limited quantities, or from a limited number of manufacturers, or both. Our contract manufacturers need to obtain these materials for our clinical trials and, potentially, for commercial distribution when and if we obtain marketing approval for cabozantinib. Suppliers may not sell us these materials at the time we need them or on commercially reasonable terms. If we are unable to obtain the materials needed to conduct our clinical trials, product testing and potential regulatory approval could be delayed, adversely affecting our ability to develop cabozantinib. Similarly, if we are unable to obtain critical manufacturing materials after regulatory approval has been obtained, the commercial launch of cabozantinib could be delayed or there could be a shortage in supply, which could materially

affect our ability to generate revenues from sales of cabozantinib. If suppliers increase the price of manufacturing materials, the price for cabozantinib may increase, which may make it less competitive in the marketplace. If it becomes necessary to change suppliers for any of these materials or if any of our suppliers experience a shutdown or disruption at the facilities used to produce these materials, due to technical, regulatory or other reasons, it could harm our ability to manufacture cabozantinib.

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 Bristol-Myers Squibb, sanofi-aventis, Genentech, GlaxoSmithKline and Daiichi Sankyo, for the development and ultimate commercialization of a significant number of compounds generated from our research and development efforts. We continue to pursue collaborations for selected unpartnered preclinical and clinical programs and compounds. Our dependence on our relationships with existing collaborators for the development and commercialization of our compounds 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 will devote to the development or commercialization of drug candidates or to their marketing and distribution;
- we may not be able to control the amount and timing of resources that our potential future collaborators may devote to the development or commercialization of drug candidates or to their marketing and distribution;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a drug candidate, repeat or conduct new clinical trials or require a new formulation of a drug candidate for clinical testing;
- disputes may arise between us and our collaborators that result in the delay or termination of the research, development or commercialization of our drug candidates or that result in costly litigation or arbitration that diverts management's attention and resources;
- collaborators may experience financial difficulties;
- collaborators may not be successful in their efforts to obtain regulatory approvals in a timely manner, or at all;
- collaborators may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our proprietary information or expose us to potential litigation;
- 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 (as occurred with respect to cabozantinib and XL281, that were previously subject to our 2008 Agreement with Bristol-Myers Squibb) or allowed to expire, which would delay the development and may increase the cost of developing our drug candidates.

If any of these risks materialize, our product development efforts could be delayed and otherwise adversely affected, which could adversely impact our business, operating results and financial condition.

If we are unable to continue current collaborations and achieve milestones or royalties, our revenues would suffer.*

We have derived substantially all of our revenues to date from collaborative research and development agreements. Revenues from research and development collaborations depend upon continuation of the collaborations, the achievement of milestones and royalties we earn from any future products developed from the collaborative research. If we are unable to successfully achieve milestones or royalties, or our collaborators fail to develop successful products, we will not earn the revenues contemplated under such collaborative agreements.

If any of these agreements is terminated early (as occurred with respect to cabozantinib and XL281, which were previously subject to our 2008 Agreement with Bristol-Myers Squibb), whether unilaterally or by mutual agreement, our revenues could suffer. Most of our collaboration agreements contain early termination provisions. In addition, from time to time we review and assess certain

aspects of our collaborations, partnerships and agreements and may amend or terminate, either by mutual agreement or pursuant to any applicable early termination provisions, such collaborations, partnerships or agreements if we deem them to be no longer in our economic or strategic interests. We may not be able to enter into new collaboration agreements on similar or superior financial terms to offset the loss of revenues from the termination or expiration of any of our existing or recently terminated arrangements.

We may be unable to establish collaborations for selected preclinical and clinical compounds.

Our strategy includes the pursuit of 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. We face significant competition in seeking appropriate collaborators, and these collaborations are complex and time consuming to negotiate and document. We may not be able to negotiate additional collaborations on acceptable terms, or at all. We are unable to predict when, if ever, we will enter into any additional collaborations because of the numerous risks and uncertainties associated with establishing additional collaborations. If we are unable to negotiate additional collaborations, we may not be able to realize value from a particular drug candidate, particularly those drug candidates as to which we believe a broad development program is appropriate or for which we have determined not to continue to utilize our own resources to develop. As a result, our revenues, capital resources and product development efforts could be adversely affected.

Risks Related to Regulatory Approval of Cabozantinib

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 this product candidate.*

Cabozantinib, as well as the activities associated with the research, development and commercialization of the product candidate, 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 commercializing this product candidate. We have not received regulatory approval to market cabozantinib in any jurisdiction and have only limited experience in preparing and filing the applications necessary to gain regulatory approvals. The process of obtaining regulatory approvals 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. Before an NDA can be submitted to the FDA, the product candidate must undergo extensive clinical trials, which can take many years and requires substantial expenditures. Any clinical trial may fail to produce results satisfactory to the FDA. 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.

We are conducting our phase 3 clinical trial of cabozantinib as a potential treatment for medullary thyroid cancer under an SPA with the FDA. In addition, we have submitted to the FDA the protocol for a planned pivotal trial for cabozantinib in metastatic castration-resistant prostate cancer using an endpoint of pain reduction and bone scan response (XL184-306) for consideration of an SPA. An SPA is designed to facilitate the FDA's review and provide feedback on the proposed design and size of clinical trials that are intended to form the primary basis for determining a product candidate's efficacy. If agreement is reached with the FDA, an SPA agreement documents the terms and conditions under which the design of the subject trial will be adequate for submission of the efficacy and human safety portion of an NDA. However, there are circumstances under which we may not receive the benefits of an SPA, notably if the FDA subsequently identifies a substantial scientific issue essential to determining the product candidate's safety or efficacy, and we may be required to conduct significant additional development in order to obtain regulatory approval notwithstanding the SPA.

In addition, delays or rejections may be encountered based upon changes in regulatory policy for product approval during the period of product development and regulatory agency review. Changes in regulatory approval policy, regulations or statutes or the process for regulatory review during the development or approval periods of cabozantinib may cause delays in the approval or rejection of an application.

Even if the FDA or a comparable authority in another country 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. These agencies also may impose various civil or criminal sanctions for failure to comply with regulatory requirements, including withdrawal of product approval.

Risks Related to Commercialization of Cabozantinib

The commercial success of cabozantinib will depend upon the degree of market acceptance of the product candidate among physicians, patients, health care payors, private health insurers and the medical community.

Our ability to commercialize cabozantinib will be highly dependent upon the extent to which the product candidate gains market acceptance among physicians; patients; health care payors, such as Medicare and Medicaid; private health insurers, including managed care organizations and group purchasing organizations, and the medical community. If cabozantinib does not achieve an adequate level of acceptance, we may not generate adequate product revenues, if at all, and we may not become profitable. The degree of market acceptance of cabozantinib, if approved for commercial sale, 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 any competing products;
- potential advantages over alternative treatments;
- the ability to offer cabozantinib for sale at competitive prices;
- relative convenience and ease of administration;
- the strength of marketing and distribution support; and
- sufficient third-party coverage or reimbursement.

If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to market and sell cabozantinib, we may be unable to generate product revenues.*

We have no experience as a company in the sales and distribution of pharmaceutical products and do not have a sales organization. Developing a sales force could be expensive and time-consuming, could delay any product launch, including our potential launch of cabozantinib for the treatment of medullary thyroid cancer, and we may never be able to develop this capacity. To the extent that we enter into arrangements with third parties to provide sales, marketing and distribution services, our product revenues are likely to be lower than if we market and sell cabozantinib ourselves. If we are unable to establish adequate sales, marketing and distribution capabilities, independently or with others, we may not be able to generate product revenues.

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

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

Another factor that may affect the pricing of drugs is proposed congressional action regarding drug reimportation into the United States. For example, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 gives discretion to the Secretary of Health and Human Services to allow drug reimportation into the United States under some circumstances from foreign countries, including countries where the drugs are sold at a lower price than in the United States. Proponents of drug reimportation may attempt to pass legislation, which would allow direct reimportation under certain circumstances. If legislation or regulations were passed allowing the reimportation of drugs, it could decrease the price we receive for cabozantinib, thereby negatively affecting our revenues and prospects for profitability.

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

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

The U.S. 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 our products profitably. Among policy makers and payors in the U.S. 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 U.S., the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by major legislative initiatives.

In March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, or collectively, PPACA, became law in the U.S. PPACA substantially changes the way healthcare is financed by both governmental and private insurers and significantly affects the pharmaceutical industry. Among the provisions of PPACA of greatest importance to the pharmaceutical industry are the following:

- an annual, nondeductible fee on any entity that manufactures or imports certain branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs, beginning in 2011;
- an increase in the rebates a manufacturer must pay under the Medicaid Drug Rebate Program, retroactive to January 1, 2010, to 23% and 13% of the average manufacturer price for branded and generic drugs, respectively;
- a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts 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, beginning in 2011;
- extension of manufacturers' Medicaid rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations, effective March 23, 2010;
- expansion of eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to additional individuals beginning in April 2010 and by adding new mandatory eligibility categories for certain individuals with income at or below 133% of the Federal Poverty Level beginning in 2014, thereby potentially increasing manufacturers' Medicaid rebate liability;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program, effective in January 2010;
- new requirements to report certain financial arrangements with physicians, including reporting any "transfer of value" made or distributed to prescribers and other healthcare providers, effective March 30, 2013, and reporting any investment interests held by physicians and their immediate family members during the preceding calendar year;
- a new requirement to annually report drug samples that manufacturers and distributors provide to physicians, effective April 1, 2012;
- a licensure framework for follow-on biologic products; and
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

We anticipate that the PPACA, as well as other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and an additional downward pressure on the price that we receive for any approved product, and could seriously harm our business. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors.

We also cannot be certain that cabozantinib will successfully be placed on the list of drugs covered by particular health plan formularies, nor can we predict the negotiated price for cabozantinib, which will be determined by market factors. Many states have also created preferred drug lists and include drugs on those lists only when the manufacturers agree to pay a supplemental rebate. If cabozantinib is not included on these preferred drug lists, physicians may not be inclined to prescribe it to their Medicaid patients, thereby diminishing the potential market for cabozantinib.

As a result of the PPACA and the trend towards cost-effectiveness criteria and managed healthcare in the United States, third-party payors are increasingly attempting to contain healthcare costs by limiting both coverage and the level of reimbursement of new drugs. 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 payors 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 payors outside of the United States for coverage and reimbursement of cabozantinib. We also anticipate pricing pressures in connection with the sale of our products due to the trend toward managed healthcare, the increasing influence of health maintenance organizations and additional legislative proposals.

Our competitors may develop products and technologies that make cabozantinib obsolete.*

The biotechnology industry is highly fragmented and is 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 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. In addition, significant delays in the development of cabozantinib could allow our competitors to bring products to market before us, which would impair our ability to commercialize cabozantinib. Our future success will depend upon our ability to maintain a competitive position with respect to technological advances. Any products that are developed through our technologies will compete in highly competitive markets. Further, our competitors may be more effective at using their technologies to develop commercial products. Many of the organizations competing with us have greater capital resources, larger research and development staff and facilities, more experience in obtaining regulatory approvals and more extensive product manufacturing and marketing capabilities. As a result, our competitors may be able to more easily develop technologies and products that would render our technologies and products, and those of our collaborators, obsolete and noncompetitive. There may also be drug candidates of which we are not aware at an earlier stage of development that may compete with cabozantinib. In addition, if cabozantinib is successfully developed, it may compete with existing therapies that have long histories of use, such as chemotherapy and radiation treatments in cancer indications. Examples of potential competition for cabozantinib include: AstraZeneca's RET, VEGFR and EGFR inhibitor, vandetanib; Algeta's development-stage alpha-pharmaceutical, Alpharadin (Radium-223); other VEGF pathway inhibitors, including Genentech's bevacizumab; and other MET inhibitors, including Pfizer's crizotinib, ArQule's ARQ197, GlaxoSmithKline's foretinib (XL880) and Genentech's Met MAb.

We may not be able to manufacture cabozantinib in commercial quantities, which would prevent us from commercializing the product candidate.

To date, cabozantinib has been manufactured in small quantities for preclinical and clinical trials. If cabozantinib is approved by the FDA or other regulatory agencies for commercial sale, we will need to manufacture it in larger quantities. We may not be able to successfully increase the manufacturing capacity, whether in collaboration with third-party manufacturers or on our own, for cabozantinib in a timely or economic manner, or at all. Significant scale-up of manufacturing may require additional validation studies, which the FDA must review and approve. If we are unable to successfully increase the manufacturing capacity for cabozantinib, the regulatory approval or commercial launch of the product candidate may be delayed or there may be a shortage in supply. Cabozantinib requires precise, high-quality manufacturing. The failure to achieve and maintain these high manufacturing standards, including the incidence of manufacturing errors, could result in patient injury or death, product recalls or withdrawals, delays or failures in product testing or delivery, cost overruns or other problems that could seriously hurt our business.

Risks Related to Our Intellectual Property

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 biotechnology companies, including our patent position, are generally uncertain and involve complex legal and factual questions. We will be able to protect our intellectual property rights from unauthorized use by third parties only to the extent that our technologies are covered by valid and enforceable patents or are effectively maintained as trade secrets. We will continue to apply for patents covering our technologies and products as and when we deem appropriate. However, these applications may be challenged or may fail to result in issued patents. In addition, because patent applications can take many years to issue, there may be 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 these 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 some of our 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 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. 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, other biotechnology 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. 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 expand our operations.*

We are highly dependent upon the principal members of our management and scientific staff, the loss of whose services might adversely impact the achievement of our objectives and the continuation of existing collaborations. Also, we may not have sufficient personnel to execute our business plan. Retaining and, where necessary, recruiting qualified clinical and scientific personnel will be critical to support activities related to advancing our clinical and preclinical development programs, and supporting our collaborative arrangements and our internal proprietary research and development efforts. The restructuring plans that we implemented in 2010 and 2011 and additional and planned personnel reductions through 2012 could have an adverse impact on our ability to retain and recruit qualified personnel. Competition is intense for experienced clinical personnel, and we may be unable to retain or recruit clinical personnel with the expertise or experience necessary to allow us to pursue collaborations, develop our products and core technologies or expand our operations to the extent otherwise possible. Further, all of our employees are employed "at will" and, therefore, may leave our employment at any time.

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

We work with scientific and clinical advisors and collaborators at academic and other institutions that assist us in our research and development efforts. These advisors and collaborators are not our employees and may have other commitments that limit their availability to us. Although these advisors and collaborators generally agree not to do competing work, if a conflict of interest between their work for us and their work for another entity arises, we may lose their services. In such a circumstance, we may lose work performed by them, and our development efforts with respect to the matters on which they were working may be significantly delayed or otherwise adversely affected. In addition, although our advisors and collaborators sign agreements not to disclose our confidential information, it is possible that valuable proprietary knowledge may become publicly known through them.

Our headquarters are located near known earthquake fault zones, and the occurrence of an earthquake or other disaster could damage our facilities and equipment, which could harm our operations.

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

Security breaches may disrupt our operations and harm our operating results.

Our network security and data recovery measures may not be adequate to protect against computer viruses, break-ins, and similar disruptions from unauthorized tampering with our computer systems. The misappropriation, theft, sabotage or any other type of security breach with respect to any of our proprietary and confidential information that is electronically stored, including research or clinical data, could have a material adverse impact on our business, operating results and financial condition. Additionally, any break-in or trespass of 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 have a material adverse impact on our business, operating results and financial condition.

Risks Related to Environmental and Product Liability

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

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

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

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

We may be held liable if any product we or our collaborators develop causes injury or is found otherwise unsuitable during product testing, manufacturing, marketing or sale. Regardless of merit or eventual outcome, product liability claims could result in decreased demand for our product candidates, injury to our reputation, withdrawal of patients from our clinical trials, substantial monetary awards to trial participants 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 in the amount of $10.0 million per occurrence and $10.0 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. If we obtain marketing approval for cabozantinib,

we intend to expand our insurance coverage to include the sale of commercial products, but we may be unable to obtain commercially reasonable product liability insurance for any products approved for marketing. 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 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

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 scope of our research and development activities;
- recognition of upfront licensing or other fees or revenues;
- payments of non-refundable upfront or licensing fees, or payment for cost-sharing expenses, to third parties;
- acceptance of our technologies and platforms;
- the success rate of our efforts leading to milestone payments and royalties;
- the introduction of new technologies or products by our competitors;
- the timing and willingness of collaborators to further develop or, if approved, commercialize our product outlicensed to them;
- our ability to enter into new collaborative relationships;
- the termination or non-renewal of existing collaborations;
- the timing and amount of expenses incurred for clinical development and manufacturing 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 plans; and
- general and industry-specific economic conditions that may affect our collaborators' research and development expenditures.

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

Due to the possibility of fluctuations in our revenues and expenses, we believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance. As a result, in some future quarters, our operating results may not meet the expectations of 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 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 one or more of our outlicensed programs and 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 or pharmaceutical industry;
- sales of large blocks of our common stock or sales of our common stock by our executive officers, directors and significant stockholders;
- departures of key personnel or board members;
- developments concerning current or future collaborations;
- FDA or international regulatory actions;
- third-party reimbursement policies;
- disposition of any of our subsidiaries, technologies or compounds; and
- general market 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 filing 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 may depress our stock price.

If our stockholders sell substantial amounts of our common stock (including shares issued upon the exercise of options and warrants or upon vesting of restricted stock units and shares issued under our employee stock purchase plan) in the public market, the market price of our common stock could fall. These sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

Some of our existing stockholders can exert control over us, and their interests could conflict with the best interests of our other stockholders.

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

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.

Provisions in our corporate charter and bylaws may discourage, delay or prevent an acquisition of our company, 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.

ITEM 6. EXHIBITS

(a) Exhibits

The exhibits listed on the accompanying exhibit index are filed or incorporated by reference (as stated therein) as part of this Quarterly Report on Form 10-Q.

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.

Date: October 27, 2011

EXELIXIS, INC.

/s/ Frank Karbe

Frank Karbe
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Table of Contents

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/ Appendix Reference	Filing Date	
2.1*	Share Sale and Transfer Agreement, dated November 20, 2007, by and between Taconic Farms, Inc. and Exelixis, Inc.	10-K	000-30235	2.3	2/25/2008	
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	Amended and Restated Bylaws of Exelixis, Inc.	8-K	000-30235	3.1	10/4/2007	
4.1	Specimen Common Stock Certificate.	S-1, as amended	333-96335	4.1	2/7/2000	
4.2	Form of Warrant, dated June 10, 2009, to purchase 500,000 shares of Exelixis, Inc. common stock in favor of Symphony Evolution Holdings LLC.	10-Q, as amended	000-30235	4.4	7/30/2009	
4.3*	Warrant Purchase Agreement, dated June 9, 2005, between Exelixis, Inc. and Symphony Evolution Holdings LLC.	10-Q	000-30235	10.8	8/9/2005	
4.4*	Form Warrant to Purchase Common Stock of Exelixis, Inc. issued or issuable to Deerfield Private Design Fund, L.P., Deerfield Private Design International, L.P., Deerfield Partners, L.P. and Deerfield International Limited	8-K	000-30235	4.9	6/9/2008	
4.5	Form of Common Stock Agreement and Warrant Certificate	S-3, as amended	333-158792	4.17	4/24/2009	
4.6	Form of Preferred Stock Agreement and Warrant Certificate	S-3, as amended	333-158792	4.18	4/24/2009	
4.7	Form of Debt Securities Warrant Agreement and Warrant Certificate	S-3, as amended	333-158792	4.19	4/24/2009	
4.8	Form of Senior Debt Indenture	S-3, as amended	333-158792	4.13	5/28/2009	
4.9	Form of Subordinated Debt Indenture	S-3, as amended	333-158792	4.14	5/28/2009	
4.10	Form of Note, dated July 1, 2010, in favor of Deerfield Private Design International, L.P.	10-Q	000-30235	10.1 (Exhibit A-1)	8/5/2010	
4.11	Form of Note, dated July 1, 2010, in favor of Deerfield Private Design Fund, L.P.	10-Q	000-30235	10.1 (Exhibit A-2)	8/5/2010	
10.1†	Separation Agreement and Release dated July 18, 2011, by and between Exelixis, Inc. and Frances K. Heller.					X
10.2†	Exelixis, Inc. Change in Control and Severance Benefit Plan, as amended and restated.					X
10.3	Sublease, dated July 25, 2011, between Exelixis, Inc. and Nodality, Inc.					X
10.4	Consent to Sublease, dated August 16, 2011, by and among HCP Life Science REIT, Inc., Exelixis, Inc. and Nodality, Inc.					X
10.5	Sublease, dated July 25, 2011, between Exelixis, Inc. and Threshold Pharmaceuticals, Inc.					X
10.6	Consent to Sublease, dated August 19, 2011, by and among HCP Life Science REIT, Inc., Exelixis, Inc. and Threshold Pharmaceuticals, Inc.					X
10.7**	Amendment No. 11, dated August 18, 2011, to the Loan and Security Agreement, dated May 22, 2002, by and between					X

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/ Appendix Reference	Filing Date	
	Silicon Valley Bank and Exelixis, Inc.					
10.8†	Severance/Consulting Agreement and Release dated September 28, 2011, by and between Exelixis, Inc. and Lupe M. Rivera.					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.LAB#	XBRL Taxonomy Extension Labels Linkbase Document					X
101.PRE#	XBRL Taxonomy Extension Presentation Linkbase Document					X

* Confidential treatment granted for certain portions of this exhibit.

** Confidential treatment requested for certain portions of this exhibit.

† Management contract or compensatory plan.

‡ 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.

Pursuant to applicable securities laws and regulations, we are deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and are not subject to liability under any anti-fraud provisions of the federal securities laws as long as we have made a good faith attempt to comply with the submission requirements and promptly amend the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. In accordance with Rule 406T of Regulation S-T, the information in these exhibits is furnished and deemed not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

Exhibit 10.1

SEPARATION AGREEMENT AND RELEASE

PLEASE READ CAREFULLY:
THIS CONTAINS A RELEASE OF ALL CLAIMS,
KNOWN OR UNKNOWN

THIS SEPARATION AGREEMENT AND RELEASE (the "Agreement") is entered into by and between **Frances K. Heller** ("Employee") and Exelixis, Inc. ("Employer" or "Company").

Now, therefore, in consideration of the mutual promises contained herein, it is agreed as follows:

1. Separation: The Company and the Employee mutually agree that the Employee's last day of employment with the Company will be July 18, 2011 ("Separation Date") and that her separation from the Company will be governed by the terms herein. On the Separation Date, Employee will be provided with her final paycheck which includes all accrued wages and all accrued but unused vacation time. Employee's accrued but unused vacation time is 191.78 hours. Between the date Employee executes this Agreement and her Separation Date (the "Transition Period"), Employee will continue to be an employee of the Company and will be provided with her full pay and benefits (including continued vesting of her stock options). During the Transition Period, Employee will use reasonable efforts to perform her assigned duties and responsibilities (including the transition of her duties) upon request of the CEO and she will be expected to continue to comply with all of the Company's policies and procedures (including its insider trading policy). Employer will provide accurate information regarding Employee's earnings, will not oppose any unemployment compensation claims Employee may file, and, for purposes of unemployment compensation, will not characterize Employee's separation as a voluntary departure "without good cause," or as a discharge in connection with "misconduct," as those terms are defined in California Unemployment Insurance Code Section 1256.

2. Severance Benefits: If Employee: (i) signs this Agreement and allows all releases contained herein to become effective; (ii) reaffirms her release of claims on the Separation Date by signing where indicated on the final page of this Agreement (the "Separation Date Affirmation"); and (iii) complies with all of her obligations to the Company during the Transition Period; then the Company shall provide Employee with the following Severance Benefits:

   a. **Severance Pay**. Employer shall pay Employee as severance the sum of **$212,175.12** ("Severance Pay"), less required withholdings, which represents 6 months (the "Severance Pay Period") of Employee's regular gross compensation of **$8,160.59** per week. This amount shall be paid in one lump sum via check sent by overnight delivery upon the Effective Date of the releases provided on the Separation Date (as defined in Section 5(c) herein). For the avoidance of doubt and for purposes of ensuring that the Severance Pay qualifies as a "short-term deferral," which is exempt from Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), the Severance Pay shall, in all events, be paid no later than July 30, 2011. In the event of the Employee's death, the benefits and payments provided for in this Agreement shall inure to the benefit of the Employee's estate.

   b. **Transition Payment**. Employer shall pay Employee the sum of $146,000.00

("Transition Payment"), less required withholdings, in lieu of any bonus payments, outplacement services payments, any compensation or benefits which may be required under the federal or California WARN Acts, and any other payments to which she may be entitled. This amount shall be paid in one lump sum via check sent by overnight delivery upon the Effective Date of the releases provided on the Separation Date (as defined in Section 5(c) herein, but in all events no later than July 30, 2011).

c. **COBRA Benefits**. If Employee timely elects continued coverage under COBRA for herself and/or any eligible dependents, the Company will pay the COBRA premiums necessary to continue Employee's current coverage (including dependent coverage), in the manner described in the Exelixis, Inc. Change in Control and Severance Benefits Plan, until the earlier of: (i) a period of twelve (12) months after the Separation Date; or (ii) until such time as Employee becomes eligible for similar health insurance through another employer. Employee agrees to notify the Company in writing within ten (10) business days upon becoming eligible for similar health insurance through another employer.

d. **Stock Options.** Employee's stock options shall cease vesting as of the close of business on July 18, 2011. As part of this Agreement, Employee shall be entitled to exercise any outstanding vested stock options until the earlier of: (i) January 31, 2012; or (ii) the original expiration date of each option. Subsequent to the Employee's separation from the Company, if there is a trading restriction placed by the Company on the E*Trade account holding Employee's Company stock options (the "Employee's E*Trade Account"), then the above January 31, 2012 expiration date is extended by one day for each day after July 18, 2011, that the trading restriction on such account remains in effect. Employee understands that extension of the exercise period may result in different tax treatment of certain stock options and that the Company makes no representation as to tax treatment of any such options. Employee hereby consents to the extension of the period for exercise of outstanding vested stock options. Except for the modifications of the exercise period as set forth herein, Employee's stock options shall continue to be governed by the applicable grant notice, stock option agreement, and stock option plan. The Company warrants, represents and acknowledges that unless otherwise required under applicable statute, regulation, judgment or court order, the Company will ensure that: (i) any restriction or prohibition on the Employee's ability to trade her Company stock options or shares of common stock upon exercise thereof is permanently removed from the Employee's E*Trade Account on the date the first quarterly trading window opens after the Separation Date; and (ii) no trading restriction or prohibition will be placed on the Employee's E*Trade Account after that date at, or pursuant to, the direction of the Company.

e. **Business Expenses.** Employee has thirty (30) days from the Separation Date to submit to the Company any business expenses along with the supporting documentation for such expenses (i.e., receipts) incurred by the Employee for which the Employee has not yet sought reimbursement. The Company will reimburse Employee within thirty (30) days of the date Employee submits such expenses and supporting documentation.

3. Employee's Representations: Employee warrants, represents and acknowledges that: (i) Employee has been paid all compensation owed by Employer as of the date Employee signs this Agreement, including any and all wages, expense reimbursements, and commissions, and bonuses; (ii) Employee has no reason to believe that she has suffered any injuries or illnesses on the job which have not been reported to Employer;

(iii) Employee has been properly provided any leave of absence because of Employee's or Employee's family member's health condition and has not been subjected to any improper treatment, conduct or actions due to a request for or taking such leave; and (iv) Employee is not eligible for any compensation or benefits pursuant to any federal or state WARN laws.

4. Release:

a. **General Release.** In exchange for the Severance Benefits Employee hereby generally and completely releases, acquits and forever discharges the Company, and its parent, subsidiary, and affiliated entities, along with its and their predecessors and successors and their respective directors, officers, employees, shareholders, stockholders, partners, agents, attorneys, insurers, affiliates and assigns (collectively, the "Released Parties"), of and from any and all claims, liabilities and obligations, both known and unknown, that arise from or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date that Employee signs this Agreement (collectively, the "Released Claims"). The Employee does not waive any rights or claims that may arise after the date this Agreement is executed.

b. **Scope of Release.** The Released Claims include, but are not limited to: (i) all claims arising out of or in any way related to Employee's employment with the Company, or the cessation of that employment; (ii) all claims related to Employee's compensation or benefits from the Company, including salary, bonuses, commissions, other incentive compensation, vacation pay and the redemption thereof, expense reimbursements, severance payments, fringe benefits, stock, stock options, or any other ownership or equity interests in the Company; (iii) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (iv) all tort claims, including but not limited to claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (v) all federal, state, and local statutory claims, including but not limited to claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Worker Adjustment and Retraining Notification Act (as amended) (the "WARN Act"), the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990 (as amended), the federal Age Discrimination in Employment Act, as amended (the "ADEA"), the federal Family and Medical Leave Act (as amended) (the "FMLA"), the California Family Rights Act ("CFRA"), the California Labor Code (as amended) and the California Fair Employment and Housing Act (as amended).

c. **ADEA Waiver**. Employee acknowledges that she is knowingly and voluntarily waiving and releasing any rights she may have under the ADEA ("ADEA Waiver"). Employee also acknowledges that the consideration given for the ADEA Waiver is in addition to anything of value to which Employee was already entitled. Employee further acknowledges that she has been advised by this writing, as required by the ADEA, that: (i) her ADEA Waiver does not apply to any rights or claims that arise after the date she signs this Agreement; (ii) she should consult with an attorney prior to signing this Agreement (although she may choose voluntarily not to do so); (iii) she has twenty-one (21) days to consider this Agreement (although she may choose to voluntarily sign it sooner); (iv) she has seven (7) days following the date she signs this Agreement to revoke it, with such revocation to be effective only if she delivers written notice of revocation to the Company within the seven (7)-day period; and (v) the ADEA

Waiver will not be effective until the date upon which the revocation period has expired unexercised, which will be the eighth day after Employee signs this Agreement or, in the case of the Separation Date Affirmation, the eighth day after Employee signs this Affirmation ("Effective Date"). To revoke the Agreement, Employee must deliver a written statement of revocation to Exelixis, Inc., c/o Laura Dillard, Executive Director, Human Resources, 210 E. Grand Avenue, P.O. Box 551, South San Francisco, CA 94093-0511, by hand delivery by no later than the close of business on the seventh day after signing the Agreement or by registered or certified mail postmarked within the seven-day revocation period, along with a faxed copy of Employee's revocation to 650-837-7226 within the seven-day revocation period.

d. **Section 1542 Waiver.** In giving the release herein, which includes claims which may be unknown to Employee at present, Employee acknowledges that she has read and understands Section 1542 of the California Civil Code, which reads as follows: "**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**" Employee hereby expressly waives and relinquishes all rights and benefits under that section and any law or legal principle of similar effect in any jurisdiction with respect to her release of claims in this Agreement, including her release of unknown and unsuspected claims.

e. **Exceptions.** Notwithstanding the foregoing, the following are not included in the Released Claims (the "**Excluded Claims**"): (i) any rights or claims for indemnification Employee may have pursuant to any fully signed indemnity agreement she may have with the Company, the charter, bylaws, or operating agreements of the Company, any policy, by-law, agreement, practice or obligation of the Company with respect to the defense or indemnification of directors, officers or employees, or under applicable law; (ii) Employee's rights under any liability insurance policy (including directors' and officers' liability); (iii) Employee's vested rights and benefits under any pension or welfare benefit plans; (iv) any rights or claims which are not waivable as a matter of law; or (v) any rights under, or claims arising from the breach of, this Agreement. In addition, nothing in this Agreement prevents Employee from filing, cooperating with, or participating in any investigation or proceeding before the Equal Employment Opportunity Commission, the federal Department of Labor, the California Fair Employment and Housing Commission, or any other government agency, except that Employee hereby waives her right to any monetary benefits in connection with any such claim, charge, investigation, or proceeding. Employee hereby represents and warrants that, other than the Excluded Claims, she is not aware of any claims she has or might have against any of the Released Parties that are not included in the Released Claims.

5. Proprietary Information: Employee agrees and acknowledges that during her employment Employee obtained certain confidential and proprietary information of Employer. Employee agrees that she will comply fully with her Employee Proprietary Information and Inventions Agreement.

6. Nondisparagement: As a material inducement to enter into this Agreement, the parties agree as follows: (1) Employee agrees not to disparage, criticize or make any derogatory statement about the Company, or issue any communication that reflects adversely on the Company and its officers, directors, employees, shareholders and

agents, and (2) the Company agrees to direct its officers, directors and personnel in its Human Resources department not to disparage, criticize or make any derogatory statement about the Employee, or issue any communication that reflects adversely on the Employee; and (3) both Employee and the Company may respond accurately and fully to any request for information to the extent required by legal process. The Company agrees that only Dr. Stelios Papadopoulos, Chairman of the Board of Directors of the Company (or any member of the Audit Committee of the Board of Directors of the Company if Dr. Papadopoulos is not a member of the Board of Directors of the Company or is otherwise not reasonably available) shall be authorized to (1) respond to any inquiries about the Employee received by the Company and (2) make any public statement regarding the Employee. If any other officer or director of the Company is contacted regarding Employee, they will refer the contact either to Dr. Papadopoulos or the Company's Human Resources Department (which will only verify dates of employment and positions held). In addition, the parties agree that any disclosure regarding this Agreement, the Employee, or that in any way relates to, refers to or discusses the Employee's employment by the Company or the cessation of that employment in any 8-K or press release shall be as set forth on Exhibit A hereto and that any other disclosure or statement made in a public filing or other statement shall be consistent with such disclosure on Exhibit A hereto. Further, through December 31, 2011, Employer will allow an auto-reply on Employee's current Company email address that states:

> I am no longer with Exelixis. For matters relating to Exelixis business development, please contact:
>
> Rekha Hemrajani, Vice President Business Development at rhemraja@exelixis.com (650) 837-7480; or
>
> Aman Parhar, Senior Director Business Development at aparhar@exelixis.com (650) 837-8325
>
> For personal matters, please contact me at fheller@gmail.com

7. No Voluntary Adverse Action: Employee agrees that she will not voluntarily (except in response to legal compulsion) assist any person in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceeding against the Company, its parent or subsidiary entities, affiliates, officers, directors, employees or agents.

8. Cooperation: Employee agrees to cooperate fully with the Company in connection with its actual or contemplated defense, prosecution, or investigation of any claims or demands by or against third parties, or other matters arising from events, acts, or failures to act that occurred during the period of her employment by the Company. Such cooperation includes, making herself available to the Company upon reasonable notice, without subpoena, provided that such cooperation does not interfere unreasonably with any subsequent employment or consulting work of the Employee, to provide complete, truthful and accurate information in witness interviews, depositions, and trial testimony. The Company will reimburse Employee for time actually expended at an hourly rate (based upon Employee's base salary as of the last day of her employment) for cooperation that occurs post-employment; provided, however, that Employee shall not be compensated for actual time spent providing testimony, which time shall not exceed 10.5 hours in the aggregate. The Company also will reimburse Employee for reasonable out-of-pocket expenses she incurs in connection with any such cooperation.

9. No Admissions: Nothing contained in this Agreement shall be construed as an

admission by Employee or the Company of any liability, obligation, wrongdoing or violation of law.

10. Dispute Resolution: To aid in the rapid and economical resolution of any disputes which may arise under this Agreement, Employee and the Company agree that any and all claims, disputes or controversies of any nature whatsoever arising from or regarding the interpretation, performance, negotiation, execution, enforcement or breach of this Agreement shall be resolved by confidential, final and binding arbitration conducted before a single arbitrator with JAMS, Inc. ("**JAMS**") in San Francisco, California, in accordance with JAMS' then-applicable arbitration rules. **The parties acknowledge that by agreeing to this arbitration procedure, they waive the right to resolve any such dispute through a trial by jury, judge or administrative proceeding**. Employee will have the right to be represented by legal counsel at any arbitration proceeding at her own expense. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be available under applicable law in a court proceeding; and (b) issue a written statement signed by the arbitrator regarding the disposition of each claim and the relief, if any, awarded as to each claim, the reasons for the award, and the arbitrator's essential findings and conclusions on which the award is based. The Company shall bear JAMS' arbitration fees and administrative costs. Nothing in this Agreement shall prevent either Employee or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any awards or orders in such arbitrations may be entered and enforced as judgments in the federal and state courts of any competent jurisdiction.

    Prior to the initiation by any party of a JAMS arbitration procedure, the parties agree to enter into direct and good faith negotiations to resolve any and all claims, disputes or controversies of any nature whatsoever arising from or regarding the interpretation, performance, negotiation, execution, enforcement or breach of this Agreement. In that regard, the party that believes there may be a dispute relating to this Agreement shall send a notice to the other party (pursuant to the notice provision in this Agreement) that sets forth the reasons it believes there is a dispute and nature of the potential dispute, and shall give the other party ten (10) business days after its receipt of the notice to remedy the matter. If the potential dispute is not resolved by the parties within those ten (10) business days, then either party may initiate a JAMS arbitration proceeding.

11. Governing Law: This Agreement shall be governed by California law.

12. Entire Agreement: This Agreement constitutes the complete and total agreement between the Company and Employee with respect to issues addressed in this Agreement; provided, however, that this Agreement shall not in any way affect, modify, or nullify any other agreement Employee has entered into with the Company, including any equity agreement, lock-up agreement or any agreement which obligates Employee to protect the Company's confidential information, after Employee's employment is terminated. Employee represents that she is not relying on any other agreements or oral representations not fully expressed in this document. This Agreement is being executed on behalf of the Company by an officer or a director of the Company duly authorized to do so by the Company's Board of Directors. Employee agrees that this Agreement shall not be modified, altered, or discharged except by written instrument signed by an authorized Company representative and Employee.

13. Captions: The headings in this Agreement are for reference only, and shall not in any way affect the meaning or interpretation of this Agreement.

14. Section 409A of the Internal Revenue Code: This Agreement shall, to the greatest extent possible, be construed to provide payments and benefits to the Employee that are exempt from Code Section 409A.

15. Severability: The parties agree that should any part of this Agreement be found to be void or unenforceable by a court of competent jurisdiction, that determination will not affect the remainder of this Agreement.

16. Mergers and Consolidations; Assignability: This Agreement shall be binding upon the parties and their respective representatives, heirs, executors, successors and assigns.

17. Notices: Any notice, requests, claims, demands and other communications permitted or required to be given under this Agreement by any party to another party shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by hand-delivery, by an internationally recognized overnight courier service, or by registered or certified mail (return receipt requested), to the party at the address set forth for the party below (or such other address as may be specified by such party upon ten (10) days written notice to all other parties in accordance with this subparagraph):

If to Exelixis Inc:

Exelixis, Inc.
Attn: General Counsel
210 East Grand Avenue
South San Francisco, CA 94080

With a copy (which shall not constitute notice) to:

Cooley LLP
Attn: Suzanne Hooper, Esq.
5 Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306

If to Frances K. Heller:

At the address of the Employee as set forth in the Employee's personnel file maintained by the Company as of July 18, 2011.

With a copy (which shall not constitute notice) to:

Dewey & LeBoeuf LLP
Attn: Donna Gordon, Esq.
1301 Avenue of the Americas
New York, New York 10019

18. Execution; Counterparts: This Agreement may be executed in one or more counterparts, each of which parts shall be deemed to be an original and all of which,

when taken together, shall constitute one and the same agreement. The exchange of copies of this Agreement and of signature pages by facsimile transmission shall constitute effective execution and delivery of this Agreement as to the parties hereto and may be used in lieu of the originally signed Agreement for all purposes. Signatures of the parties hereto transmitted by facsimile shall be deemed to be their original signatures for all purposes.

19. Indemnification: Following the Separation Date and until the expiration of the applicable statute of limitations, if any, the Company will continue to provide to Employee indemnification and director and officer insurance coverage for the period of time that she was employed by the Company which is substantially identical to that which the Company provides to its directors and officers. At Employee's request, subject to the consent of the Company, which shall not be unreasonably withheld, the Employee shall be afforded separate counsel at Company expense designated by Employee in connection with any matter for which indemnification or insurance may be applicable if there is a conflict of interest with any other party or parties.

WHEREOF, intending to be legally bound, the parties have agreed to the aforesaid terms of this Agreement and indicate their agreement by signing below.

Dated: July 17, 2011

/s/ Frances K. Heller

Frances K. Heller
"Employee"

Dated: July 18, 2011

Exelixis, Inc
"Employer"

/s/ Pamela Simonton

By: Pamela Simonton, General Counsel
& EVP
Exelixis, Inc.

SEPARATION DATE AFFIRMATION
(To be signed on or after Separation Date)

In exchange for the consideration and promises set forth in this Agreement, I hereby acknowledge and agree that the Release provided by me in Paragraph 5 herein shall apply fully and completely to waive and release any claims that I may have that arise out of or are in any way related to events, acts, conduct, or omissions occurring during the period of time from the date I first signed this Agreement to the date of my signature below. I further acknowledge that the Representations made by me in Paragraph 4 herein remain true as of today.

Accepted and Agreed:

/s/ Frances K. Heller
Frances K. Heller

July 18, 2011
Date

EXELIXIS, INC.

CHANGE IN CONTROL AND SEVERANCE BENEFIT PLAN

SECTION 1. INTRODUCTION.

The Exelixis, Inc. Change in Control and Severance Benefit Plan (the "***Plan***"), established on December 9, 2005, is hereby amended and restated effective December 23, 2008 and further amended and restated effective December 1, 2010 (the "***Effective Date***"). The purpose of the Plan is to provide for the payment of severance benefits to certain eligible employees of Exelixis, Inc. and its wholly owned subsidiaries (the "***Company***") in the event that such employees are subject to qualifying employment terminations and additional benefits if such qualifying employment termination occurs in connection with a Change in Control. This Plan shall supersede any severance benefit plan, contract, agreement, policy or practice maintained by the Company on the Effective Date; provided, however, that if any provision relating to stock options or other awards contained in the Company's 2000 Equity Incentive Plan, or any successor or similar plan adopted by the Company (the "***Equity Incentive Plan***") is more favorable to an employee than the corresponding provision or the absence of such corresponding provision in the Plan, then such more favorable provision in the Equity Incentive Plan shall govern, but the remainder of the Plan shall continue in full force and effect. As applicable, this Plan shall constitute an amendment to an employee's stock option agreement or other agreement under the Equity Incentive Plan. This document also is the Summary Plan Description for the Plan.

SECTION 2. DEFINITIONS.

For purposes of the Plan, except as otherwise provided in the applicable Participation Notice, the following terms are defined as follows:

(a) *"Base Salary"* means the Participant's annual base pay (excluding incentive pay, premium pay, commissions, overtime, bonuses and other forms of variable compensation), at the rate in effect during the last regularly scheduled payroll period immediately preceding the date of the Participant's Covered Termination divided by twelve (12).

(b) *"Board"* means the Board of Directors of Exelixis, Inc.

(c) *"Bonus"* means the Participant's target bonus established by the Company's Compensation Committee for the year in which the Covered Termination occurs divided by twelve (12).

(d) *"Change in Control"* means one of the following events or a series of more than one of the following events: (i) when a person, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934) acquires beneficial ownership of the Company's capital stock equal to 50% or more of either (x) the then-outstanding shares of the Company's common stock or (y) the combined voting power of the Company's then-outstanding securities to vote generally in the election of directors; (ii) upon the consummation by the Company of (x) a reorganization, merger or consolidation, provided that, in each case, the

persons who were the Company's stockholders immediately prior to the reorganization, merger or consolidation do not, immediately after, own more than 50% of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated company's then outstanding voting securities, or (y) a liquidation or dissolution of the Company or the sale of all or substantially all of the Company's assets; or (iii) when the Continuing Directors (as defined below) do not constitute a majority of the Board (or, if applicable, the Board of a successor corporation to the Company), where the term "Continuing Director" means at any date a member of the Board (x) who was a member of the Board on the date of the initial adoption of this Plan by the Board or (y) who was nominated or elected subsequent to such date by at least a majority of the directors who were Continuing Directors at the time of such nomination or election or whose election to the Board was recommended or endorsed by at least a majority of the directors who were Continuing Directors at the time of such nomination or election; provided, however, that any individual whose initial assumption of office occurred as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents, by or on behalf of a person other than the Board, is excluded from clause (iii)(y) above. For the purposes of this definition, (i) prior to a Change in Control, "Company" shall mean only Exelixis, Inc. or its successor and shall not include (A) its wholly owned subsidiaries or (B) the surviving or controlling entity resulting from a Change in Control or the entity to which the Company's assets were transferred in the case of an asset sale constituting a Change in Control and (ii) following a Change in Control, "Company" shall mean only Exelixis, Inc. (or its successor) and any surviving or controlling entity resulting from such Change in Control or the entity to which the Company's assets were transferred in the case of an asset sale constituting such a Change in Control and shall not include any wholly owned subsidiaries.

(e) *"Change in Control Termination"* means a Covered Termination which occurs within one (1) month prior to or within thirteen (13) months following the effective date of a Change in Control.

(f) *"COBRA Period"* means (i) in the case of a Change in Control Termination, the number of months set forth in Section 4(a)(iii) and (ii) in the case of a Covered Termination that is not a Change in Control Termination, (x) in the case of an Executive Participant, six (6) months and (y) in the case of a Participant who is not an Executive Participant, zero (0) months.

(g) *"Code"* means the Internal Revenue Code of 1986, as amended.

(h) *"Company"* means Exelixis, Inc., its wholly owned subsidiaries, any successor to Exelixis, Inc. and, following a Change in Control, the surviving or controlling entity resulting from such a Change in Control or the entity to which the Company's assets were transferred in the case where the Change in Control is an asset sale.

(i) *"Constructive Termination"* means a voluntary termination of employment with the Company resulting in a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h) (without regard to any permissible alternative definition of "termination of employment" thereunder) by a Participant after one of the following is undertaken without the Participant's written consent: (i) reduction of such Participant's base salary by more than ten percent (10%) as in effect immediately prior to the time such reduction occurs; (ii) the

occurrence of a material diminution in the package of welfare benefit plans, taken as a whole, in which such Participant is entitled to participate immediately prior to the time such material diminution (except that such Participant's contributions may be raised to the extent of any cost increases imposed by third parties); provided, however, that such material diminution qualifies as an "involuntary separation from service" as provided under Treasury Regulation Section 1.409A-1(n)(2)(i) or (ii); (iii) a change in such Participant's responsibilities, authority or offices that, taken as a whole, result in a material diminution of position; provided, however, that a change in the Participant's title or reporting relationships shall not by itself constitute a Constructive Termination; (iv) a request that such Participant relocate to a worksite that is more than thirty-five (35) miles from such Participant's prior worksite, unless such Participant accepts such relocation opportunity; (v) a material reduction in duties; (vi) a failure or refusal of any successor company to assume the obligations of the Company under an agreement with such Participant; or (vii) a material breach by the Company of any of the material provisions of an agreement with such Participant, including, without limitation, a breach of the terms of any agreement or program providing for the payment of bonus compensation. Notwithstanding any provision of this definition of "Constructive Termination" to the contrary, an event or action by the Company shall not give the Participant grounds to voluntarily terminate employment as a Constructive Termination unless the Participant gives the Company written notice within thirty (30) days of the initial existence of such event or action that the event or action by the Company would give the Participant such grounds to so terminate employment and such event or action is not reversed, remedied or cured, as the case may be, by the Company as soon as possible but in no event later than within thirty (30) days of receiving such written notice from the Participant. For the avoidance of doubt, the cessation of employment followed by the immediate commencement of services as an independent contractor for the Company, which does not result in a "separation from service" with the Company within the meaning of Treasury Regulation Section 1.409A-1(h), shall not constitute a Constructive Termination.

(j) ***"Covered Termination"*** means (x) an Involuntary Termination Without Cause or (y) a Constructive Termination if such Constructive Termination occurs any time after the date that is one (1) month prior to the effective date of the first Change in Control that occurs after the Participant commences participation in the Plan. Termination of employment of a Participant due to death or disability shall not constitute a Covered Termination unless a voluntary termination of employment by the Participant immediately prior to the Participant's death or disability would have qualified as a Constructive Termination.

(k) ***"Equity Incentive Plan"*** means the 2000 Equity Incentive Plan or any successor or similar plan adopted by the Company.

(l) ***"ERISA"*** means the Employee Retirement Income Security Act of 1974, as amended.

(m) ***"Involuntary Termination Without Cause"*** means Participant's involuntary termination of employment by the Company resulting in a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h) (without regard to any permissible alternative definition of "termination of employment" thereunder) for a reason other than Cause. "Cause" means the occurrence of any one or more of the following: (i) the Participant's conviction of, or plea of no contest with respect to, any crime involving fraud, dishonesty or

moral turpitude; (ii) the Participant's attempted commission of or participation in a fraud or act of dishonesty against the Company that results in (or might have reasonably resulted in) material harm to the business of the Company; (iii) the Participant's intentional, material violation of any contract or agreement between the Participant and the Company or any statutory duty the Participant owes to the Company; or (iv) the Participant's conduct that constitutes gross misconduct, insubordination, incompetence or habitual neglect of duties and that results in (or might have reasonably resulted in) material harm to the business of the Company; provided, however, that the conduct described under clause (iii) or (iv) above will only constitute Cause if such conduct is not cured within fifteen (15) days after the Participant's receipt of written notice from the Company or the Board specifying the particulars of the conduct that may constitute Cause. The determination that a termination of a Participant's employment is for Cause shall not be made unless and until there shall have been delivered to such Participant a copy of a resolution duly adopted by the affirmative vote of at least a majority of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to such Participant and an opportunity for such Participant, together with such Participant's counsel, to be heard before the Board), finding that in the good faith opinion of the Board, such Participant was guilty of the conduct constituting "Cause" and specifying the particulars. For the avoidance of doubt, if, in connection with a Change in Control, an employee is terminated and offered "immediate reemployment" by the surviving or controlling entity resulting from a Change in Control or the entity to which the Company's assets were transferred in the case of an asset sale constituting a Change in Control, then such termination shall not constitute an Involuntary Termination Without Cause. For purposes of the foregoing, "immediate reemployment" shall mean that the employee's employment with the surviving or controlling entity resulting from a Change in Control or the entity to which the Company's assets were transferred in the case of an asset sale constituting a Change in Control, results in uninterrupted employment such that the employee does not suffer a lapse in pay as a result of the Change in Control and the terms of such reemployment, taken as a whole, are not less favorable than the terms of employment with the Company immediately prior to such employee's termination of employment. For the avoidance of doubt, the cessation of employment followed by the immediate commencement of services as an independent contractor for the Company, which does not result in a "separation from service" with the Company within the meaning of Treasury Regulation Section 1.409A-1(h), shall not constitute an Involuntary Termination Without Cause.

(n) "*Participant*" means an individual (i) who is employed by the Company as its Chief Executive Officer, President, senior vice president, vice president or any other officer with a rank of vice president or above and (ii) who has received a Participation Notice from and executed and returned such Participation Notice to the Company. The determination of whether an employee is a Participant shall be made by the Plan Administrator, in its sole discretion, and such determination shall be binding and conclusive on all persons. "***Executive Participant***" means a Participant who has been designated as an Executive Participant on the Participant's Participation Notice.

(o) "*Participation Notice*" means the latest notice delivered by the Company to a Participant informing the employee that the employee is a Participant in the Plan, substantially in the form of **Exhibit A** hereto.

(p) *"Plan Administrator"* means the Board or any committee duly authorized by the Board to administer the Plan. The Plan Administrator may, but is not required to be, the Compensation Committee of the Board. The Board may at any time administer the Plan, in whole or in part, notwithstanding that the Board has previously appointed a committee to act as the Plan Administrator.

SECTION 3. ELIGIBILITY FOR BENEFITS.

(a) General Rules. Subject to the provisions set forth in this Section and Section 7, in the event of a Covered Termination, the Company will provide the severance benefits described in Section 4 of the Plan to the affected Participant.

(b) Exceptions to Benefit Entitlement. An employee, including an employee who otherwise is a Participant, will not receive benefits under the Plan (or will receive reduced benefits under the Plan) in the following circumstances, as determined by the Company in its sole discretion:

(i) The employee has executed an individually negotiated employment contract or agreement with the Company relating to severance or change in control benefits that is in effect on his or her termination date, in which case such employee's severance benefit, if any, shall be governed by the terms of such individually negotiated employment contract or agreement.

(ii) The employee voluntarily terminates employment with the Company in order to accept employment with another entity that is controlled (directly or indirectly) by the Company or is otherwise an affiliate of the Company.

(iii) The employee does not confirm in writing that he or she shall be subject to the Company's Employee Proprietary Information and Inventions Agreement.

(c) Termination of Benefits. A Participant's right to receive the payment of benefits under this Plan shall terminate immediately if, at any time prior to or during the period for which the Participant is receiving benefits hereunder, the Participant, without the prior written approval of the Company:

(i) willfully breaches a material provision of the Participant's Employee Proprietary Information and Inventions Agreement with the Company, as referenced in Section 3(b)(iii); or

(ii) willfully encourages or solicits any of the Company's then current employees to leave the Company's employ.

SECTION 4. AMOUNT OF BENEFITS.

(a) Cash Severance Benefits. Except as provided in the applicable Participant Notice:

(i) Each Executive Participant who incurs a Covered Termination that is not also a Change in Control Termination shall be entitled to receive a cash severance benefit equal to six (6) months of Base Salary. Any cash severance benefits provided under this Section 4(a)(i) shall be paid pursuant to the provisions of Section 5.

(ii) Each Participant (x) who incurs a Change in Control Termination and (y) who was employed by the Company at the position or level set forth in Section 4(a)(iii) below within one (1) month immediately prior to such Change in Control Termination shall be entitled to receive a cash severance benefit equal to the sum of the Participant's Base Salary plus Bonus for the number of months set forth in Section 4(a)(iii). If a Participant serves in two or more positions set forth in the table below, such cash severance benefit shall be for the position with the greatest number of months of cash severance, with no additional cash severance for the other position(s). Any cash severance benefits provided under this Section 4(a)(ii) shall be paid pursuant to the provisions of Section 5.

(iii) For the purposes of determining the months of severance benefits in the event of a Change in Control Termination, the following periods shall be used.

Position or Level	Months of Severance Benefit
Chief Executive Officer	24 months
Executive Participants other than the Chief Executive Officer	18 months
Participants who are not Executive Participants	12 months

(b) Accelerated Stock Award Vesting and Extended Exercisability of Stock Options. If a Participant incurs a Change in Control Termination, then effective as of the date of the Participant's Change in Control Termination, (i) the vesting and exercisability of all outstanding options to purchase the Company's common stock (or stock appreciation rights or similar rights or other rights with respect to stock of the Company issued pursuant to the Equity Incentive Plan) that are held by the Participant on such date shall be accelerated in full, and (ii) any reacquisition or repurchase rights held by the Company in respect of common stock issued or issuable (or in respect of similar rights or other rights with respect to stock of the Company issued or issuable pursuant to the Equity Incentive Plan) pursuant to any other stock award granted to the Participant by the Company shall lapse.

In addition, if a Participant incurs a Change in Control Termination, the post-termination of employment exercise period of any outstanding option (or stock appreciation right or similar right or other rights with respect to stock of the Company issued pursuant to the Equity Incentive Plan) held by the Participant on the date of his or her Change in Control Termination shall be extended, if necessary, such that the post-termination of employment exercise period shall not terminate prior to the later of (i) the date twelve (12) months after the effective date of the Change in Control or (ii) the post-termination exercise period provided for in such option;

provided, however, that such stock right shall not be exercisable after the expiration of its maximum term. Notwithstanding the foregoing, stock rights granted prior to the Effective Date shall not be exercisable after the later of (A) the 15th day of the third month following the date at which, or (B) December 31 of the calendar year in which, the stock right would otherwise have expired if the stock right had not been extended.

Notwithstanding the provisions of this Section 4(b), in the event that the provisions of this Section 4(b) regarding acceleration of vesting of an option or extended exercisability of an option would adversely affect a Participant's option or other stock award (including, without limitation, its status as an incentive stock option under Section 422 of the Code) that is outstanding on the date the Participant commences participation in the Plan, such acceleration of vesting and/or extended exercisability shall be deemed null and void as to such option or other stock award unless the affected Participant consents in writing to such acceleration of vesting or extended exercisability as to such option or other stock award within thirty (30) days after becoming a Participant in the Plan.

(c) Continued Medical Benefits. If a Participant incurs a Covered Termination and the Participant was enrolled in a health, dental, or vision plan sponsored by the Company immediately prior to such Covered Termination, the Participant may be eligible to continue coverage under such health, dental, or vision plan (or to convert to an individual policy), at the time of the Participant's termination of employment, under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("***COBRA***"). The Company will notify the Participant of any such right to continue such coverage at the time of termination pursuant to COBRA. No provision of this Plan will affect the continuation coverage rules under COBRA, except that the Company's payment, if any, of applicable insurance premiums will be credited as payment by the Participant for purposes of the Participant's payment required under COBRA. Therefore, the period during which a Participant may elect to continue the Company's health, dental, or vision plan coverage at his or her own expense under COBRA, the length of time during which COBRA coverage will be made available to the Participant, and all other rights and obligations of the Participant under COBRA (except the obligation to pay insurance premiums that the Company pays, if any) will be applied in the same manner that such rules would apply in the absence of this Plan.

If a Participant timely elects continued coverage under COBRA, the Company shall pay the full amount of the Participant's COBRA premiums on behalf of the Participant for the Participant's continued coverage under the Company's health, dental and vision plans, including coverage for the Participant's eligible dependents, during the number of months equal to the COBRA Period; provided, however, that if the COBRA Period exceeds the length of time that the Participant is entitled to coverage under COBRA (including any additional period under analogous provisions of state law), the Company or any resulting or acquiring entity or transferee entity (in the case of an asset sale) involved in a Change in Control, as applicable, shall be required to provide health, dental and vision insurance coverage for the Participant and his or her eligible dependents for any portion of the COBRA Period that exceeds the length of time that the Participant is entitled to coverage under COBRA (including any additional period under analogous provisions of state law), at a level of coverage that is substantially similar to the continued coverage that the Participant and his or her eligible dependents received under the Company's health, dental and vision plans; provided further, however, that no such premium payments (or any other payments for medical, dental or vision coverage by the Company) shall

be made following the Participant's death or the effective date of the Participant's coverage by a medical, dental or vision insurance plan of a subsequent employer. Each Participant shall be required to notify the Company immediately if the Participant becomes covered by a medical, dental or vision insurance plan of a subsequent employer. Upon the conclusion of the COBRA Period (or such shorter period during which the Company is obligated to pay premiums pursuant to this Section 4(c)), the Participant will be responsible for the entire payment of premiums required under COBRA.

For purposes of this Section 4(c), (i) references to COBRA shall be deemed to refer also to analogous provisions of state law and (ii) any applicable insurance premiums that are paid by the Company shall not include any amounts payable by the Participant under an Internal Revenue Code Section 125 health care reimbursement plan, which amounts, if any, are the sole responsibility of the Participant.

Notwithstanding the foregoing, if the Company, in its sole discretion, determines that it cannot provide the foregoing subsidy of COBRA coverage without potentially violating applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company instead shall provide to the Participant a taxable monthly payment in an amount equal to the monthly COBRA premium that the Participant would be required to pay to continue the group health coverage in effect on the date of the Covered Termination (which amount shall be based on the premium for the first month of COBRA coverage), which payments shall be made regardless of whether the Participant elects COBRA continuation coverage, shall commence on the later of (i) the first day of the month following the month in which the Participant incurs a Covered Termination and (ii) the effective date of the Company's determination of violation of applicable law, and shall end on the earliest of (x) the Participant's death, (y) the effective date on which the Participant becomes covered by a medical, dental or vision insurance plan of a subsequent employer, and (z) the last day of the COBRA Period.

(d) Outplacement Services. If a Participant incurs a Change in Control Termination, the Company shall pay, on behalf of the Participant, for outplacement services with an outplacement service provider selected by the Company for the time periods specified below; provided, however, that the payments made by the Company for such outplacement services shall not exceed the maximum amounts set forth below; provided further, however, that such payments qualify for the exception provided by Treasury Regulation Sections 1.409A-1(b)(9)(v)(A) and (C).

Position or Level	Time Period	Maximum Amount
Chief Executive Officer	24 months	$50,000
Executive Participants other than the Chief Executive Officer	18 months	$30,000
Participants who are not Executive Participants	12 months	$20,000

(e) Other Employee Benefits. All other benefits (such as life insurance, disability coverage, and 401(k) plan coverage) shall terminate as of the Participant's termination date (except to the extent that a conversion privilege may be available thereunder).

(f) Additional Benefits. Notwithstanding the foregoing, the Company may, in its sole discretion, provide additional or enhanced benefits to those benefits provided for pursuant to Sections 4(a), 4(b), 4(c) and 4(d) to Participants or employees who are not Participants ("***Non-Participants***") chosen by the Company, in its sole discretion, and the provision of any such benefits to a Participant or a Non-Participant shall in no way obligate the Company to provide such benefits to any other Participant or to any other Non-Participant, even if similarly situated. If benefits under the Plan are provided to a Non-Participant, references in the Plan to "Participant" (with the exception of Sections 4(a), 4(b), 4(c) and 4(d)) shall be deemed to refer to such Non-Participants.

SECTION 5. TIME AND FORM OF SEVERANCE PAYMENTS.

(a) General Rules. Subject to Section 5(b), any cash severance benefit provided under Section 4(a) shall be paid in installments pursuant to the Company's regularly scheduled payroll periods commencing as soon as practicable following the effective date of a Participant's Covered Termination and shall be subject to all applicable withholding for federal, state and local taxes. In the event of a Participant's death prior to receiving all installment payments of his or her cash severance benefit under Section 4(a), any remaining installment payments shall be made to the Participant's estate on the same payment schedule as would have occurred absent the Participant's death. In no event shall payment of any Plan benefit be made prior to the effective date of the Participant's Covered Termination or prior to the effective date of the release described in Section 7(a).

(b) Application of Section 409A.

(i) All payments provided under this Plan are intended to constitute separate payments for purposes of Treasury Regulation Section 1.409A-2(b)(2).

(ii) If a Participant is a "specified employee" of the Company or any affiliate thereof (or any successor entity thereto) within the meaning of Section 409A(a)(2)(B)(i) of the Code on the date of a Covered Termination, then any cash severance payments pursuant to Section 4(a) (the "***Severance Payments***") shall be delayed until the date that is six (6) months after the date of the Covered Termination (such date, the "***Delayed Payment Date***"), and the Company (or the successor entity thereto, as applicable) shall (A) pay to Participant a lump sum amount equal to the sum of the Severance Payments that otherwise would have been paid to Participant on or before the Delayed Payment Date, without any adjustment on account of such delay, and (B) continue the Severance Payments in accordance with any applicable payment schedules set forth for the balance of the period specified herein. Notwithstanding the foregoing, (i) Severance Payments scheduled to be paid from the date of a Covered Termination through March 15th of the calendar year following such termination shall be paid to the maximum extent permitted pursuant to the "short-term deferral" rule set forth in Treasury Regulation Section 1.409A-1(b)(4); (ii) Severance Payments scheduled to be paid that are not paid pursuant to the preceding clause (i) shall be paid as scheduled to the maximum extent permitted pursuant to an

"involuntary separation from service" as permitted by Treasury Regulation Section 1.409A-1(b)(9)(iii), but in no event later than the last day of the second taxable year following the taxable year of the Covered Termination; and (iii) any Severance Payments that are not paid pursuant to either the preceding clause (i) or the preceding clause (ii) shall be subject to delay, if necessary, as provided in the previous sentence. Except to the extent that payments may be delayed until the Delayed Payment Date, on the first regularly scheduled payroll period following the release described in Section 7(a), the Company will pay the Participant the Severance Payments the Participant would otherwise have received under the Plan on or prior to such date but for the delay in payment related to the effectiveness of the release described in Section 7(a), with the balance of the Severance Payments being paid as otherwise provided herein.

(iii) Benefits provided under Section 4(b) are intended to be provided pursuant to the exception provided by Treasury Regulation Sections 1.409A-1(b)(5)(v)(C)(1) and 1.409A-1(b)(5)(v)(E). Amounts paid under Section 4(c) are not intended to be delayed pursuant to Section 409A(a)(2)(B)(i) of the Code and are intended to be paid pursuant to the exception provided by Treasury Regulation Section 1.409A-1(b)(9)(v)(B). Amounts paid under Section 4(d) are intended to qualify for the exception provided under Treasury Regulation Sections 1.409A-1(b)(9)(v)(A) and (C).

SECTION 6. REEMPLOYMENT.

In the event of a Participant's reemployment by the Company during the period of time in respect of which severance benefits pursuant to Section 4(a) or Section 4(f) have been paid, the Company, in its sole and absolute discretion, may require such Participant to repay to the Company all or a portion of such severance benefits as a condition of reemployment.

SECTION 7. LIMITATIONS ON BENEFITS.

(a) Release. In order to be eligible to receive benefits under the Plan and if requested by the Company, a Participant also must execute, in connection with the Participant's Covered Termination or Change in Control Termination, a general waiver and release in substantially the form attached hereto as **Exhibit B**, **Exhibit C** or **Exhibit D**, as appropriate, and such release must become effective in accordance with its terms; provided, however, (i) no such release shall require the Participant to forego any unpaid salary, any accrued but unpaid vacation pay or any benefits payable pursuant to this Plan, and (ii) cash severance benefits pursuant to Section 4(a) shall commence to be paid as soon as practicable following the effective date of such general waiver and release (the ***"Release Effective Date"***), in accordance with Section 5, and any installment payments that, in the absence of the requirement of a general waiver and release, would have been paid between the effective date of the Covered Termination and the Release Effective Date shall be made together with the first installment payment that occurs following the Release Effective Date such that the duration of payments will not be affected by the timing of the Release Effective Date. With respect to any outstanding option held by the Participant, no provision set forth in this Plan granting the Participant additional rights to exercise the option can be exercised unless and until the release, if requested, becomes effective. The Company, in its sole discretion, may modify the form of the required release to comply with applicable law and

shall determine the form of the required release, which may be incorporated into a termination agreement or other agreement with the Participant.

(b) Certain Reductions. The Company, in its sole discretion, shall have the authority to reduce a Participant's severance benefits, in whole or in part, by any other severance benefits, pay in lieu of notice, or other similar benefits payable to the Participant by the Company that become payable in connection with the Participant's termination of employment pursuant to (i) any applicable legal requirement, including, without limitation, the Worker Adjustment and Retraining Notification Act (the "***WARN Act***"), (ii) a written employment or severance agreement with the Company, or (iii) any Company policy or practice providing for the Participant to remain on the payroll for a limited period of time after being given notice of the termination of the Participant's employment. The benefits provided under this Plan are intended to satisfy, in whole or in part, any and all statutory obligations and other contractual obligations of the Company that may arise out of a Participant's termination of employment, and the Plan Administrator shall so construe and implement the terms of the Plan. The Company's decision to apply such reductions to the severance benefits of one Participant and the amount of such reductions shall in no way obligate the Company to apply the same reductions in the same amounts to the severance benefits of any other Participant, even if similarly situated. In the Company's sole discretion, such reductions may be applied on a retroactive basis, with severance benefits previously paid being recharacterized as payments pursuant to the Company's statutory or other contractual obligations.

(c) Mitigation. Except as otherwise specifically provided herein, a Participant shall not be required to mitigate damages or the amount of any payment provided under this Plan by seeking other employment or otherwise, nor shall the amount of any payment provided for under this Plan be reduced by any compensation earned by a Participant as a result of employment by another employer or any retirement benefits received by such Participant after the date of the Participant's termination of employment with the Company.

(d) Non-Duplication of Benefits. Except as otherwise specifically provided for herein, no Participant is eligible to receive benefits under this Plan or pursuant to other contractual obligations more than one time. This Plan is designed to provide certain severance pay and change in control benefits to Participants pursuant to the terms and conditions set forth in this Plan. The payments pursuant to this Plan are in addition to, and not in lieu of, any unpaid salary, bonuses or benefits (other than severance or change in control benefits) to which a Participant may be entitled for the period ending with the Participant's Covered Termination.

(e) Indebtedness of Participants. If a Participant is indebted to the Company on the effective date of his or her Covered Termination, the Company reserves the right to offset any severance payments under the Plan by the amount of such indebtedness.

(f) Parachute Payments. Except as otherwise provided in an agreement between a Participant and the Company, if any payment or benefit the Participant would receive in connection with a Change in Control from the Company or otherwise ("***Payment***") would (i) constitute a "parachute payment" within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "***Excise Tax***"), then such Payment shall be equal to the Reduced Amount. The "Reduced Amount" shall

be either (x) the largest portion of the Payment that would result in no portion of the Payment being subject to the Excise Tax, or (y) the largest portion, up to and including the total, of the Payment, whichever amount, after taking into account all applicable federal, state and local employment taxes, income taxes, and the Excise Tax (all computed at the highest applicable marginal rate), results in the Participant's receipt of the greatest economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in payments or benefits constituting "parachute payments" is necessary so that the Payment equals the Reduced Amount, reduction shall occur in a manner necessary to provide the Participant with the greatest economic benefit. If more than one manner of reduction of payments or benefits necessary to arrive at the Reduced Amount yields the greatest economic benefit, the payments and benefits shall be reduced *pro rata*.

SECTION 8. RIGHT TO INTERPRET PLAN; AMENDMENT AND TERMINATION.

(a) Exclusive Discretion. The Plan Administrator shall have the exclusive discretion and authority to establish rules, forms, and procedures for the administration of the Plan and to construe and interpret the Plan and to decide any and all questions of fact, interpretation, definition, computation or administration arising in connection with the operation of the Plan, including, but not limited to, the eligibility to participate in the Plan and amount of benefits paid under the Plan. The rules, interpretations, computations and other actions of the Plan Administrator shall be binding and conclusive on all persons.

(b) Amendment or Termination. The Company reserves the right to amend or terminate this Plan, any Participation Notice issued pursuant to the Plan or the benefits provided hereunder at any time; provided, however, that (i) no such amendment or termination shall reduce or otherwise adversely affect the severance benefits provided in Sections 4(a)(i) or 4(c) to a Participant in connection with a Covered Termination that is not a Change in Control Termination, unless such Participant consents in writing to such amendment or termination and (ii) no such amendment or termination shall occur following the date one (1) month prior to a Change in Control as to any Participant who would be adversely affected by such amendment or termination unless such Participant consents in writing to such amendment or termination. Any action amending or terminating the Plan or any Participation Notice shall be in writing and executed by a duly authorized officer of the Company. Unless otherwise required by law, no approval of the shareholders of the Company shall be required for any amendment or termination including any amendment that increases the benefits provided under any option or other stock award.

SECTION 9. NO IMPLIED EMPLOYMENT CONTRACT.

The Plan shall not be deemed (i) to give any employee or other person any right to be retained in the employ of the Company or (ii) to interfere with the right of the Company to discharge any employee or other person at any time, with or without cause, which right is hereby reserved.

SECTION 10. LEGAL CONSTRUCTION.

This Plan shall be governed by and construed under the laws of the State of California (without regard to principles of conflict of laws), except to the extent preempted by ERISA.

SECTION 11. CLAIMS, INQUIRIES AND APPEALS.

(a) Applications for Benefits and Inquiries. Any application for benefits, inquiries about the Plan or inquiries about present or future rights under the Plan must be submitted to the Plan Administrator in writing by an applicant (or his or her authorized representative). The Plan Administrator is:

Exelixis, Inc.
Attn: Corporate Secretary
210 East Grand Avenue
South San Francisco, CA 94080

(b) Denial of Claims. In the event that any application for benefits is denied in whole or in part, the Plan Administrator must provide the applicant with written or electronic notice of the denial of the application, and of the applicant's right to review the denial. Any electronic notice will comply with the regulations of the U.S. Department of Labor. The notice of denial will be set forth in a manner designed to be understood by the applicant and will include the following:

(1) the specific reason or reasons for the denial;

(2) references to the specific Plan provisions upon which the denial is based;

(3) a description of any additional information or material that the Plan Administrator needs to complete the review and an explanation of why such information or material is necessary; and

(4) an explanation of the Plan's review procedures and the time limits applicable to such procedures, including a statement of the applicant's right to bring a civil action under Section 502(a) of ERISA following a denial on review of the claim, as described in Section 11(d) below.

This notice of denial will be given to the applicant within ninety (90) days after the Plan Administrator receives the application, unless special circumstances require an extension of time, in which case, the Plan Administrator has up to an additional ninety (90) days for processing the application. If an extension of time for processing is required, written notice of the extension will be furnished to the applicant before the end of the initial ninety (90) day period.

This notice of extension will describe the special circumstances necessitating the additional time and the date by which the Plan Administrator is to render its decision on the application.

(c) Request for a Review. Any person (or that person's authorized representative) for whom an application for benefits is denied, in whole or in part, may appeal the denial by submitting a request for a review to the Plan Administrator within sixty (60) days after the application is denied. A request for a review shall be in writing and shall be addressed to:

Exelixis, Inc.
Attn: Corporate Secretary
210 East Grand Avenue
South San Francisco, CA 94080

A request for review must set forth all of the grounds on which it is based, all facts in support of the request and any other matters that the applicant feels are pertinent. The applicant (or his or her representative) shall have the opportunity to submit (or the Plan Administrator may require the applicant to submit) written comments, documents, records, and other information relating to his or her claim. The applicant (or his or her representative) shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to his or her claim. The review shall take into account all comments, documents, records and other information submitted by the applicant (or his or her representative) relating to the claim, without regard to whether such information was submitted or considered in the initial benefit determination.

(d) Decision on Review. The Plan Administrator will act on each request for review within sixty (60) days after receipt of the request, unless special circumstances require an extension of time (not to exceed an additional sixty (60) days), for processing the request for a review. If an extension for review is required, written notice of the extension will be furnished to the applicant within the initial sixty (60) day period. This notice of extension will describe the special circumstances necessitating the additional time and the date by which the Plan Administrator is to render its decision on the review. The Plan Administrator will give prompt, written or electronic notice of its decision to the applicant. Any electronic notice will comply with the regulations of the U.S. Department of Labor. In the event that the Plan Administrator confirms the denial of the application for benefits in whole or in part, the notice will set forth, in a manner designed to be understood by the applicant, the following:

(1) the specific reason or reasons for the denial;

(2) references to the specific Plan provisions upon which the denial is based;

(3) a statement that the applicant is entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to his or her claim; and

(4) a statement of the applicant's right to bring a civil action under Section 502(a) of ERISA.

(e) Rules and Procedures. The Plan Administrator will establish rules and procedures, consistent with the Plan and with ERISA, as necessary and appropriate in carrying

out its responsibilities in reviewing benefit claims. The Plan Administrator may require an applicant who wishes to submit additional information in connection with an appeal from the denial of benefits to do so at the applicant's own expense.

(f) Exhaustion of Remedies. No legal action for benefits under the Plan may be brought until the applicant (i) has submitted a written application for benefits in accordance with the procedures described by Section 11(a) above, (ii) has been notified by the Plan Administrator that the application is denied, (iii) has filed a written request for a review of the application in accordance with the appeal procedure described in Section 11(c) above, and (iv) has been notified that the Plan Administrator has denied the appeal. Notwithstanding the foregoing, if the Plan Administrator does not respond to an applicant's claim or appeal within the relevant time limits specified in this Section 11, the applicant may bring legal action for benefits under the Plan pursuant to Section 502(a) of ERISA.

SECTION 12. BASIS OF PAYMENTS TO AND FROM PLAN.

All benefits under the Plan shall be paid by the Company. The Plan shall be unfunded, and benefits hereunder shall be paid only from the general assets of the Company.

SECTION 13. OTHER PLAN INFORMATION.

(a) Employer and Plan Identification Numbers. The Employer Identification Number assigned to the Company (which is the "Plan Sponsor" as that term is used in ERISA) by the Internal Revenue Service is 04-3257395. The Plan Number assigned to the Plan by the Plan Sponsor pursuant to the instructions of the Internal Revenue Service is 507.

(b) Ending Date for Plan's Fiscal Year. The date of the end of the fiscal year for the purpose of maintaining the Plan's records is December 31.

(c) Agent for the Service of Legal Process. The agent for the service of legal process with respect to the Plan is:

Exelixis, Inc.
Attn: Corporate Secretary
210 East Grand Avenue
South San Francisco, CA 94080

(d) Plan Sponsor and Administrator. The "Plan Sponsor" and the "Plan Administrator" of the Plan is:

Exelixis, Inc.
Attn: Corporate Secretary
210 East Grand Avenue
South San Francisco, CA 94080

The Plan Sponsor's and Plan Administrator's telephone number is (650) 837-7000. The Plan Administrator is the named fiduciary charged with the responsibility for administering the Plan.

SECTION 14. STATEMENT OF ERISA RIGHTS.

Participants in this Plan (which is a welfare benefit plan sponsored by Exelixis, Inc.) are entitled to certain rights and protections under ERISA. If you are a Participant, you are considered a participant in the Plan for the purposes of this Section 14 and, under ERISA, you are entitled to:

Receive Information About Your Plan and Benefits

(a) Examine, without charge, at the Plan Administrator's office and at other specified locations, such as worksites, all documents governing the Plan and a copy of the latest annual report (Form 5500 Series), if applicable, filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration;

(b) Obtain, upon written request to the Plan Administrator, copies of documents governing the operation of the Plan and copies of the latest annual report (Form 5500 Series), if applicable, and an updated (as necessary) Summary Plan Description. The Administrator may make a reasonable charge for the copies; and

(c) Receive a summary of the Plan's annual financial report, if applicable. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

Prudent Actions By Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries. No one, including your employer, your union or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a Plan benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a Plan benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan, if applicable, and do not receive them within thirty (30) days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay you up to $110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

If you have a claim for benefits which is denied or ignored, in whole or in part, you may file suit in a state or Federal court.

If you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance With Your Questions

If you have any questions about the Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

SECTION 15. GENERAL PROVISIONS.

(a) Notices. Any notice, demand or request required or permitted to be given by either the Company or a Participant pursuant to the terms of this Plan shall be in writing and shall be deemed given when delivered personally or deposited in the U.S. mail, First Class with postage prepaid, and addressed to the parties, in the case of the Company, at the address set forth in Section 11(a) and, in the case of a Participant, at the address as set forth in the Company's employment file maintained for the Participant as previously furnished by the Participant or such other address as a party may request by notifying the other in writing.

(b) Transfer and Assignment. The rights and obligations of a Participant under this Plan may not be transferred or assigned without the prior written consent of the Company. This Plan shall be binding upon any surviving entity resulting from a Change in Control and upon any other person who is a successor by merger, acquisition, consolidation or otherwise to the business formerly carried on by the Company without regard to whether or not such person or entity actively assumes the obligations hereunder.

(c) Waiver and Costs of Enforcement. Any party's failure to enforce any provision or provisions of this Plan shall not in any way be construed as a waiver of any such provision or provisions, nor prevent any party from thereafter enforcing each and every other provision of this Plan. The rights granted to the parties herein are cumulative and shall not constitute a waiver of any party's right to assert all other legal remedies available to it under the circumstances. All out-of-pocket costs and expenses reasonably incurred by a Participant (including attorneys' fees) in connection with enforcing the Participant's rights under the Plan (including the costs and expenses of complying with the provisions of Section 11) shall be paid by the Company if such rights relate to a Covered Termination that occurs any time after the date that is one (1) month prior to the effective date of the first Change in Control that occurs after the Participant commences participation in the Plan. Notwithstanding the foregoing, if the Participant initiates

any claim or action and the claim or action is totally without merit or frivolous, the Participant shall be responsible for the Participant's own costs and expenses.

(d) Severability. Should any provision of this Plan be declared or determined to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired.

(e) Section Headings. Section headings in this Plan are included for convenience of reference only and shall not be considered part of this Plan for any other purpose.

SECTION 16. EXECUTION.

To record the adoption of the Plan as set forth herein, Exelixis, Inc. has caused its duly authorized officer to execute the same as of the Effective Date.

EXELIXIS, INC.

By: _____

Title: _____

EXHIBIT A

EXELIXIS, INC.

CHANGE IN CONTROL AND SEVERANCE BENEFIT PLAN

PARTICIPATION NOTICE

To: _____

Date: _____

Exelixis, Inc. (the "***Company***") has adopted the Exelixis, Inc. Change in Control and Severance Benefit Plan (the "***Plan***"). The Company is providing you with this Participation Notice to inform you that you have been designated as a Participant in the Plan. A copy of the Plan document is attached to this Participation Notice. The terms and conditions of your participation in the Plan are as set forth in the Plan and this Participation Notice, which together also constitute a summary plan description of the Plan.

For the purposes of the Plan you [ ] are an Executive Participant [ ] are not an Executive Participant.

Except as provided in the Plan, the Plan supersedes any and all severance or change in control benefits payable to you as set forth in any agreement, including offer letters, with the Company entered into prior to the date hereof.

Notwithstanding the terms of the Plan:
[_____
_____]

Please return to the Company's Corporate Secretary a copy of this Participation Notice signed by you and retain a copy of this Participation Notice, along with the Plan document, for your records.

EXELIXIS, INC.

By: _____
Its: _____

ACKNOWLEDGEMENT

The undersigned Participant hereby acknowledges receipt of the foregoing Participation Notice. In the event the undersigned holds outstanding stock options as of the date of this Participation Notice, the undersigned hereby:*

☐ accepts all of the benefits of Section 4(b) of the Plan regardless of any potential adverse effects on any outstanding option or other stock award

☐ accepts the benefits of Section 4(b) of the Plan that have no adverse effect on outstanding options or other stock awards and rejects the benefits of Section 4(b) of the Plan as to those outstanding options and other stock awards that would have potential adverse effects

☐ other (please describe):_____

_____

_____

_____

_____

The undersigned acknowledges that the undersigned has been advised to obtain tax and financial advice regarding the consequences of this election including the effect, if any, on the status of the stock options for tax purposes under Section 422 of the Internal Revenue Code.

_____

_____

Print name

* Please check one box; failure to check a box will be deemed the selection of the second alternative (*i.e.*, accepting the benefits of Section 4(b) of the Plan that have no adverse effect on outstanding options or other stock awards and rejecting the benefits of Section 4(b) of the Plan as to those outstanding options and other stock awards that would have potential adverse effects).

EXHIBIT B

RELEASE AGREEMENT

I understand and agree completely to the terms set forth in the Exelixis, Inc. Change in Control and Severance Benefit Plan (the "*Plan*").

I understand that this Release, together with the Plan, constitutes the complete, final and exclusive embodiment of the entire agreement between the Company, affiliates of the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company or an affiliate of the Company that is not expressly stated therein. Certain capitalized terms used in this Release are defined in the Plan.

I hereby confirm my obligations under the Company's Employee Proprietary Information and Inventions Agreement.

Except as otherwise set forth in this Release, I hereby generally and completely release the Company and its affiliates, and their parents, subsidiaries, successors, predecessors and affiliates, and their partners, members, directors, officers, employees, stockholders, shareholders, agents, attorneys, predecessors, insurers, affiliates and assigns, from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date I sign this Release. This general release includes, but is not limited to: (a) all claims arising out of or in any way related to my employment with the Company and its affiliates, or their affiliates, or the termination of that employment; (b) all claims related to my compensation or benefits, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company and its affiliates, or their affiliates; (c) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (d) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (e) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990 (as amended), the federal Age Discrimination in Employment Act (as amended) ("***ADEA***"), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended).

Notwithstanding the foregoing, I understand that the following rights or claims are not included in my Release: (a) any rights or claims for indemnification I may have pursuant to any written indemnification agreement with the Company or its affiliate to which I am a party; the charter, bylaws, or operating agreements of the Company or its affiliate; or under applicable law; or (b) any rights which cannot be waived as a matter of law. In addition, I understand that nothing in this Agreement prevents me from filing, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or the California Department of Fair Employment and Housing, except that I hereby waive my right to any monetary benefits in connection with any such claim, charge or proceeding. I hereby

represent and warrant that, other than the claims identified in this paragraph, I am not aware of any claims I have or might have that are not included in the Release.

I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA, and that the consideration given under the Plan for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (a) my waiver and release do not apply to any rights or claims that may arise after the date I sign this Release; (b) I should consult with an attorney prior to signing this Release (although I may choose voluntarily not do so); (c) I have twenty-one (21) days to consider this Release (although I may choose voluntarily to sign this Release earlier); (d) I have seven (7) days following the date I sign this Release to revoke the Release by providing written notice to an officer of the Company; and (e) this Release shall not be effective until the date upon which the revocation period has expired, which shall be the eighth day after I sign this Release.

I acknowledge that I have read and understand Section 1542 of the California Civil Code which reads as follows: **"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."** I hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to my release of any claims hereunder.

I hereby represent that I have been paid all compensation owed and for all hours worked; I have received all the leave and leave benefits and protections for which I am eligible pursuant to the Family and Medical Leave Act, the California Family Rights Act, or otherwise; and I have not suffered any on-the-job injury for which I have not already filed a workers' compensation claim.

I acknowledge that to become effective, I must sign and return this Release to the Company so that it is received not later than twenty-one (21) days following the date it is provided to me.

EMPLOYEE

Name: _____

Date: _____

EXHIBIT C

RELEASE AGREEMENT

I understand and agree completely to the terms set forth in the Exelixis, Inc. Change in Control and Severance Benefit Plan (the "*Plan*").

I understand that this Release, together with the Plan, constitutes the complete, final and exclusive embodiment of the entire agreement between the Company, affiliates of the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company or an affiliate of the Company that is not expressly stated therein. Certain capitalized terms used in this Release are defined in the Plan.

I hereby confirm my obligations under the Company's Employee Proprietary Information and Inventions Agreement.

Except as otherwise set forth in this Release, I hereby generally and completely release the Company and its affiliates, and their parents, subsidiaries, successors, predecessors and affiliates, and its and their partners, members, directors, officers, employees, stockholders, shareholders, agents, attorneys, predecessors, insurers, affiliates and assigns, from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date I sign this Release. This general release includes, but is not limited to: (a) all claims arising out of or in any way related to my employment with the Company and its affiliates, or their affiliates, or the termination of that employment; (b) all claims related to my compensation or benefits, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company and its affiliates, or their affiliates; (c) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (d) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (e) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990 (as amended), the federal Age Discrimination in Employment Act (as amended) ("***ADEA***"), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended).

Notwithstanding the foregoing, I understand that the following rights or claims are not included in my Release: (a) any rights or claims for indemnification I may have pursuant to any written indemnification agreement with the Company or its affiliate to which I am a party; the charter, bylaws, or operating agreements of the Company or its affiliate; or under applicable law; or (b) any rights which cannot be waived as a matter of law. In addition, I understand that nothing in this Agreement prevents me from filing, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or the California Department of Fair Employment and Housing, except that I hereby waive my right to any monetary benefits in connection with any such claim, charge or proceeding. I hereby

represent and warrant that, other than the claims identified in this paragraph, I am not aware of any claims I have or might have that are not included in the Release.

I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA, and that the consideration given under the Plan for the waiver and release in the preceding paragraph hereof is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (a) my waiver and release do not apply to any rights or claims that may arise after the date I sign this Release; (b) I should consult with an attorney prior to signing this Release (although I may choose voluntarily not to do so); (c) I have forty-five (45) days to consider this Release (although I may choose voluntarily to sign this Release earlier); (d) I have seven (7) days following the date I sign this Release to revoke the Release by providing written notice to an office of the Company; (e) this Release shall not be effective until the date upon which the revocation period has expired, which shall be the eighth day after I sign this Release; and (f) I have received with this Release a detailed list of the job titles and ages of all employees who were terminated in this group termination and the ages of all employees of the Company in the same job classification or organizational unit who were not terminated.

I acknowledge that I have read and understand Section 1542 of the California Civil Code which reads as follows: **"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."** I hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to my release of any claims hereunder.

I hereby represent that I have been paid all compensation owed and for all hours worked; I have received all the leave and leave benefits and protections for which I am eligible pursuant to the Family and Medical Leave Act, the California Family Rights Act, or otherwise; and I have not suffered any on-the-job injury for which I have not already filed a workers' compensation claim.

I acknowledge that to become effective, I must sign and return this Release to the Company so that it is received not later than forty-five (45) days following the date it is provided to me.

EMPLOYEE

Name: _____

Date: _____

EXHIBIT D

RELEASE AGREEMENT

I understand and agree completely to the terms set forth in the Exelixis, Inc. Change in Control and Severance Benefit Plan (the "*Plan*").

I understand that this Release, together with the Plan, constitutes the complete, final and exclusive embodiment of the entire agreement between the Company, affiliates of the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company or an affiliate of the Company that is not expressly stated therein. Certain capitalized terms used in this Release are defined in the Plan.

I hereby confirm my obligations under the Company's Employee Proprietary Information and Inventions Agreement.

Except as otherwise set forth in this Release, I hereby generally and completely release the Company and its affiliates, and their parents, subsidiaries, successors, predecessors and affiliates, and its and their partners, members, directors, officers, employees, stockholders, shareholders, agents, attorneys, predecessors, insurers, affiliates and assigns, from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date I sign this Release. This general release includes, but is not limited to: (a) all claims arising out of or in any way related to my employment with the Company and its affiliates, or their affiliates, or the termination of that employment; (b) all claims related to my compensation or benefits, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company and its affiliates, or their affiliates; (c) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (d) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (e) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990 (as amended), the federal Employee Retirement Income Security Act of 1974 (as amended), and the California Fair Employment and Housing Act (as amended).

Notwithstanding the foregoing, I understand that the following rights or claims are not included in my Release: (a) any rights or claims for indemnification I may have pursuant to any written indemnification agreement with the Company or its affiliate to which I am a party; the charter, bylaws, or operating agreements of the Company or its affiliate; or under applicable law; or (b) any rights which cannot be waived as a matter of law. In addition, I understand that nothing in this Agreement prevents me from filing, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or the California Department of Fair Employment and Housing, except that I hereby waive my right to any monetary benefits in connection with any such claim, charge or proceeding. I hereby

represent and warrant that, other than the claims identified in this paragraph, I am not aware of any claims I have or might have that are not included in the Release.

I acknowledge that I have read and understand Section 1542 of the California Civil Code which reads as follows: **"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."** I hereby expressly waive and relinquish all rights and benefits under that section and any law of any jurisdiction of similar effect with respect to my release of any claims hereunder.

I hereby represent that I have been paid all compensation owed and for all hours worked; I have received all the leave and leave benefits and protections for which I am eligible pursuant to the Family and Medical Leave Act, the California Family Rights Act, or otherwise; and I have not suffered any on-the-job injury for which I have not already filed a workers' compensation claim.

I acknowledge that to become effective, I must sign and return this Release to the Company so that it is received not later than fourteen (14) days following the date it is provided to me.

EMPLOYEE

Name: _____

Date: _____

SUBLEASE

THIS SUBLEASE (the "**Sublease**"), dated for reference purposes only as of July 25, 2011 (the "**Execution Date**"), is made by and between **EXELIXIS INC.**, a Delaware corporation ("**Sublandlord**"), and **NODALITY, INC.**, a Delaware corporation ("**Subtenant**").

RECITALS

WHEREAS, Sublandlord and HCP LIFE SCIENCE REIT (as successor-in-interest to Britannia Pointe Grand Limited Partnership, a Delaware limited partnership) ("**Master Landlord**"), are parties to that certain Build-to-Suit Lease dated as of May 12, 1999, as amended by that certain First Amendment to Build-to-Suit Lease dated as of March 29, 2000, that certain Second Amendment to Build-to-Suit Lease dated as of January 31, 2001, and that certain Third Amendment to Build-to-Suit Lease dated as of May 24, 2001 (as amended, the "**Master Lease**"), pursuant to which Master Landlord leased to Sublandlord the buildings located at 169 Harbor Way ("**Building 169**") and 170 Harbor Way ("**Building 170**", and together with Building 169, the "**Master Premises**"), in South San Francisco, California, each as more fully described in the Master Lease. The parties acknowledge that a copy of the Master Lease has been delivered by Sublandlord to Subtenant.

WHEREAS, the parties hereto desire that Sublandlord sublet to Subtenant and that Subtenant sublet from Sublandlord all of the second floor of Building 170 as shown on the attached **Exhibit A** (the "**Subleased Premises**"), together with the nonexclusive right to use the showers located on the first floor of Building 170, the lobby, break room, hallways, elevators, stairwells, mechanical closets, chemical and bio-waste storage areas, server rooms and other spaces designated by Sublandlord from time to time for the non-exclusive use of the tenants of Building 170 and the Common Areas (as defined in the Master Lease) exterior to Building 170 ("**Common Areas**"). Sublandlord agrees that it shall not permanently close or alter the Common Areas in any manner that will unreasonably interfere with Subtenant's use, occupancy and enjoyment of the Subleased Premises or decrease Subtenant's rights under this Sublease.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Sublease. Sublandlord does hereby sublet to Subtenant and Subtenant does hereby sublet from Sublandlord, the Subleased Premises, together with the nonexclusive right to use the Common Areas as shown on Exhibit A, subject to the terms and conditions of this Sublease. The parties hereto agree to the rentable square footage of the Subleased Premises set forth above, and such rentable square footage, and any of the economic terms hereof based thereon, shall not be adjusted based on further re-measurement. Notwithstanding the foregoing or anything to the contrary contained in this Sublease, Sublandlord hereby reserves the right, for emergency purposes only, to enter upon and travel through the Subleased Premises, in the event such access is necessary to accommodate emergency evacuation from the roof and or greenhouse located on the roof of Building 170. The parties hereto agree to the rentable square footage of the Subleased Premises is 25,110, and such rentable square footage, and any of the economic terms hereof based thereon, shall not be adjusted based on further re-measurement.

2. Term.

(a) Master Landlord's Consent. Sublandlord and Subtenant expressly acknowledge and agree that this Sublease is subject to Master Landlord's prior written consent to this Sublease, on a form to be provided by Master Landlord that is reasonably acceptable to Sublandlord and Subtenant ("**Master Landlord's Consent**"). Sublandlord shall use commercially reasonable efforts to obtain Master Landlord's Consent, and Subtenant agrees to cooperate in all reasonable respects in connection therewith. If Sublandlord fails to obtain Master Landlord's Consent within thirty (30) days after execution of this Sublease by both Subtenant and Sublandlord, then either Sublandlord or Subtenant may terminate this Sublease by giving written notice thereof to the other, and Sublandlord shall return to Subtenant any amounts delivered by Subtenant under this Sublease. Neither party shall have any liability to the other for any termination or cancellation of this Sublease as a result of Master Landlord's failure or refusal to consent to this Sublease, unless it fails to use commercially reasonable efforts to obtain such Master Landlord's Consent as required in this Sublease.

(b) Sublease Term. Sublandlord has retained Environmental and Occupational Risk Management, Inc. ("EORM") to prepare a Phase I Environmental Site Assessment for Building 170 (the "**Phase I**"). This Sublease shall be for a term (the "**Sublease Term**") commencing on the later of (A) the later of (i) November 1, 2011, and (ii) receipt of the fully-executed Master Landlord's Consent (in either case, the "**Target Start Date**") and (B) unless waived in whole or in part by Subtenant, the date upon which (i) Sublandlord and Subtenant have received the Phase I, in form and substance satisfactory to Subtenant in its commercially reasonable discretion, and any governmental sign-off necessary to permit Subtenant to occupy the Subleased Premises and conduct its business therein, if any, and (ii) Sublandlord has delivered the Subleased Premises to Subtenant in the required condition, and ending on April 30, 2017, unless terminated earlier in accordance with the terms of this Sublease (as applicable, the "**End Date**"); provided, however, than in no event shall the Sublease Term extend beyond the term of the Master Lease, as set forth therein. Upon Sublandlord's delivery of the Subleased Premises to Subtenant, Sublandlord and Subtenant shall complete and execute the Delivery Agreement attached hereto as **Exhibit B**, confirming the Start Date and scheduled End Date. If the Start Date does not occur by January 1, 2012, for any reason other than a delay caused by Subtenant, then Base Rent (defined below) shall be abated one additional day after the Start Date occurs for each such day of delay or, at Subtenant's election, this Sublease shall terminate and Sublandlord shall return to Subtenant all amounts paid by Subtenant hereunder.

3. Delivery and Condition.

(a) Building Systems. Sublandlord shall deliver the Subleased Premises to Subtenant on the Target Start Date in "**AS IS, WHERE IS**" condition, provided that all existing improvements therein shall be in good working order, and the Subleased Premises shall be vacant, broom clean, otherwise in substantially the same condition as of the date hereof, and Sublandlord shall have performed its obligations to comply with laws as set forth in the Master Lease. Sublandlord warrants that the existing heating, ventilating and air conditioning system ("**HVAC**"), electrical, plumbing, fire alarm, sprinkler, lighting, and all other such elements in the Subleased Premises shall be in good operating condition on the Start Date, and that the Subleased Premises and the Property, to the best of Sublandlord's knowledge, do not contain hazardous substances as defined in and in violation of Section 11.6 of the Master Lease. If a non-compliance with such

warranty exists as of the Start Date, Sublandlord shall, at Sublandlord's sole cost and expense, promptly after receipt of written notice from Subtenant setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify the same, or, if responsibility for a particular item is the responsibility of the Master Landlord, Sublandlord shall use commercially reasonable efforts to cause Master Landlord to rectify the same. To be effective, Subtenant's written notice must be received by Sublandlord on or before the sixth (6th) month anniversary of the Start Date.

(b) FF&E. Sublandlord shall sell to Subtenant, pursuant to the terms of the Bill of Sale attached hereto as **Exhibit C**, without representation or warranty except as expressly set forth in the Bill of Sale, on the Start Date, all office furniture, cubicles and other related furniture, fixtures and equipment owned by Sublandlord and listed on Schedule 1 to the Bill of Sale.

4. Rent.

(a) Base Rent. Subtenant shall pay to Sublandlord monthly base rent (the "**Base Rent**") for the Subleased Premises as follows ($3.50 per rentable square foot, with 3% annual increases):

Start Date – Month 2	$ 0.00
Months 3-12	$ 87,885.00
Months 13-24	$ 90,521.55
Months 25-36	$ 93,237.20
Months 37-48	$ 96,034.32
Months 49-60	$ 98,915.35
Month 60 – End Date	$101,882.81

Base Rent for the first full month in which Base Rent is due shall be paid on the later of the Execution Date and receipt of Master Landlord's Consent. On the first day of each month, Base Rent shall be due and payable, in advance, at the address specified for Sublandlord below, or at such other place as Sublandlord designates in writing, without any prior notice or demand and without any deductions or setoff whatsoever (except as otherwise expressly provided in this Sublease). If the Start Date or End Date occurs on a day other than the first or last day, respectively, of a calendar month, then the Base Rent for such fractional month will be prorated on the basis of the actual number of days in such month.

(b) Additional Rent. Notwithstanding anything to the contrary contained in this Sublease, for the first two months of the Term, Subtenant shall pay an amount equal to $16,321.50 ($.65 per rentable square foot) per month for its share of Operating Expenses and $16,321.50 ($.65 per rentable square foot) per month for its share of Utilities (defined below). Thereafter during the Sublease Term, if Sublandlord shall be charged for additional rent or other sums pursuant to any of the provisions of the Master Lease, including, without limitation, "Operating Expenses", as defined in Section 7.2 of the Master Lease, and taxes, as set forth in Section 6 of the Master Lease, as each is incorporated herein by reference, to the extent such Operating Expenses and/or taxes are in excess of the same charged to Sublandlord in Calendar Year 2011 (the "**Base Year**"), but excepting those sums incurred by Sublandlord as a result of Sublandlord's breach of the Master Lease, Subtenant shall pay, as "**Additional Rent**," 100% of such additional rent or sums that relate to the Subleased Premises during the Sublease Term, and if the same cannot be so

allocated then thirty-six percent (36%) of those charges that relate generally to Building 170 (excluding the vivarium located on the first floor) or 21.1% of those charges that relate generally to the Master Premises (as applicable, "**Subtenant's Share**"). Subtenant's Share of the foregoing increase in Operating Expenses or taxes shall be paid within thirty (30) days after delivery to Subtenant of a copy of Master Landlord's final accounting of the same for the applicable Lease Year, as set forth in Section 7.4 of the Master Lease. If Subtenant shall procure any additional services from Master Landlord, or if additional rent or other sums are incurred for Subtenant's sole benefit, Subtenant shall pay 100% of the cost thereof and shall, within thirty (30) days of demand therefor, make such payment to Sublandlord or Master Landlord, as Sublandlord shall direct, and such charges shall not be pro rated between Sublandlord and Subtenant. Any other rent or other sums payable by Subtenant under this Sublease shall constitute and be due as Additional Rent. All Additional Rent that is payable to Sublandlord shall be paid at the time and place that Base Rent is paid, except as otherwise provided in this Sublease or instructed by Sublandlord in writing. Sublandlord will have the same remedies for a default in the payment of any Additional Rent as for a default in the payment of Base Rent. Together, Base Rent, Additional Rent and any other sums due hereunder from Subtenant are sometimes referred to in this Sublease as "**Rent**". Subtenant shall be entitled to all credits, if any, given by Master Landlord to Sublandlord for Sublandlord's overpayment of such amounts. To the extent that the Master Lease, as of the date of this Sublease, requires the Master Landlord to abate Rent at any time during the Master Lease, Rent under this Sublease shall abate proportionally.

(c) Late Charge; Interest. If Subtenant fails to pay any Rent within five (5) days of the date when due, Subtenant shall pay a late charge and interest thereon in accordance with the terms of Section 3.2 of the Master Lease, which is incorporated herein by this reference. No endorsement or statement on a check or letter accompanying a check or payment shall be considered an accord and satisfaction of past due Rent. Subtenant's covenant to pay Rent is independent of every other covenant in this Sublease.

5. Utilities Services; After Hours HVAC.

(a) Estimated Utilities Increase. Pursuant to Section 8 of the Master Lease, Sublandlord pays all charges for water, gas, heat, light, electricity, power and sewer utilities services furnished to Building 170 (collectively "**Utilities**"), directly to the providers. Within thirty (30) days following expiration of the Base Year, and each subsequent calendar year, Sublandlord shall provide to Subtenant Sublandlord's estimate of the monthly increase in the cost of Utilities ("**Estimated Utilities Increase**") over the costs incurred for Utilities during the Base Year, or subsequent calendar year, as applicable, along with copies of any invoices from relevant providers requested by Subtenant. Each month following expiration of the Base Year, Subtenant shall pay, as Additional Rent, Subtenant's Share of the Estimated Utilities Increase, provided that after-hours HVAC services shall be billed in accordance with the provisions of Section 5(f), below.

(b) Annual True-up. Within ninety (90) days following the end of each calendar year following the Base Year, Sublandlord shall deliver to Subtenant a statement of Subtenant's Share of the actual cost of Utilities incurred for the preceding year, together with copies of all invoices for Utilities if requested by Subtenant. If on the basis of such statement Subtenant owes an amount that is more or less than the estimated payments for the preceding year previously made by Subtenant, Subtenant or Sublandlord, as the case may be, shall pay the deficiency to the

other party within thirty (30) days after delivery of the statement. Failure or inability of Sublandlord to deliver the annual statement within such ninety (90) day period shall not impair or constitute a waiver of Subtenant's obligation to pay in accordance with this Section for Utilities it consumes, or cause Sublandlord to incur any liability for damages.

(c) Allocation based on Excess Consumption. In the event that Subtenant or Sublandlord reasonably believes that, by application of the Subtenant's Share, the allocation of the Estimated Utilities Increase is inequitable because another occupant of Building 170 is consuming more than its allocable share of utilities, then Sublandlord shall engage Palmer Electric, or other company acceptable to both parties in their reasonable discretion, to perform a measurement of utilities consumption by all occupants of Building 170. If such measurement reflects that any occupant of Building is consuming more than its proportionate share of Utilities, Sublandlord shall be entitled to charge the party consuming more than its proportionate share the costs of such measurement and Sublandlord shall be entitled to modify the amount of the Estimated Utilities Increase to allocate such charges on a commercially reasonable basis other than the application of the Subtenant's Share, taking into account the results of such measurement.

(d) Phone and Data. Subtenant shall also contract directly with or otherwise obtain telephone and data services and any other services desired by the Subtenant and not provided by Master Landlord for the Subleased Premises.

(e) Master Lease Services. Sublandlord shall use reasonable efforts to ensure Master Landlord's compliance with its obligations to provide services under the Master Lease. In no event shall Sublandlord be obligated to provide any such services directly to Subtenant.

(f) After Hours HVAC. In the event that Subtenant wishes to have after hours HVAC services, Subtenant shall give notice as follows: between the hours of 8:00 am and 5:00 pm Monday through Friday, by e-mailing the Facilities staff at: facilities@exelixis.com or between the hours of 5:00 pm and 8:00 am on weekdays, 8:00 am and 5:00 pm on Saturdays and Sundays including holidays, calling the Facilities "On Call" phone number at 650-837-7200, and Sublandlord shall arrange for such after-hours HVAC services. Subtenant agrees to pay Sublandlord's then current charge for after-hours HVAC services. The current charge for after-hours HVAC service, which is subject to change at any time to reflect Sublandlord's actual costs only, calculated on a blended rate basis, is $85.00 per hour.

6. Letter of Credit. Within two (2) business days after Subtenant's receipt of a copy of Master Landlord's Consent, Subtenant shall provide to Sublandlord an unconditional, clean, irrevocable Letter of Credit ("**Letter of Credit**") in the amount of $112,071.08 in favor of Sublandlord and issued by a bank (which accepts deposits, maintains accounts and will negotiate a letter of credit, and whose deposits are insured by the FDIC) located in the Bay Area and reasonably acceptable to Sublandlord ("**Issuer**"). Sublandlord hereby approves Comerica Bank as an acceptable Issuer of the Letter of Credit. The Letter of Credit shall (a) be fully transferable by Sublandlord without payment of transfer fees, (b) permit multiple drawings, and (c) provide that draws, including partial draws, at Sublandlord's election, will be honored upon the delivery to the Issuer of a certificate signed by Sublandlord, or its authorized agent, that Sublandlord is entitled to make the requested draw pursuant to the terms of the Sublease. If Subtenant fails to pay Rent or any other sums as and when due hereunder, or otherwise defaults with respect to any provision of this

Sublease in each case beyond the applicable notice and cure period, Sublandlord may (but shall not be obligated to) use, apply or retain all or any portion of the Letter of Credit for payment of any sum for which Subtenant is obligated or which will compensate Sublandlord for any loss or damage which Sublandlord may suffer thereby. Any draw or partial draw of the Letter of Credit shall not constitute a waiver by Sublandlord of its right to enforce its other remedies hereunder, at Law or in equity. If any portion of the Letter of Credit is drawn upon, Subtenant shall, within ten (10) days after delivery of written demand from Sublandlord, either restore said Letter of Credit to its requisite amount or pay Sublandlord an amount equal to any draw made upon the Letter of Credit. The Letter of Credit shall be in effect for the entire Sublease Term plus sixty (60) days beyond the End Date. The Letter of Credit shall automatically renew each year during the Sublease Term unless Sublandlord is given at least thirty (30) days prior notice of a non-renewal by the Issuer, and Sublandlord shall be able to draw on the Letter of Credit in the event of such notice. The parties agree that the provisions of Civil Code Sections 1950.7 and 1951.7 do not apply to the Letter of Credit or any proceeds from the Letter of Credit. In the event that Sublandlord draws upon the Letter of Credit solely due to Subtenant's failure to renew the Letter of Credit at least thirty (30) days before its expiration, (i) such failure to renew shall not constitute a default hereunder and (ii) Subtenant shall at any time thereafter be entitled to provide Sublandlord with a replacement Letter of Credit that satisfies the requirements hereunder, at which time Sublandlord shall return the cash proceeds of the original Letter of Credit drawn by Sublandlord.

7. Compliance with Laws; Use. The Subleased Premises shall be used for research and development, laboratory (including diagnostics), administrative uses and all related legal uses, as permitted under the Master Lease and approved by the City of South San Francisco and any other governmental entity having jurisdiction over the Subleased Premises. Subtenant and its employees, agents, contractors and invitees (the "**Subtenant Controlled Parties**") shall comply with all statutes, codes, ordinances, orders, rules and regulations of any municipal or governmental entity, including, without limitation, all applicable federal, state and local Laws or regulations governing protection of, or damage to the environment, or the treatment, storage or disposal of hazardous materials (collectively referred to as "**Laws**"), regarding the operation of Subtenant's business and Subtenant's particular use of the Subleased Premises. In addition to the foregoing, Subtenant shall comply with the terms of Sections 5.3 and 11 of the Master Lease, which are incorporated herein by this reference (provided, however, that all references therein to "Landlord" shall mean and refer to Master Landlord, except for any indemnity obligations thereunder, which shall be for the benefit of both Sublandlord and Master Landlord, and references to "Tenant" and "Buildings" shall mean "Subtenant" and the "Subleased Premises", respectively, references in Sections 11.4 – 11.6 to the "Property" shall mean the "Subleased Premises", all references to "Phase 1 Rent Commencement Date" shall be to the "Start Date" and the references in Section 11.6(g) to "Landlord" shall mean "Sublandlord"), and any other rules and regulations of the Master Premises adopted by Master Landlord from time to time, provided that a copy thereof is made available to Subtenant.

8. Maintenance and Repairs. The provisions of Section 10 of the Master Lease pertaining to maintenance and repair shall be incorporated into this Sublease, subject to the following terms: For purposes of this Sublease, the term "Buildings" in Section 10 of the Master Lease shall be deemed to mean the Subleased Premises, the term "Tenant" shall be deemed to mean Subtenant and the term "Landlord" shall be deemed to mean Master Landlord. Sublandlord shall use reasonable efforts to ensure Master Landlord's compliance with its obligations under the Master Lease in this regard. In no event shall Sublandlord be obligated to undertake any maintenance and repair obligations that are otherwise the responsibility of Master Landlord hereunder or under the Master Lease, and Subtenant

hereby confirms it will perform Sublandlord's repair obligations under the Master Lease, to the extent such obligations are applicable to the Subleased Premises during the Sublease Term. Sublandlord hereby assigns to Subtenant all warranties given and indemnities made by Master Landlord to Sublandlord under the Master Lease which would reduce Subtenant's obligations hereunder, and shall cooperate with Subtenant to enforce all such warranties and indemnities. Notwithstanding any of the foregoing, Sublandlord shall be responsible for continuing to perform its obligations under the Master Lease with regard to maintaining the roof of Building 170 and the systems serving the Subleased Premises except to the extent such systems are located within and exclusively serve the Subleased Premises.

9. Subtenant Improvements; Repairs and Alterations. Any alterations, additions or improvements to the Subleased Premises by or for Subtenant (collectively referred to as "**Alterations**") shall require the prior written consent of both Sublandlord and Master Landlord to the extent required under Section 9 of the Master Lease, as incorporated herein, and be made in accordance with Section 9 of the Master Lease, which is incorporated herein by this reference (provided, however, that all references therein to "Tenant" and "Buildings" shall mean "Subtenant" and the "Subleased Premises", respectively, and all references therein to "Landlord" shall mean both "Sublandlord" and "Master Landlord"). Subtenant shall be solely responsible for the planning, construction and completion of any Alterations at Subtenant's sole cost and expense. Subtenant shall make all payments for Alterations in a timely manner so as not to permit any mechanic's or other liens to be placed upon the Subleased Premises in connection with any Alterations. Subtenant shall fully discharge any such lien within ten (10) days after it first becomes aware of the same. Subtenant shall not damage or deface the furnishings, walls, floors, ceilings or other portions of the Subleased Premises. Any damage to the Subleased Premises caused by Subtenant or a Subtenant Controlled Party shall be promptly repaired by Subtenant, to Sublandlord's reasonable satisfaction, at Subtenant's sole cost and expense. If Subtenant shall fail to repair any damage within a reasonable time following notice from Sublandlord, Sublandlord shall have the right to repair any damage caused by Subtenant at Subtenant's sole cost and expense. In such event, Subtenant shall reimburse Sublandlord for the reasonable cost of any such repairs within ten (10) days after receipt of an invoice, together with an administrative charge in an amount equal to 10% of the cost of the repairs. All Alterations to the Subleased Premises shall remain upon the Subleased Premises following the End Date, provided that Sublandlord receives a written waiver from Master Landlord of its surrender obligations set forth in Section 9.2 of the Master Lease with respect to such Alterations (a "**Surrender Restoration Waiver**"). If a Surrender Restoration Waiver is not obtained, then Subtenant shall, prior to the End Date, promptly remove any Alterations made by Subtenant at its sole cost and expense and repair any damage to the Subleased Premises caused by such removal.

10. Entry by Sublandlord or Master Landlord. Sublandlord or Master Landlord may enter the Subleased Premises at any time during the Sublease Term to inspect or show the Subleased Premises, or to clean and make repairs, alterations or additions to the Subleased Premises (in accordance with Section 14.1 of the Master Lease, which is incorporated herein by this reference, provided, however, that all references therein to "Tenant" and "Premises" shall mean "Subtenant" and the "Subleased Premises", respectively and all references therein to "Landlord" shall mean both "Sublandlord" and "Master Landlord"). Except in case of emergencies, Master Landlord or Sublandlord, as applicable, shall provide Subtenant with at least forty-eight (48) hours prior notice of entry into the Subleased Premises, which must be in writing (which, for purposes of this Section

10 only, may include notice in an email addressed to the following address: michele.benjamin@nodality.com.

11. Assignment and Subletting.

(a) Consent Required. Subtenant shall not assign, sublease, transfer or encumber any interest in this Sublease or allow any third party to use any portion of the Subleased Premises (collectively or individually, a "**Transfer**"), without the prior written consent of Sublandlord and Master Landlord, which may be given or withheld in accordance with Section 13 of the Master Lease, which is incorporated herein by this reference (provided, however, that all references therein to "Landlord", "Tenant" and "Buildings" shall mean "Sublandlord", "Subtenant" and "Subleased Premises", respectively). Any Transfer or attempted Transfer without the consent of Sublandlord and Master Landlord that continues after the expiration of applicable notice and cure periods shall be a default by Subtenant and, in addition to any other rights and remedies, shall entitle Sublandlord to terminate this Sublease. To the extent that rent paid by such assignee or sublessee is in excess of Rent paid by Subtenant hereunder ("**Bonus Subrent**"), such Bonus Subrent shall first be split per Section 13.2(b) and (c) of the Master Lease, as incorporated herein, to be paid and distributed accordingly within five (5) days of actual receipt by Subtenant.

(b) Permitted Transfer. So long as Master Landlord consents, or agrees that no consent is necessary, Sublandlord agrees that Subtenant may, without Sublandlord's prior written consent (but with at least ten (10) days prior notice), sublet all or any portion of the Subleased Premises or assign this Sublease pursuant to clauses (i) through (iv) of Section 13.1 of the Master Lease, which are incorporated herein by reference; provided, however, that (i) all references in the Master Lease to "Tenant" shall mean "Subtenant", and (ii) Subtenant shall not be released from any of its obligations under this Sublease or those provisions of the Master Lease incorporated herein and such permitted transferee shall be required to assume all of Subtenant's obligations hereunder as a condition to such transfer being permitted without Sublandlord's prior written consent .

12. Indemnity and Waiver of Claims. Except to the extent caused by the gross negligence or willful misconduct of Master Landlord or Sublandlord or any of its owners, partners, principals, members, trustees, officers, directors, shareholders, agents, employees and lenders ("**Sublandlord Related Parties**") or Sublandlord's or Master Landlord's violation of the Master Lease or this Sublease, Subtenant shall indemnify, defend and hold Sublandlord and the Sublandlord Related Parties harmless from and against all liabilities, damages, claims, and expenses, including, without limitation, reasonable attorneys' fees (if and to the extent permitted by Law), which may be imposed upon, incurred by or asserted against Sublandlord or any of Sublandlord Related Parties arising out of or in connection with any damage or injury occurring in the Subleased Premises caused by any acts or omissions (including violations of Law) of Subtenant or any Subtenant Controlled Parties. Subtenant hereby waives all claims against Sublandlord and Sublandlord Related Parties for (a) any damage to person or property (or resulting from the loss of use thereof), except to the extent caused by the negligence or willful misconduct of Sublandlord or any Sublandlord Related Party or Sublandlord's violation of this Sublease and (b) any failure to prevent or control any criminal or otherwise wrongful conduct by any third party or to apprehend any third party who has engaged in such conduct. Notwithstanding any provision in this Sublease to the contrary, neither Sublandlord nor any Sublandlord Related Party shall be liable for (and Subtenant hereby waives any claims for) any injury or damage to, or interference with, Subtenant's business, including loss of profits, loss of

rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, or for any form of special or consequential damage. Notwithstanding anything to the contrary herein, Sublandlord shall not be released or indemnified from all damages, liabilities, losses, claims, attorneys' fees, costs and expenses arising from the gross negligence or willful misconduct of Sublandlord or Sublandlord Related Parties or a violation of Sublandlord's obligations or representations under this Sublease.

13. Insurance. The provisions of Sections 12.1–12.5 and 12.7 of the Master Lease pertaining to insurance shall be incorporated into this Sublease, subject to the following terms. For purposes of this Sublease, the term "Tenant" in Section 12 of the Master Lease shall be deemed to mean Subtenant, the term "Landlord" shall be deemed to mean Master Landlord (except that the release and waiver of subrogation shall also apply as between Sublandlord and Subtenant), the references to the "Tenant Improvements" shall mean Alterations installed by Subtenant and the term "Property" shall mean the "Subleased Premises", except that all policies of liability insurance required to be maintained by Subtenant hereunder and thereunder shall name both Sublandlord and Master Landlord as additional named insureds and all notices related to such insurance and all evidence of such policies shall be delivered to both Sublandlord and Master Landlord. Subtenant covenants that it shall obtain Master Landlord's approval for the form of insurance certificate to be provided to Master Landlord, including any "blanket insurance" policy obtained by Subtenant, prior to the Start Date. Notwithstanding anything in this Sublease to the contrary, Sublandlord and Subtenant hereby release each other and their respective agents, employees, successors, assignees and sublessees from all liability for damage to any property that is caused by or results from a risk which is actually insured against or which is required to be insured against under the Master Lease or this Sublease without regard to the negligence or willful misconduct of the person or entity so released.

14. Damage or Destruction and Condemnation. The provisions of Section 15 of the Master Lease pertaining to damage or destruction and condemnation shall be incorporated into this Sublease, subject to the following terms. For purposes of this Sublease, the term "Tenant" in Section 15 of the Master Lease shall be deemed to mean Subtenant and the term "Landlord" therein shall be deemed to mean Master Landlord, "Buildings" shall mean the Subleased Premises and "Tenant Improvements" shall mean Alterations installed by Subtenant. Following a casualty or condemnation, Sublandlord shall restore any alterations to the Subleased Premises existing thereon on the Start Date to the extent the same are not Master Landlord's responsibility if damaged, destroyed or condemned as described in Section 15 of the Master Lease. Sublandlord shall have no right to terminate this Sublease or the Master Lease pursuant to Section 15 of the Master Lease.

15. Events of Default. The occurrence of any of the following shall constitute a material breach of this Sublease and an Event of Default by Subtenant: (i) failure to pay Rent or any other amount within three (3) days after notice of delinquency; (ii) all those items of default set forth in the Master Lease where the obligation is incorporated in this Sublease, including, without limitation, the Events of Default listed in Section 16 of the Master Lease (which is incorporated by this reference), which remain uncured after the cure period provided in the Master Lease; or (iii) Subtenant's failure to perform any other term, provision or covenant of this Sublease, which failure remains uncured after thirty (30) days written notice thereof, or if such failure is not susceptible of cure within thirty (30) days, such additional time as reasonably required for such cure provided Subtenant commences such cure within said thirty (30) day period and diligently prosecutes such cure to completion.

16. Remedies. Upon any default by Subtenant under the terms of this Sublease, beyond any applicable notice and cure period, Sublandlord shall have the remedies set forth in Section 16 of the Master Lease (which is incorporated by this reference) as if Sublandlord is Master Landlord, including, without limitation, the right to terminate this Sublease, in which case Subtenant shall immediately surrender the Subleased Premises to Sublandlord. If Subtenant fails to surrender the Subleased Premises, Sublandlord may, in compliance with applicable Law and without prejudice to any other right or remedy, enter upon and take possession of the Subleased Premises. Subtenant shall pay Sublandlord on demand the amount of all past due Rents, plus other losses and damages which Sublandlord may suffer as a result of Subtenant's uncured default. In addition to the right to terminate this Sublease and collect damages, Sublandlord shall have the right to pursue any other remedy provided under the Master Lease or that is now or hereafter available at Law or in equity. For purposes of incorporation by reference provided in the first sentence of Section 15 and this Section 16, the term "Tenant" in Section 16 of the Master Lease shall be deemed to mean Subtenant and the term "Landlord" shall be deemed to mean Sublandlord and the term "Lease" shall mean this Sublease.

17. Master Lease.

(a) Subtenant takes possession of the Subleased Premises, and enters into this Sublease, subject and subordinate to all of the terms, covenants, conditions, and restrictions of the Master Lease. Neither Sublandlord nor Subtenant shall by act or omission cause a breach of any of the terms, covenants, conditions, and restrictions contained in the Master Lease. Sublandlord shall not agree to, or take any actions giving rise to, any amendment, modification or termination of the Master Lease, waive any provisions under the Master Lease or make any elections, exercise any right or remedy or give any consent or approval under the Master Lease that materially adversely impacts the rights and obligations of Subtenant hereunder or Sublandlord's use of the Subleased Premises without Subtenant's prior written consent; provided that Sublandlord may, without the consent of the Subtenant, exercise any termination right expressly set forth in the Master Lease as of the date of this Sublease. Except to the extent incorporated by reference in this Sublease, none of the terms, covenants, conditions and restrictions of the Master Lease are incorporated herein to define the agreement as between Sublandlord and Subtenant. With respect to any obligation of Subtenant to be performed under this Sublease, wherever the Master Lease grants to Sublandlord a specified number of days after notice or other time condition to perform its corresponding obligation under the Master Lease (excluding the payment of Rent), Subtenant shall have two (2) fewer days to perform the obligation, including without limitation curing any defaults. Any default notice or other notice of any obligations (including any billing or invoice for any Rent or any other expense or charge due under the Master Lease) from Master Landlord which is received by Subtenant (whether directly or as a result of being forwarded by Sublandlord) shall constitute such notice from Sublandlord to Subtenant under this Sublease without the need for any additional notice from Sublandlord.

(b) Sublandlord shall not be deemed to have made any representation made by Master Landlord in the Master Lease. Moreover, except as otherwise provided herein to the contrary, Sublandlord shall not be obligated:

(i) to provide any of the services or utilities that Master Landlord has agreed in the Master Lease to provide;

(ii) to make any of the repairs or restorations that Master Landlord has agreed in the Master Lease to make; or

(iii) to comply with any Laws or requirements of public authorities with which Master Landlord has agreed in the Master Lease to comply; and Sublandlord shall have no liability to Subtenant on account of any failure of Master Landlord to do so, or on account of any failure by Master Landlord to observe or perform any of the terms, covenants or conditions of the Master Lease required to be observed or performed by Master Landlord; provided Sublandlord agrees to use commercially reasonable efforts to enforce Master Landlord's obligations under the Master Lease on Subtenant's behalf.

(c) Notwithstanding the foregoing, Sublandlord grants to Subtenant the right to receive all of the services and benefits with respect to the Subleased Premises that are to be provided by Master Landlord under the Master Lease.

(d) If (i) Subtenant shall fail to perform any of its obligations hereunder and such failure shall continue beyond any cure period provided for herein, or (ii) Master Landlord shall give any notice of failure or default under the Master Lease arising out of any failure by Subtenant to perform any of its obligations hereunder then, in either case, Sublandlord shall have the right (but not the obligation) to perform or endeavor to perform such obligation, at Subtenant's expense, and Subtenant shall, within ten (10) days of Sublandlord's demands from time to time, reimburse Sublandlord for all costs and expenses incurred by Sublandlord in doing so as Rent.

(e) Subtenant shall promptly execute, acknowledge and deliver to Sublandlord, any certificate or other document evidencing the status of the Sublease or subordination of this Sublease to the Master Lease, that Sublandlord or Master Landlord may reasonably request, in accordance with Sections 17, 19.11 and 19.16 of the Master Lease, which are incorporated herein by this reference (provided, however, the terms "Tenant" and "Buildings" shall be deemed to mean "Subtenant" and the "Subleased Premises", respectively).

(f) Sublandlord warrants to Subtenant that (i) Sublandlord has delivered to Subtenant a complete copy of the Master Lease, (ii) the Master Lease is, as of the date of this Sublease, in full force and effect, (iii) no event of default by Sublandlord or, to Sublandlord's knowledge, by Master Landlord has occurred under the Master Lease nor has any event occurred and is continuing that would constitute an event of default by Sublandlord or, to Sublandlord's knowledge, by Master Landlord under the Master Lease, but for the requirement of the giving of notice and the expiration of the period of time to cure and (iv) Sublandlord has not subleased or assigned the Master Lease.

(g) Sublandlord shall fully perform all of its obligations under the Master Lease, to the extent Subtenant has not expressly agreed to perform such obligations under this Sublease, and under the New Lease. Sublandlord, with respect to the obligations of Master Landlord under the Master Lease, shall use Sublandlord's diligent good faith efforts to cause Master Landlord to perform such obligations for the benefit of Subtenant. Such diligent good faith efforts shall include, without limitation: (i) upon Subtenant's written request, immediately notifying Master Landlord of its nonperformance under the Master Lease, and requesting that Master Landlord perform its obligations under the Master Lease; and (ii) permitting Subtenant to commence a lawsuit or other action in Sublandlord's name to obtain the performance required from Master Landlord under the Master

Lease; provided, however, that if Subtenant commences a lawsuit or other action, Subtenant shall pay all costs and expenses incurred in connection therewith, and Subtenant shall indemnify Sublandlord against, and hold Sublandlord harmless from, all reasonable costs and expenses incurred by Sublandlord in connection therewith. In the event that Sublandlord defaults in the performance or observance of any of Sublandlord's remaining obligations under the Master Lease or fails to perform Sublandlord's obligations under this Sublease, then Subtenant shall give Sublandlord notice specifying in what manner Sublandlord has failed to perform and if such failure shall not be cured by Sublandlord within thirty (30) days thereafter (except that if such failure cannot be cured within said thirty (30) day period, this period shall be extended for an additional reasonable time, provided that Sublandlord commences to cure such failure within such thirty (30) day period and proceeds diligently thereafter to effect such cure as quickly as possible), then Subtenant shall be entitled to cure such failure and promptly collect from Sublandlord Subtenant's reasonable expenses in so doing (including, without limitation, reasonable attorneys' fees and court costs). Subtenant shall not be required, however, to wait the entire cure period described herein if such failure by Sublandlord materially interferes with Tenant's operations and earlier action is required to comply with the Master Lease or with any applicable governmental law, regulation or order.

18. Surrender of Subleased Premises. At the expiration or earlier termination of this Sublease, if no Surrender Restoration Waiver has been delivered to Sublandlord, then Subtenant, at its sole cost and expense, shall promptly remove from the Subleased Premises (a) any Alterations made by Subtenant, (b) Subtenant's personal property, and (c) repair any damage to the Subleased Premises caused by such removal, and otherwise quit and surrender the Subleased Premises to Sublandlord, broom clean, and in good order, condition and repair, ordinary wear and tear excepted. If Subtenant fails to remove any such Alterations or Subtenant's personal property within five (5) days after the termination of this Sublease, Sublandlord, at Subtenant's sole cost and expense, shall be entitled (but not obligated) to remove such Alterations or remove, store or dispose of Subtenant's personal property. Sublandlord shall not be responsible for the value, preservation or safekeeping of Subtenant's personal property.

19. Holding Over. Subtenant shall have no right to holdover in the Subleased Premises pursuant to this Sublease after the End Date. If Subtenant does not surrender and vacate the Subleased Premises on the End Date, Subtenant shall be a tenant at sufferance, or at the sole election of Sublandlord, a month to month tenancy, and the parties agree in either case that the reasonable rental value, if at sufferance, or the Rent if a month to month tenancy, shall be Rent at the monthly rate of one hundred and fifty percent (150%) of the monthly Rent set forth in Article 4. Notwithstanding the foregoing, and in addition to all other rights and remedies on the part of Sublandlord, if Subtenant fails to surrender the Subleased Premises upon the End Date, in addition to any other liabilities to Sublandlord accruing therefrom, Subtenant shall indemnify, defend and hold Sublandlord harmless from all claims, actions, losses, damages and expenses resulting from such failure, including, without limitation, any such claims, actions, losses and damages to any third parties based on such failure to surrender and any lost profits to Sublandlord resulting therefrom, and including any holdover rent under the Master Lease or damages incurred by Sublandlord under the Master Lease as a result of such holdover.

20. Parking. Subtenant shall have Subtenant's proportionate share of such parking rights as Sublandlord may have in connection with the Subleased Premises pursuant to Section 19.20 of the Master Lease.

21. Limitation of Liability. Notwithstanding anything set forth herein, in no event shall any personal liability be asserted against Sublandlord's officers, directors, employees, agents or contractors or to the property or assets of any of them. Under no circumstances shall Sublandlord's officers, directors, employees, agents or contractors be liable for any injury or damage to, or interference with, Subtenant's business, including loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, or for any form of special or consequential damage.

22. Right of First Offer to Sublease.

(a) Grant of Option; Conditions. Subject to the terms of this Section 22, Subtenant shall have a one-time right of first offer to sublease ("**Right of First Offer**") the entire office space on the first floor of Building 170 (excluding the vivarium) (the **"ROFO Space**"). Subtenant's Right of First Offer shall be exercised as follows:

(i) At any time before the thirty-sixth (36th) month of the Sublease Term and after Sublandlord has determined that the ROFO Space has become Available (defined below), but before leasing such ROFO Space to a third party, Sublandlord shall provide Subtenant with written notice (the "**Advice**") advising Subtenant of the terms under which Sublandlord is prepared to sublease such ROFO Space to Subtenant for the remainder of the Sublease Term, which terms shall reflect the Prevailing Market (hereinafter defined) rate for such ROFO Space as reasonably determined by Sublandlord. For purposes hereof, the ROFO Space shall be deemed to become "**Available**" after both of the following occur: (A) Sublandlord hereafter subleases the ROFO Space to a third party and (B) thereafter Sublandlord has determined that such third-party tenant of such ROFO Space, and any occupant of such ROFO Space claiming under such third-party tenant, will not extend or renew the term of its sublease for such ROFO Space pursuant to a renewal right in the original sublease, or enter into a new sublease. Subtenant may sublease the ROFO Space in its entirety only, under the terms set forth in the Advice, by delivering written notice of exercise to Sublandlord (the "**Notice of Exercise**") within five (5) days after the date of the Advice.

(ii) Notwithstanding any contrary provision hereof, Subtenant shall have no Right of First Offer, and Sublandlord shall not be required to provide Subtenant with an Advice, with respect to any ROFO Space, if, at the time Sublandlord would otherwise deliver the Advice: (A) Subtenant is in default under the Sublease beyond applicable notice and cure periods; or (B) Subtenant has assigned the Sublease or sublet all or any portion of the Subleased Premises other than to a Permitted Transferee; or (C) Subtenant is not occupying any of the Premises when Sublandlord would otherwise deliver the Advice.

(b) Terms for Sublease of ROFO Space.

(i) The term for the ROFO Space shall commence on the commencement date stated in the Advice and thereupon the ROFO Space shall be considered a part of the Subleased Premises subject to the provisions of the Sublease; provided, however, that the provisions of the Advice shall prevail to the extent they conflict with the provisions of the Sublease.

(ii) Subtenant shall pay Base Rent and Additional Rent for the ROFO Space in accordance with the provisions of the Advice, which provisions shall reflect the Prevailing Market rate for the ROFO Space, as determined in Sublandlord's reasonable judgment.

(iii) Except as may be otherwise provided in the Advice or in Section 3(a) of this Sublease, the ROFO Space (including improvements and personalty, if any) shall be accepted by Subtenant in AS-IS condition. If Sublandlord is delayed in delivering possession of the ROFO Space by any holdover or unlawful possession of the ROFO Space by any party, Sublandlord shall use reasonable efforts to obtain possession of the ROFO Space, and the commencement date of the term for the ROFO Space shall be postponed until the date Sublandlord delivers possession of the ROFO Space to Subtenant in the required condition free from occupancy by any party.

(c) Termination of Right of First Offer. The sublease of the ROFO Space to Subtenant shall be subject to the consent of the Master Landlord. The rights of Subtenant hereunder with respect to any ROFO Space shall terminate on the earliest to occur of: (i) the last day of the thirty-sixth (36th) month of the Sublease Term, (ii) Subtenant's failure to exercise its Right of First Offer with respect to such ROFO Space within the five (5)-day period provided in Section 22(a)(i) above, (iii) the date on which Sublandlord would have provided Subtenant an Advice for such ROFO Space if Subtenant had not been in violation of one or more of the conditions set forth in Section 22(a)(ii) above, or (iv) Master Landlord's failure to consent to Subtenant's Sublease of the ROFO Space. If Subtenant does not exercise its Right of First Offer within such five (5)-day period, then Sublandlord shall have the right to sublease the ROFO Space on the terms set forth in the Advice.

(d) Offering Amendment. If Subtenant exercises its Right of First Offer, Sublandlord shall prepare an amendment (the "**Offering Amendment**") adding the ROFO Space to the Subleased Premises on the terms set forth in the Advice and reflecting the changes in the Base Rent, rentable square footage of the Subleased Premises, Subtenant's Share and other appropriate terms in accordance with this Section 22. A copy of the Offering Amendment shall be sent to Subtenant within a reasonable time after Sublandlord's receipt of the Notice of Exercise executed by Subtenant, and Subtenant shall execute and return the Offering Amendment to Sublandlord within 15 days thereafter. Upon full execution of the Offering Amendment, Sublandlord shall send the same to Master Landlord for consent.

(e) Definition of Prevailing Market. For purposes of this Section 22, "**Prevailing Market**" means the annual rental rate per square foot for space comparable to the ROFO Space in office buildings comparable to Building 170 and in the same geographic area thereof under subleases being entered into at or about the time that Prevailing Market is being determined. Notwithstanding the foregoing, space subleased under any of the following circumstances shall not be considered to be comparable for purposes hereof: (i) the sublease term is for less than the sublease term of the ROFO Space; (ii) the space is encumbered by the option rights of another tenant; or (iii) the space has a lack of windows and/or an awkward or unusual shape or configuration. The foregoing is not intended to be an exclusive list of space that will not be considered to be comparable.

23. Miscellaneous.

(a) Notices for Subtenant shall be sent to Subtenant after the Start Date at the Subleased Premises (ATTN: General Counsel) and before the Start Date at 201 Gateway Boulevard, South San Francisco, CA 94080 (ATTN: General Counsel). Notices for Sublandlord shall be sent to Sublandlord as follows: Exelixis, Inc., 210 E. Grand Avenue, South San Francisco, CA 94080, and to the attention of Executive Vice President and General Counsel (each, a "**Notice**

Address"). All demands, approvals, consents or notices shall be in writing and delivered by hand or sent by registered or certified mail with return receipt requested, or sent by overnight or same day courier service at the party's respective Notice Address(es) set forth above. Each notice shall be deemed to have been received or given on the earlier to occur of actual delivery or the date on which delivery is refused, or, if Subtenant has vacated the Subleased Premises or other Notice Address without providing a new Notice Address, three (3) days after notice is deposited in the U.S. mail or with a courier service in the manner described above. Any party may, at any time, change its Notice Address (other than to a post office box address) by giving the other parties written notice of the new address.

(b) The term "**Force Majeure Delay**" as used in the Sublease shall mean any delay by either party in fulfilling its obligations hereunder which is attributable to any: (i) actual delay or failure to perform attributable to any strike, lockout or other labor or industrial disturbance (whether or not on the part of the employees of either party hereto), civil disturbance, future order claiming jurisdiction, act of a public enemy, war, riot, sabotage, blockade, embargo, inability to secure customary materials, supplies or labor through ordinary sources by reason of regulation or order of any government or regulatory body; or (ii) actual delay or failure to perform attributable to lightening, earthquake, fire, storm, hurricane, tornado, flood, washout, explosion, or any other similar industry-wide or Building-wide cause beyond the reasonable control of the party from whom performance is required, or any of its contractors or other representatives. Any prevention, delay or stoppage due to any Force Majeure Delay shall excuse the performance of the party affected for a period of time equal to any such prevention, delay or stoppage (except the obligations of Subtenant to pay Rent and other charges pursuant to this Sublease).

(c) Either party's failure to declare a default immediately upon its occurrence or delay in taking action for a default shall not constitute a waiver of the default, nor shall it constitute an estoppel. If either party institutes a suit against the other for violation of or to enforce any covenant, term or condition of this Sublease, the prevailing party shall be entitled to all of its costs and expenses, including, without limitation, reasonable attorneys' fees.

(d) This Sublease shall be interpreted and enforced in accordance with the Laws of the state in which the Subleased Premises is located.

(e) Each of Subtenant and Sublandlord represents and warrants that it has not dealt with any broker in connection with this Sublease, other than Cornish & Carey Commercial Newmark Knight Frank, on behalf of Subtenant and Sublandlord, and each party hereto agrees to indemnify and hold the other party harmless from any commissions due to any broker with whom such party has dealt, other than the broker named in this paragraph.

(f) This Sublease constitutes the entire agreement between the parties and supersedes all prior agreements and understandings related to the Subleased Premises. This Sublease may be modified only by a written agreement signed by Sublandlord and Subtenant.

(g) The execution, delivery, and performance by each of Subtenant and Sublandlord of its respective obligations under this Sublease have been duly authorized and will not violate any provision of Law, any order of any court or other agency of government, or any indenture, agreement or other instrument to which it is a party or by which it is bound.

(h) This Sublease may be executed in multiple counterparts, and by each party on separate counterparts, each of which shall be deemed to be an original but all of which shall together constitute one agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, Sublandlord and Subtenant have executed this Sublease as of the day and year first above written.

SUBLANDLORD:

EXELIXIS, INC.,
a Delaware corporation

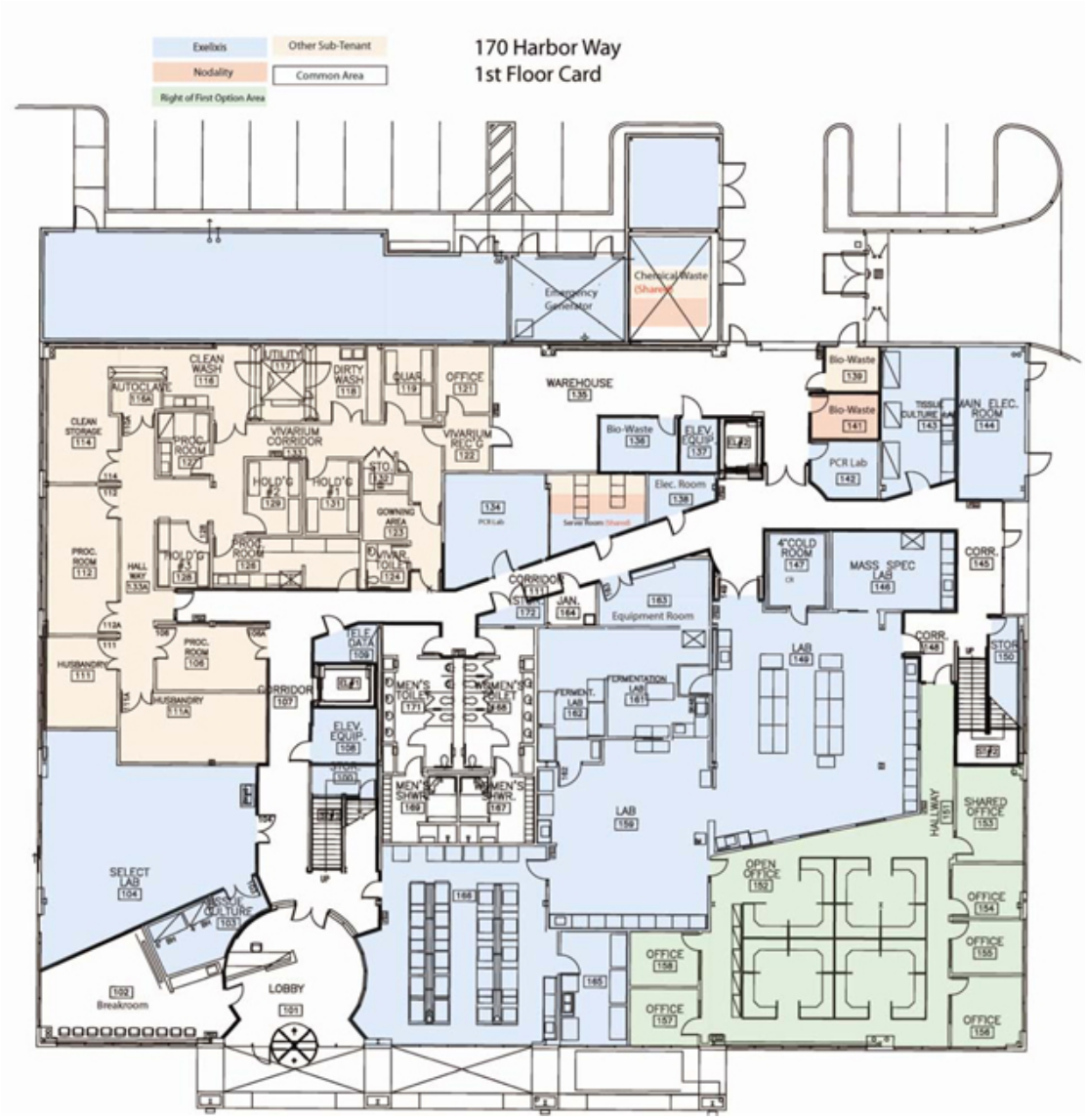
By: /s/ Frank Karbe
Name: Frank Karbe
Title: EVP & CFO

SUBTENANT:

NODALITY, INC.,
a Delaware corporation

By: /s/ David R. Parkinson
Name: David R. Parkinson
Title: CEO

EXHIBIT A


Exelixis
Other Sub-Tenant
Nodality
Common Area
Right of First Option Area
170 Harbor Way
1st Floor Card
Emergency Generator
Chemical Waste (Shared)
CLEAN WASH 116
UTILITY 117
DIRTY WASH 118
GUAR. 119
OFFICE 121
WAREHOUSE 135
Bio-Waste 139
Bio-Waste 141
TISSUE CULTURE 143
MAIN ELEC. ROOM 144
AUTOCLAVE 116A
CLEAN STORAGE 114
PROC. ROOM 127
VIVARIUM CORRIDOR 133
VIVARIUM REC'V 132
Bio-Waste 136
ELEV. EQUIP 137
PCR Lab 142
HOLD'G #2 129
HOLD'G #1 131
STO. 122
GOWNING AREA 123
VIVAR. TOILET 124
134 PCR Lab
Server Room (Shared)
Elec. Room 138
PROC. ROOM 112
HALL WAY 113A
HOLD'G #3 128
PROC. ROOM 126
4°COLD ROOM 147
MASS. SPEC LAB 146
CORR. 145
CORRIDOR 111
STOR. 172
JAN. 164
163 Equipment Room
112A
PROC. ROOM 106
ELEC. DATA 109
HUSBANDRY 111
HUSBANDRY 111A
CORRIDOR 107
MEN'S TOILET 171
WOMEN'S TOILET 168
FERMENT. LAB 162
FERMENTATION LAB 161
LAB 149
CORR. 148
STOR. 150
ELEV. EQUIP. 108
STOR. 100
MEN'S SHWR. 169
WOMEN'S SHWR. 167
LAB 150
HALLWAY 151
SHARED OFFICE 153
OPEN OFFICE 152
SELECT LAB 104
TISSUE CULTURE 103
166
OFFICE 154
OFFICE 155
OFFICE 158
OFFICE 157
OFFICE 156
165
LOBBY 101
102 Breakroom


Nodality
Common Area
170 Harbor Way
2nd Floor
LAB 228
LAB 229
LAB 231
LAB 232
TC ROOM 3 238
OFFICE 252
OFFICE 253
OFFICE 254
HALLWAY 255
GLASSWASH 248
R.A. STNS. 251
OFFICE 256
OFFICE 257
OFFICE 258
TC ROOM 5 237
ELEV. VEST. 237A
UTILITY 247
R.A. STNS. 249
OFFICE 214
OPEN OFFICE 215
OFFICE 213
OFFICE 212
OFFICE 211
OFFICE 209
OFFICE 208
OFFICE 207
OFFICE 233
ASSAY EQUIPMENT 234
235
234
CORR. 227
ELEV. DATA 226
JAN. 242
EQUIP. HALLWAY 282
MEDIA PREP 244
DARK ROOM 275
LAB 261
OFFICE 217
MICRO. 224
MEN 235
WOMEN 241
COLD ROOM 281
EQUIP. HALLWAY 272
ROOM 274
TC ROOM 262
CORR. 259
ELECT. ROOM 225
CORR. 223
276
COLD ROOM 273
OFFICE 218
CONFERENCE ROOM 222
LAB 279
OFFICE 264
TC ROOM 4 265
EQUIP. ROOM 283
COFFEE ALCOVE 221
RADIO LAB 271
OFFICE 265
OFFICE 219
CORR. 202
SHARED OFFICE 266
HALLWAY 206
LAB 286
LAB 287
LAB 288
CONFERENCE ROOM 201
OFFICE 205
OFFICE 204
OFFICE 203
OFFICE 268
SHARED OFFICE 267

EXHIBIT B

DELIVERY AGREEMENT

Re: Sublease dated June , 2011, between **EXELIXIS INC.**, a Delaware corporation ("**Sublandlord**"), and **NODALITY, INC.**, a Delaware corporation ("**Subtenant**"), concerning the subleased premises consisting of the entire second floor (the "**Subleased Premises**") of the building located at 170 Harbor Way, South San Francisco, CA ("**Building 170**").

Ladies and Gentlemen:

In accordance with the subject Sublease (to which reference is made for any undefined capitalized terms used herein), we wish to advise and/or confirm as follows:

The Start Date of the Sublease Term for the Subleased Premises is , 2012 (the "**Start Date**"), and the Sublease Term for the Subleased Premises is scheduled to expire on April 30, 2017, unless sooner terminated according to the terms of the Sublease (as applicable, the "**End Date**"). Sublandlord delivered possession of the Subleased Premises to Subtenant on the Start Date, in the condition required under the Sublease and Subtenant accepted possession of the Subleased Premises on the Start Date.

That in accordance with the Sublease, monthly Base Rent in the amount of $96,673.50 shall commence to accrue on , 2012.

The total rentable square feet ("RSF") of the Subleased Premises is 25,110 RSF, and of Building 170 is 70,000 RSF and of the Master Premises is 119,000 RSF. Subtenant's Share of the Subleased Premises is One Hundred Percent 100%, Subtenant's Share of Building 170 is 36% and Subtenant's Share of the Master Premises is 21.1%.

Each party represents and warrants to the other that it is duly authorized to enter into this document and that the person signing on its behalf is duly authorized to sign on behalf of such party.

SUBLANDLORD:	**SUBTENANT:**
EXELIXIS, INC., a Delaware corporation	**NODALITY, INC.,** a Delaware corporation
By: _____	By: _____
Name: _____	Name: _____
Title: _____	Title: _____

EXHIBIT C

BILL OF SALE

For One Dollar ($1.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, **EXELIXIS INC.**, a Delaware corporation ("**Seller**"), hereby conveys to **NODALITY, INC.**, a Delaware corporation ("**Purchaser**"), all of Seller's right, title and interest in and to the office furniture, cubicles and other related furniture, fixtures and equipment owned by Seller and listed on Schedule 1 attached hereto, and located in the Subleased Premises (the "**Sold Personal Property**").

Seller has not made and does not make any express or implied warranty or representation with respect to the merchantability of the Sold Personal Property or its fitness for any particular purpose; the design or condition of the Sold Personal Property; the quality or capacity of the Sold Personal Property; workmanship or compliance of the Sold Personal Property with the requirements of any Law, rule, specification or contract pertaining thereto; patent infringement or latent defects. Purchaser accepts the Sold Personal Property on an "**AS IS, WHERE IS**" basis.

IN WITNESS WHEREOF, Seller has caused this instrument to be executed and delivered as of this day of , .

SELLER:

EXELIXIS, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

SCHEDULE 1 TO BILL OF SALE

SOLD PERSONAL PROPERTY

BUILDING	OFFICE	PICTURE NUMBER	QTY	DESCRIPTION	DIMENSIONS	CHAIR CODE
170	201	131	1	Dark wood conf. Table	12’x4’	
			10	KR25 3382 BLANC		
			10	Armless ch rad 2162 ARCHER		
170	206	132	2	5 high later files		
			1	BBF Black		
170	203	133	1	Left handed extended corner w/bi level platform	54”x42”	
			1	SWS	48”x24”	
			1	3 high book shelf	36”	
			1	shelf w/ light	48”	
			1	Tack board	48”	
			2	Wall track	60”	
			1	BBF blk		
			1	FF blk		
			1	Whiteboard	48”x36”	
			1	Hayworth 080416 “chair”		
			1	KR200 ARMS 7878 #20 Black		
170	204-A	134	1	Left handed extended corner Bi level	66”x36”x24”x24”	
			1	Sws	36”x24”	
			1	Sws	19.5”x24”	
			1	FF		
			1	BBF		
			2	Shelfs w/ 1 tasklight		
			1	Tack board	48”x25”	
			1	Cork board	48”x36”	
			1	White board	48”x36”	
			1	ZA94 I021 I Ebony KR 25 Arms- Chrome Base		100
			3	Wall tracks	60”	
170	204-B	135	1	Custom cut corner w/ KBT	36”x36”x24”x24”	
			1	Sws	60”x24”	
			1	Sws	19.5”x24	
			1	BBF		
			1	FF		
			1	Shelf w/ light	48”	
			1	Shelf	36”	
			1	Tack board	36”x25”	
			1	Steel Case 462LEAPX- steel case multi-color		102
			3	Wall tracks	60”	
170	205	136	1	Left handed extended corner bi level	60”x42”	
			1	Sws	60”x24”	
			1	BBF		
			1	FF		
			1	Shelf	60”	
			1	Tack board	60”	
			2	Wall tracks	36”	
			1	Round table w/ blk base	36”	
			1	2 High bookcase	36”	
			2	A1 Chairs		
			1	White board	36”x24”	
			1	PA57 KR240 2121 Ebony		104
170	207	137	1	Cut to fit corner w/ kbt	48”x48”x24”	
			1	Sws	24”x24”	
			1	Sws	66”x24”	
			1	BBf		
			1	FF		
			4	Shelfs w/ 2 lights	48”	
			1	Tack board	48”x25”	
			4	Wall tracks	84”	
			1	Whiteboard	48”x36”	
			1	Hayworth side chair		
			1	Hayworth 080416- Black see through mesh back		106
170	208	138	1	Right handed extended bi level	72”x42”x24”x30”	
			1	Sws	48”x24”	
			1	Sws	36”x24”	
			1	Sws	30”x24”	
			1	Corner cut to fit w/ kBT	48”x48”x24”	
			2	Shelfs w/ lights	36”	
			2	Tack boards	36”x25”	
			1	Shelf w/ light	48”	
			1	Tack boards	48”x25”	

5	Wall tracks	60”	
1	BBF		
1	White board	48”x36”	
1	G97G48AA- Millennium GL ADJ Arm mid-back posture TA		108

170	209	139	1	Left handed extended corner	72”x42”x24”x30”	
			1	Right handed wave top	48”x24”x30”	
			1	Maple round tabl w/ Blk base	36”	
			1	2 drawer lat	42”	
			1	2 drawer lateral fol	30”	
			1	BBF		
			1	FF		
			2	Shelfs w/ lights	36”	
			2	Shelfs	48”	
			2	Wall tracks	84”	
			3	Wall tracks	60”	
			2	Tack boards	36”x25”	
			1	Tack board	48”x25”	
			1	White board	24”x36”	
170	211	140	1	Left handed extended bi level corner	66”x42”x24”x30”	
			1	light wood round table w/ blk base	36”	
			1	White board	48”x36”	
			1	BBF		
			1	FF		
			2	Drawer lateral file		
			1	Shelf w/ light	60”	
			1	Shelf w/ light	48”	
			1	Tackboard	60”x25”	
			1	Tackboard	48”x25”	
			3	Wall tracks	60”	
			2	Blk wood w/ red and gold seats		
			1	RE30A- HWBK9201- Black Reaction		110
170	212	141	1	Corner	48”x48”x24”	
			1	Sws	21.5”x24”	
			1	Sws	48”x24”	
			1	Sws	54”x24”	
			2	BBF		
			1	FF		
			1	Lateral file	30”	
			1	White board	36”x60”	
			1	Shelf w/ light	60”	
			1	Shelf w/ light	48”	
			1	Tackboard	60”x25”	
			1	Tackboard	48”x25”	
			3	Wall track	60”	
			2	Hayworth side chairs		
			1	9022369- gray office master		112
170	213	142 + 143	1	Left hand half moon extended corner w/ platform bi level	72”x42”x24”x30”	
			1	Sws	36”x24”	
			1	Right hand wave top	66”x24”30”	
			1	4 High lateral file	36”	
			1	4 High verical file		
			1	FF		
			2	BBF		
			3	Shelfs	36”	
			2	Lights		
			2	Tack board	36”x25”	
			2	Shelfs	42”	
			1	Lights		
			2	Tack board	42”x25”	
			1	White board	24”x36”	
			7	Wall tracks	60”	
			1	Hayworth side chair		
			1	KR200 Arms 7878 #20 Black		114
			1	Armless ch rad 2162 4578240/002 black		A1
170	214-A	144	1	Corner w/ kbt	48”x48”x24”	
			4	Wall tracks	60”	
			1	Sws	42”x24”	
			1	Sws	36”x24”	
			1	BBF		
			1	FF		
			2	Shelfs	48”	
			2	Shelfs w/ lights	42”	
			2	Tack boards	42”x25”	
			1	ZA94 I021 I Ebony KR 25 Arms- Chrome Base		100
170	214-B	145	1	Corner cut to fit w/ kbt	48”x48”x24”	
			1	Sws	36”x24”	
			1	Sws	48”x24”	
			2	FF		
			1	BBF		

			3	Shelfs	36”	
			2	Tack board	36”x25”	
			1	White board	24”x36”	
			3	Wall tracks	60”	
			1	ZA94 I021 I Ebony KR 25 Arms- Chrome Base		100
170	233-A	146	1	Sws	48”x30”	
			2	Shelfs w/ 36” wall track	36”	
			1	BBF		
			1	Glass round table w/ blk base	48”	

			1	Steel Case 462LEAPX- steel case multi-color		102
			2	Arm chair 8862GRD3-0D		A3
			1	Multi-tilt 3217		116
170	233-B	147	1	Right extended bi level corner	72”x42”x24”x30”	
			1	Left wave top	72”x24”x30”	
			3	BBF		
			1	Shelf w/ 48”x25” tackboard	48”	
			1	Shelf w/ light and 60”x25” tackboard	60”	
			3	Wall tracks	84”	
			1	Panel	70”x48”	
			1	Hayworth 080416- Black see through mesh back		106
170	215	148	2	Cubes	8’x7’	
			4	Sws	48”x24”	
			4	Sws	36”x24”	
			4	Sws	24”x24”	
			2	Overhead w/ light	48”	
			4	BBF		
			1	2 drawer lat	30”	
			1	ZA94 I021 I Ebony KR 25 Arms- Chrome Base		100
			1	KR200 Arms 7878 #20 Black		114
170	217	149	9	5 high lateral files	42”	
170	218	150	2	5 high lateral file light grey	42”	
			1	5 high lateral file blue	36”	
			4	4 high lateral files	42”	
			1	2 drawer lat	42”	
			1	5 high bookcase blk	36”	
			3	5 high bookcase LT	36”	
170	219	151	15	5 high bookcases LT	36”	
			1	3 drawer lateral file	42”	
170	238	152	1	Freestanding table w/ KBT	30”x60”	
			1	Lab table blue and white	72”x36”	
			1	Lab table blue and white	48”x36”	
			1	Work table	36”x24”	
			3	Lab chairs		
			1	White board	24”x36”	
			1	Metal shelfing	54”x24”	
170	251	153	3	Cork boards	36”x24”	
			2	FF		
			1	BBF		
			2	KBT		
			2	ZA94 I021 I Ebony KR 25 Arms- Chrome Base		100
			1	KR200 Arms 7878 #20 Black (No arms though)		114
170	252	154	1	Sws	72”x30”	
			1	Sws	48”x24”	
			1	D top	66”x30”	
			1	4 high bookcase	36”	
			4	Shelfs w/ 2 lights	36”	
			2	Tack board	36”x25”	
			3	Wall tracks	60”	
			1	BBF mobile		
			1	2 drawer lateral	42”	
			1	White board	48”x72”	
			1	Hayworth side chair		
			1	PA53 #F021 F-Ebony KR200 arms		118
170	253	155	1	Corner w/ KBT	48”x48”x24”	
			1	Sws	24”x24”	
			1	Sws	54”x24”	
			1	Round table	36”	
			4	Shelf w/ lights	36”	
			5	Tackboards	36”x25”	
			1	4 high bookcase	36”	
			5	Wall track	60”	
			2	Wall track	84”	
			1	White board	48”x36”	
			1	PA53 #F021 F-Ebony KR200 arms		118
			2	Arm chair 8862GRD3-0D		A3
170	256	156	1	Corner w/ KBT	48”x48”x24”	
			1	Left handed wave top	54”x24”x30”	
			1	Sws	36”x24”	
			1	Shelf w/ light	60”	
			1	Tackboard	40”x25”	
			1	Shelf	48”	

6	Wall tracks	60”
1	BBF	
1	FF	
1	White board	36”X48”
1	2 Drawer lat	36”
2	Hayworth side chairs	
1	AM123A	
1	3/4 moon table w/ 3 legs	36”

170	257	157	1	Right handed corner w/ bi level	60”x42”x24”x24”	
			1	Sws	30”x24”	
			1	Sws	48”x24”	
			3	Shelf w/ lights	36”	
			3	Tackboards	36”x25”	
			1	Shelf w/ lights	48”	
			1	Tackboards	48”x25”	
			5	Wall tracks	60”	
			3	BBF		
			1	3 drawer lat	36”	
			1	White board	36”x60”	
			3	Hayworth side chairs		
			1	KR200 Arms 7878 #20 Black		114
170	258	158	1	Corner w/ kbt	48”x48”x24”	
			1	Sws	30”x34”	
			1	Sws	48”x24”	
			1	Sws	72”x24”	
			1	Shelf w/ light	42”	
			1	Tack board	42”x23”	
			1	Shelf w/ light	36”	
			1	Tack board	36”x25”	
			1	Tack board	36”x23”	
			1	White board	36”x48”	
			1	White board	48”x72”	
			1	BBF		
			4	Wall tracks	60”	
			1	2 drawer lat	30”	
			1	3 drawer lat	30”	
			1	Hayworth side chair		
			1	Steel Case 462LEAPX- steel case multi-color		102
170	249	159	1	Freestanding table	30”x60”	
			2	Cork boards	24”x36”	
			1	ZA94 I021 I Ebony KR 25 Arms- Chrome Base		100
			1	Multi-tilt 3217		116
			1	Task chair blk no model #		
			5	BBF		
			1	FF		
			2	KBT		
170	264	160	1	Half moon right extend corner bi level w/ KBT	72”x42”x24”x30”	
			1	3/4 moon table w/ 3 legs		
			1	Sws	72”x30”	
			1	5 high open shelf 4 drawer lateral file	36”	
			1	2 drawer lateral file	36”	
			2	BBF		
			1	FF		
			1	White board	24”x36”	
			1	Shelf w/ light and 48”x25” tackboard	48”	
			1	Shelf w/ light and 42”x25” tackboard	42”	
			1	Shelf w/ light and 36”x25” tackboard	36”	
			4	Wall tracks	60”	
			1	G97G48AA- Millennium GL ADJ Arm mid-back posture TA		108
			1	CU5947721800001 Hayworth green & gold		A4
170	266-A	161	1	Left handed half moon bi level corner	66”x42”x24”x30”	
			1	Right handed wave top	60”x24”x30”	
			1	Shelf w/ light and 48”x25” tack board	48”	
			2	BBF		
			1	White board	24”x36”	
			2	Wall tracks	60”	
			1	Steel Case 462LEAPX- steel case multi-color		102
170	266-B	162	1	Left handed bi level corner	60”x42”x24”x30”	
			1	Right handed wave top	60”x24”x30”	
			3	FF		
			1	5 high 2 openshelf 3 drawer lateral file		
			1	Overhead w/ light and 60”x25” tackboard	60”	
			2	Wall tracks	60”	
			1	B92- #I021 J Ebony KR200 arms		120
170	267-A	163	1	Half moon right handed extend corner bi level	72”x42”x24”x30”	
			1	5 high open shelf 4 drawer lat		
			2	BBF		
			2	FF		
			2	Shelf w/ 2 lights and 42”x25” tackboards	42”	
			3	Wall tracks	60”	
			1	Steel Case 462LEAPX- steel case multi-color		102
170	267-B	164	1	Halfmoon right extended corner bi level w/ 2 screens	72”x42”x24”x30”	

			1	Left handed wave top w/ shelf attached	60”x24”x30”	
			1	BBF		
			1	2 drawer wood pad		
			1	Steel Case 462LEAPX- steel case multi-color		102
			1	Black & chrome stacker		A5
170	267-C	165	1	Left handed extend bi level corner	72”x42”x24”x30”	
			1	Right handed wave top	60”x24”x30”	
			1	Shelf w/ light and 42”x25” tackboard	42”	

			1	Shelf w/ light and 60”x25” tackboard	60”	
			1	BBF		
			1	4 high verical file		
			3	Wall tracks	60”	
			1	White board	24”x36”	
			1	ZA94 I021 I Ebony KR 25 Arms- Chrome Base		100
170	268	166	1	Half moon corner w/ KBT	48”x48”x42”x12”	
			1	Sws	24”x24”	
			1	Right side wave 30	72”x30”	
			2	Shelf w/ 2 lights and 36”x25” Tackboards	36”	
			2	BBF		
			1	FF		
			1	2 drawer lat	42”	
			1	White board	36”x48”	
			3	Wall tracks	60”	
			1	Steel Case 462LEAPX- steel case multi-color		102
			1	Chair no tag it’s a red looks like reaction task chair		
170	261	167	1	Sws	72”x30”	
			1	Lab table blue and white	60”x20”	
			1	BBF		
			2	2 Drawer lats	36”	
			2	Wall tracks	60”	
			1	Chair 3233 PR40		

Equipment	Mfg	Model	Serial No.	Location
Autoclave	Consolidated	SSR-24-DCMV	5600-36	248
Glass Washer	Lancer	1400 LXP	9E063694	248

CHAIR CODE	DESCRIPTION
100	ZA94 I021 I Ebony KR 25 Arms- Chrome Base
101	ZA62 JR25 3382 Blank- Office Master- Chrome Base w/casters
102	Steel Case 462LEAPX- steel case multi-color
103	CA27103 Black Leather w/arms conference room chairs
104	PA57 KR240 2121 Ebony
105	PA2653- Davis Black w/ arms, woven black material
106	Hayworth 080416- Black see through mesh back
107	Black Leather conference room w/ chrome base/ no tags w/ arms
108	G97G48AA- Millennium GL ADJ Arm mid-back posture TA
109	
110	RE30A- HWBK9201- Black Reaction
111	Herman Miller AIM 123A 770072 101 black/ no arms
112	9022369- gray office master
113	
114	KR200 Arms 7878 #20 Black
115	
116	Multi-tilt 3217
117	BJR3 Arms MA52 #20 black/ no arms
118	PA53 #F021 F-Ebony KR200 arms
119	
120	B92- #I021 J Ebony KR200 arms
121	
122	EA335 Herman Miller N103- chrome base w/chrome arms
123	Haworth 75277490000/ black w/arms
124	PA55 KR200 2121 Ebony
125	
126	4836B127717 3360
127	3233 LE144 HAG
128	
(STACKER CHAIRS)	
A1	Armless ch rad 2162 4578240/002 black
A2	swirl side chair w/arms SO# 148144.1
A3	Arm chair 8862GRD3-0D
A4	CU5947721800001 Hayworth green & gold
A5	Black & chrome stacker
A6	85693520000 color 3F TRF black
A7	Herman Miller AE500P
A8	Armless chair gray & chrome/ weavetek/ #215ZSW
A9	Global Upholstery/ Black Frame/ Black Material 008062151F
A10	Herman Miller ER335 Chrome Frame/ Black Material

Exhibit 10.4

CONSENT TO SUBLEASE AGREEMENT

THIS CONSENT TO SUBLEASE AGREEMENT (this "**Agreement**") is made as of August 16, 2011, by and among HCP Life Science REIT, Inc., a Maryland corporation ("**Landlord**"), Exelixis Inc., a Delaware corporation ("**Tenant**"), and Nodality, Inc., a Delaware corporation ("**Subtenant**").

R E C I T A L S

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

B. Pursuant to the terms of Article 13 of the Lease, Tenant has requested Landlord's consent to that certain Sublease dated July 25, 2011, between Tenant and Subtenant (the "**Sublease**"), with respect to a subletting by Subtenant of a portion of the Premises, as more particularly described in the Sublease (the "**Sublet Premises**"). A copy of the Sublease is attached hereto as Exhibit A. Landlord is willing to consent to the Sublease in the terms and conditions contained herein.

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

A G R E E M E N T

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

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

3. Non-Release of Tenant; Further Transfers. Neither the Sublease nor this consent thereto shall release or discharge Tenant from any liability, whether past, present or future, under the Lease or alter the primary liability of the Tenant to pay the rent and perform and comply with all of the obligations of Tenant to be performed under the Lease (including the payment of all bills rendered by Landlord for charges incurred by the Subtenant for services and materials supplied to the Sublet Premises). Neither the Sublease nor this consent thereto shall be construed as a waiver of Landlord's right to consent to any further subletting either by Tenant or by the Subtenant, or to any assignment by Tenant of the Lease or assignment by the Subtenant of the Sublease, or as a consent to any portion of the Sublet Premises being used or occupied by any other party. Landlord may consent to subsequent sublettings and assignments of the Lease or any amendments or modifications thereto without notifying Subtenant nor anyone else liable under the Sublease and without obtaining their consent. No such action by Landlord shall relieve such persons from any liability to Landlord or otherwise with regard to the Sublet Premises.

4. Relationship With Landlord. Tenant hereby assigns and transfers to Landlord the Tenant's interest in the Sublease and all rentals and income arising therefrom, subject to the terms of this Section 4. Landlord, by consenting to the Sublease agrees that until the earlier of (a) the occurrence of a default in the performance of Tenant's obligations under the Lease which remains uncured beyond any applicable notice and cure period, or (b) the occurrence of a Recurring Rent Default (defined below), Tenant may receive, collect and enjoy the rents accruing under the Sublease. In the event Tenant shall default in the performance of its obligations to Landlord under the Lease (whether or not Landlord terminates the Lease, except in the case of clause (i) of this sentence), which default remains uncured beyond any applicable notice and cure period, Landlord may at its option by notice to Tenant, either (i) terminate the Lease and the Sublease, (ii) elect to receive and collect, directly from Subtenant, all rent and any other sums owing and to be owed under the Sublease, as further set forth in Section 4.1, below, or (iii) elect to succeed to Tenant's interest in the Sublease and cause Subtenant to attorn to Landlord, as further set forth in Section 4.2, below. Additionally, in the event a Recurring Rent Default occurs, Landlord may at its option by notice to Tenant, elect to receive and collect, directly from Subtenant, all rent and any other sums owing and to be owed under the Sublease, as further set forth in Section 4.1, below. As used herein, a "**Recurring Rent Default**" shall mean and refer to Tenant's failure to pay minimum rental, operating expenses or any other sum payable under the Lease on or before the due date thereof on three (3) or more occasions during any twelve (12) consecutive month period.

4.1 Landlord's Election to Receive Rents. Landlord shall not, by reason of the Sublease, nor by reason of the collection of rents or any other sums from the Subtenant pursuant to Section 4, item (ii), above, or pursuant to the penultimate sentence of Section 4, above, be deemed liable to Subtenant for any failure of Tenant to perform and comply with any obligation of Tenant, and Tenant hereby irrevocably authorizes and directs Subtenant, upon receipt of any written notice from Landlord stating that a default exists in the performance of Tenant's obligations under the Lease, to pay to Landlord the rents and any other sums due and to become due under the Sublease. Tenant agrees that Subtenant shall have the right to rely upon any such statement and request from Landlord, and that Subtenant shall pay any such rents and any other sums to Landlord without any obligation or right to inquire as to whether such default exists and notwithstanding any notice from or claim from Tenant to the contrary. Tenant shall not have any right or claim against Subtenant for any such rents or any other sums so paid by Subtenant to

Landlord. Landlord shall credit Tenant with any rent received by Landlord under such assignment but the acceptance of any payment on account of rent from the Subtenant as the result of any such default shall in no manner whatsoever be deemed an attornment by the Landlord to Subtenant or by Subtenant to Landlord, be deemed a waiver by Landlord of any provision of the Lease, or serve to release Tenant from any liability under the terms, covenants, conditions, provisions or agreements under the Lease. Notwithstanding the foregoing, any other payment of rent from the Subtenant directly to Landlord, regardless of the circumstances or reasons therefor, shall in no manner whatsoever be deemed an attornment by the Subtenant to Landlord in the absence of a specific written agreement signed by Landlord to such an effect.

4.2 Landlord's Election of Tenant's Attornment. In the event Landlord elects, at its option, to cause Subtenant to attorn to Landlord pursuant to Section 3, item (iii), above, Landlord shall undertake the obligations of Tenant under the Sublease from the time of the exercise of the option, but Landlord shall not (i) be liable for any prepayment of more than one month's rent or any security deposit paid by Subtenant, (ii) be liable for any previous act or omission of Tenant under the Lease or for any other defaults of Tenant under the Sublease, (iii) be subject to any defenses or offsets previously accrued which Subtenant may have against Tenant, or (iv) be bound by any changes or modifications made to the Sublease without the written consent of Landlord.

4.3 Operational Matters. Notwithstanding Landlord's consent to the Sublease as set forth herein, Landlord shall not be obligated to accept from Subtenant any payments of Base Rent or Additional Rent due under the Lease, all of which shall be paid by Tenant as set forth in the Lease. Requests for Building services as provided under the Lease, including without limitation, parking privileges, repair and maintenance services, or any other services or obligations to be performed by Landlord under the terms of the Lease, shall be made by Tenant, and Landlord shall have no obligation to respond to any direct request of Subtenant regarding the same.

4.4 No Waiver. The acceptance of any amounts by Landlord from Subtenant or any other party shall not be deemed a waiver by Landlord of the obligation of Tenant to pay any or all amount due and owing under the Lease. The performance of any obligation required by Tenant under the Lease by Subtenant or any other party shall not be deemed a waiver by Landlord of the duty of Tenant to perform such obligation or any other obligation as to which performance is or becomes due under the Lease.

4.5 Acts of Subtenant. Any act or omission by Subtenant, or by any other person or entity for whose acts or omissions Tenant is liable or responsible under the terms of the Lease, that violates any of the provisions of the Lease, shall be deemed a violation of the Lease by Tenant, subject to any applicable notice and cure provisions contained in the Lease.

4.6 Indemnification. Subtenant hereby assumes all risk of damage to property or injury to persons in, upon or about the Premises from any cause whatsoever (including, but not limited to, any personal injuries resulting from a slip and fall in, upon or about the Premises) and agrees that Landlord, its partners, subpartners and their respective officers, agents, servants, employees, and independent contractors shall not be liable for, and are hereby released from any responsibility for, any damage either to person or property or resulting from the loss of use

thereof, which damage is sustained by Subtenant or by other persons claiming through Subtenant. Tenant shall indemnify, defend, protect, and hold Landlord harmless from any and all loss, cost, damage, expense and liability (including without limitation court costs and reasonable attorneys' fees) incurred in connection with or arising from any cause in, on or about the Premises (including, but not limited to, a slip and fall), any acts, omissions or negligence of Subtenant or of any person claiming by, through or under Subtenant, or of the contractors, agents, servants, employees, invitees, guests or licensees of Subtenant or any such person, in, on or about the Building, provided that the terms of the foregoing indemnity shall not apply to the gross negligence or willful misconduct of Landlord. The provisions of this Section 4.6 shall survive the expiration or sooner termination of the Sublease with respect to any claims or liability arising in connection with any event occurring prior to such expiration or termination.

4.7 Insurance. Prior to Subtenant's occupancy of the Sublet Premises, Subtenant shall provide Landlord with certificates of all of the insurance required to be carried by Subtenant by the terms of the Sublease, which shall show Landlord as being an additional insured thereunder. The waiver of subrogation contained in Section 12.4 of the Lease shall apply as between Landlord and Subtenant.

4.8 No Consent to Alterations or Particular Use. Notwithstanding anything contained in the Sublease to the contrary, Landlord's consent to the Sublease as contained in this Agreement shall not be deemed to be a consent to (i) any alteration or work of improvement that Tenant or Subtenant may desire or intend in the Sublet Premises, (ii) any use of hazardous, radioactive or toxic materials in or about the Sublet Premises, or (iii) any signage proposed to be installed for the benefit of Subtenant.

5. General Provisions.

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

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

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

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

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

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

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

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

[Signatures begin on next page]

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

"Landlord"

HCP Life Science REIT, Inc.
a Maryland corporation

By: /s/ Jonathan Bergschneider
Its: EVP

"Tenant"

Exelixis, Inc.,
a Delaware corporation

By: /s/ Frank Karbe
Name: Frank Karbe
Its: EVP & CFO

"Subtenant"

Nodality, Inc.,
a Delaware corporation

By: /s/ David Parkinson
Name: David Parkinson
Its: President and CEO

EXHIBIT A

THE SUBLEASE

See Exhibit 10.3 to Form 10-Q filed 10/27/2011

Exhibit 10.5

SUBLEASE

THIS SUBLEASE (the "**Sublease**"), dated for reference purposes only as of July 25, 2011 (the "**Execution Date**"), is made by and between **EXELIXIS INC.**, a Delaware corporation ("**Sublandlord**"), and **THRESHOLD PHARMACEUTICALS, INC.**, a Delaware corporation ("**Subtenant**").

RECITALS

WHEREAS, Sublandlord and HCP LIFE SCIENCE REIT (as successor-in-interest to Britannia Pointe Grand Limited Partnership, a Delaware limited partnership) ("**Master Landlord**"), are parties to that certain Build-to-Suite Lease dated as of May 12, 1999, as amended by that certain First Amendment to Build-to-Suite Lease dated as of March 29, 2000, that certain Second Amendment to Build-to-Suite Lease dated as of January 31, 2001, and that certain Third Amendment to Build-to-Suite Lease dated as of May 24, 2001 (as amended, the "**Master Lease**"), pursuant to which Master Landlord leased to Sublandlord the buildings located at 169 Harbor Way ("**Building 169**") and 170 Harbor Way ("**Building 170**", and together with Building 169, the "**Master Premises**"), in South San Francisco, California, each as more fully described in the Master Lease. The parties acknowledge that a copy of the Master Lease has been delivered by Sublandlord to Subtenant.

WHEREAS, the parties hereto desire that Sublandlord sublet to Subtenant and that Subtenant sublet from Sublandlord all of the third floor of Building 170 (the "**Third Floor Subleased Premises**"), and the entire vivarium located on the first floor of Building 170 (the "**Vivarium Subleased Premises**", and together with the Third Floor Subleased Premises, collectively, the "**Subleased Premises**"), all as shown on the map attached as **Exhibit A**, with the nonexclusive right to use the lobby, break room, hallways, elevators, stairwells, mechanical closets, chemical and bio-waste storage areas, server rooms and other spaces designated by Sublandlord from time to time for the non-exclusive use of the tenants of Building 170 ("**Common Areas**").

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Sublease. Sublandlord does hereby sublet to Subtenant and Subtenant does hereby sublet from Sublandlord, the Subleased Premises, subject to the terms and conditions of this Sublease, together with the non-exclusive use of the Common Areas. Notwithstanding the foregoing or anything to the contrary contained in this Sublease, Sublandlord hereby reserves the right, for emergency purposes only, to enter upon and travel through the Subleased Premises, in the event such access is necessary to accommodate emergency evacuation from the roof and or greenhouse located on the roof of Building 170. The parties hereto agree to the rentable square footage of the Subleased Premises is 28,180, and such rentable square footage, and any of the economic terms hereof based thereon, shall not be adjusted based on further re-measurement.

2. Term.

(a) Master Landlord's Consent. Sublandlord and Subtenant expressly acknowledge and agree that this Sublease is subject to Master Landlord's prior written consent to this Sublease, on a form to be provided by Master Landlord that is reasonably acceptable to Sublandlord and Subtenant ("**Master Landlord's Consent**"). Sublandlord shall use commercially reasonable efforts to obtain Master Landlord's Consent, and Subtenant agrees to cooperate in all reasonable respects in

connection therewith. If Sublandlord fails to obtain Master Landlord's Consent within thirty (30) days after execution of this Sublease by both Subtenant and Sublandlord, then either Sublandlord or Subtenant may terminate this Sublease by giving written notice thereof to the other, and Sublandlord shall return to Subtenant any amounts delivered by Subtenant under this Sublease. Neither party shall have any liability to the other for any termination or cancellation of this Sublease as a result of Master Landlord's failure or refusal to consent to this Sublease, unless such party by its willful act caused Master Landlord to refuse timely consent to this Sublease.

(b) Sublease Term. This Sublease shall be for a term (the "**Sublease Term**") commencing on the later of (A) October 1, 2011, and (B) receipt of the fully-executed Master Landlord's Consent (in either case, the "**Start Date**"), and ending on April 30, 2017 (the "**End Date**"), unless terminated earlier in accordance with the terms of this Sublease; provided, however, than in no event shall the Sublease Term extend beyond the term of the Master Lease, as set forth therein. Upon Sublandlord's delivery of the Subleased Premises to Subtenant, Sublandlord and Subtenant shall complete and execute the Delivery Agreement attached hereto as **Exhibit B**, confirming the Early Access Date, Start Date and End Date. If Sublandlord is unable to deliver the Premises to Subtenant by August 1, 2011, for any reason other than a Force Majeure Delay (defined below) or delay caused by Subtenant, then Base Rent (defined below) shall be abated one day for each such day of delay.

(c) Early Access. Subject to receipt of the fully-executed Master Landlord's Consent, Subtenant shall have reasonable early access to the Subleased Premises from August 1, 2011 (the "**Early Access Date**") until the Start Date solely for the purpose of installing its cabling, telephone equipment, furniture, fixtures and improvements; provided that (i) such early access will not materially interfere with Sublandlord's use and vacation of the Subleased Premises and (ii) in no event shall Subtenant operate its business from the Subleased Premises prior to the Start Date. Subtenant's early access shall be subject to all the terms and conditions of this Sublease, including without limitation, all insurance and maintenance obligations, and all monetary obligations except the payment of Rent. Subtenant shall not cause or permit any interruption in power or Building systems without giving at least 48 hours prior notice to Sublandlord.

3. Delivery and Condition.

(a) Building Systems. Sublandlord shall deliver the Subleased Premises to Subtenant on the Start Date in "**AS IS, WHERE IS**" condition, provided that all existing improvements therein shall be in good working order. Sublandlord warrants that the existing heating, ventilating and air conditioning system ("**HVAC**"), electrical, plumbing, fire alarm, sprinkler, lighting, and all other such elements in the Subleased Premises shall be in good operating condition on the Start Date, and that the Subleased Premises do not contain hazardous substances as defined in and in violation of Section 11.6 of the Master Lease. If a non-compliance with such warranty exists as of the Start Date, Sublandlord shall, at Sublandlord's sole cost and expense, promptly after receipt of written notice from Subtenant setting forth with specificity the nature and extent of such non-compliance, malfunction or failure, rectify the same, or, if responsibility for a particular item is the responsibility of the Master Landlord, Sublandlord shall use commercially reasonable efforts to cause Master Landlord to rectify the same. To be effective, Subtenant's written notice must be received by Sublandlord on or before the six (6) month anniversary of the Start Date.

(b) FF&E. Sublandlord shall sell to Subtenant, pursuant to the terms of the Bill of Sale attached hereto as **Exhibit C**, without representation or warranty except as expressly set forth in the

Bill of Sale, on the Start Date, all office furniture, cubicles and other related furniture, fixtures and equipment owned by Sublandlord and listed on Schedule 1 to the Bill of Sale, which list does not include those items listed on Schedule 2 to the Bill of Sale, which Schedule 2 items shall be moved by Sublandlord, on or before the Start Date.

4. Rent.

(a) Base Rent. Subtenant shall pay to Sublandlord monthly base rent (the "**Base Rent**") for the Subleased Premises as follows:

Third Floor Subleased Premises and first floor server and waste rooms (23,810 RSF):

Months 1-4	$0.00/rsf/mo.	$0.00
Months 5-11	$1.65/rsf/mo.	$39,286.50
Months 12-23	$1.75/rsf/mo.	$41,667.50
Months 24-35	$1.80/rsf/mo.	$42,858.00
Months 36-47	$1.85/rsf/mo.	$44,048.50
Months 48-59	$1.95/rsf/mo.	$46,429.50
Months 60-67	$2.00/rsf/mo.	$47,620.00

Vivarium Subleased Premises (4,370 RSF):

Months 1-6	$0.00/rsf/mo.	$0.00
Months 7-11	$2.15/rsf/mo.	$9,395.50
Months 12-23	$2.25/rsf/mo.	$9,832.50
Months 24-35	$2.30/rsf/mo.	$10,051.00
Months 36-47	$2.35/rsf/mo.	$10,269.50
Months 48-59	$2.45/rsf/mo.	$10,706.50
Months 60-67	$2.50/rsf/mo.	$10,925.00

Base Rent for the first full month in which Base Rent is due shall be paid on the Execution Date. On the first day of each month, Base Rent shall be due and payable, in advance, at the address specified for Sublandlord below, or at such other place as Sublandlord designates in writing, without any prior notice or demand and without any deductions or setoff whatsoever (except as otherwise expressly provided in this Sublease). If the date upon which Subtenant's obligation to pay Base Rent commences, or End Date occurs on a day other than the first or last day, respectively, of a calendar month, then the Base Rent for such fractional month will be prorated on the basis of the actual number of days in such month.

(b) Additional Rent. During the Sublease Term, if Sublandlord shall be charged for additional rent or other sums pursuant to any of the provisions of the Master Lease, including, without limitation, "Operating Expenses", as defined in Section 7.2 of the Master Lease, and real property taxes, as set forth in Section 6.2 of the Master Lease, as each is incorporated herein by reference, but excepting those sums incurred by Sublandlord as a result of Sublandlord's breach of the Master Lease, Subtenant shall pay, as "**Additional Rent**," 100% of such additional rent or sums that relate to the Subleased Premises, and if the same cannot be so allocated then 40.3% of those charges that relate generally to Building 170 or 23.68% of those charges that relate generally to the Master Premises (as applicable, "**Subtenant's Share**"); provided, however, that Subtenant shall be entitled to a proportional share of any refund of such additional rent or sums received by Sublandlord

from Master Landlord in accordance with Section 7.4 of the Master Lease. If Subtenant shall procure any additional services from Master Landlord, or if additional rent or other sums are incurred for Subtenant's sole benefit, Subtenant shall make such payment to Sublandlord or Master Landlord, as Sublandlord shall direct, and such charges shall not be prorated between Sublandlord and Subtenant. Any other rent or other sums payable by Subtenant under this Sublease shall constitute and be due as additional rent. So long as Sublandlord timely provided Subtenant with an estimate of such Additional Rent in accordance with the terms of Section 7.3 of the Master Lease, all Additional Rent that is payable to Sublandlord shall be paid at the time and place that Base Rent is paid, except as otherwise provided in this Sublease. Sublandlord will have the same remedies for a default in the payment of any Additional Rent as for a default in the payment of Base Rent. Together, Base Rent, Additional Rent and any other sums due hereunder from Subtenant are sometimes referred to in this Sublease as "**Rent**".

Sublandlord shall include with any bills for Additional Rent appropriate back up materials for such amounts. In the event that Subtenant disputes or questions any bill from Sublandlord for Additional Rent, Sublandlord and Subtenant agree to act in a commercially reasonable fashion and in good faith to resolve any such disputed or questioned bills. In addition to the foregoing, Sublandlord shall deliver to Subtenant a copy of Master Landlord's notice of Operating Expenses (as set forth in Sections 7.3 and 7.4 of the Master Lease) promptly following Sublandlord's receipt thereof, and a copy of the results of any audit of Master Landlord's records Sublandlord, in its sole discretion, elects to perform in accordance with the Master Lease.

(c) Late Charge; Interest. If Subtenant fails to pay any Rent within five (5) days of the date when due, Subtenant shall pay a late charge and interest thereon in accordance with terms of Section 3.2 of the Master Lease, which is incorporated herein by this reference. No endorsement or statement on a check or letter accompanying a check or payment shall be considered an accord and satisfaction of past due Rent. Subtenant's covenant to pay Rent is independent of every other covenant in this Sublease.

5. Utilities Services; After Hours HVAC.

(a) Estimated Utilities Cost. Pursuant to Section 8 of the Master Lease, Sublandlord pays all charges for water, gas, heat, light, electricity, power and sewer utilities services furnished to Building 170 (collectively "**Utilities**"), directly to the providers. Within thirty (30) days following expiration of each calendar year, Sublandlord shall provide to Subtenant Sublandlord's estimate of Subtenant's Share of the cost of Utilities for the upcoming year ("**Estimated Utilities Cost**"), along with copies of any invoices from relevant providers requested by Subtenant. The Subtenant's Share of the Estimated Utilities Cost for the months between the Commencement Date and the end of calendar year 2011 is $.65 per square foot. Within ten (10) days of demand, Subtenant shall pay each month, as Additional Rent, Subtenant's Share of the Estimated Utilities, provided that after-hours HVAC services shall be billed in accordance with the provisions of Section 5(f), below.

(b) Annual True-up. Within ninety (90) days following the end of each calendar year, Sublandlord shall deliver to Subtenant a statement of Subtenant's Share of the actual cost of Utilities incurred for the preceding year, together with copies of all invoices for Utilities if requested by Subtenant. If on the basis of such statement Subtenant owes an amount that is more or less than the estimated payments for the preceding year previously made by Subtenant, Subtenant or Sublandlord, as the case may be, shall pay the deficiency to the other party within

thirty (30) days after delivery of the statement. Failure or inability of Sublandlord to deliver the annual statement within such ninety (90) day period shall not impair or constitute a waiver of Subtenant's obligation to pay in accordance with this Section for Utilities it consumes, or cause Sublandlord to incur any liability for damages.

(c) Allocation Based on Excess Consumption. In the event that Subtenant or Sublandlord reasonably believes that, by application of the Subtenant's Share, the allocation of the Estimated Utilities Cost is inequitable because another occupant of Building 170 is consuming more than its allocable share of utilities, then Sublandlord shall engage Palmer Electric, or other company acceptable to both parties in their reasonable discretion, to perform a measurement of utilities consumption by all occupants of Building 170. If such measurement reflects that any occupant of Building is consuming more than its proportionate share of Utilities, Sublandlord shall be entitled to charge the party consuming more than its proportionate share the costs of such measurement and Sublandlord shall be entitled to modify the amount of the Estimated Utilities Cost to allocate such charges on a commercially reasonable basis other than the application of the Subtenant's Share, taking into account the results of such measurement.

(d) Phone and Data. Subtenant shall also contract directly with or otherwise obtain telephone and data services and any other services desired by the Subtenant and not provided by Master Landlord for the Subleased Premises.

(e) Master Lease Services. Sublandlord shall use reasonable efforts to ensure Master Landlord's compliance with its obligations to provide services under the Master Lease. In no event shall Sublandlord be obligated to provide any such services directly to Subtenant.

(f) After Hours HVAC. Normal hours for HVAC services shall be on Mondays through Fridays from 7:00 a.m. to 6:00 p.m. ("**Normal Hours**", except for the dates of observation of New Years' Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, Christmas Day and other nationally recognized holidays. In the event that Subtenant wishes to have HVAC services during times other than Normal Hours (i.e. after hours service), Subtenant shall give notice as follows: between the hours of 8:00 am and 5:00 pm Monday through Friday, by e-mailing the Facilities staff at: facilities@exelixis.com or between the hours of 5:00 pm and 8:00 am on weekdays, 8:00 am and 5:00 pm on Saturdays and Sundays including holidays, calling the Facilities "On Call" phone number at 650-837-7200, and Sublandlord shall arrange for such after-hours HVAC services. Subtenant agrees to pay Sublandlord's then current charge for after-hours HVAC services. The current charge for after-hours HVAC service, which is subject to change at any time to reflect Sublandlord's actual costs only, calculated on a blended rate basis, is $85.00 per hour.

6. Security Deposit. Concurrently with Subtenant's execution of this Sublease, Subtenant shall provide to Sublandlord a cash Security Deposit ("**Security Deposit**") in the amount of Fifty-Nine Thousand One Hundred Sixty-Eight and 60/100 Dollars ($59,168.60). If Subtenant fails to pay Rent or any other sums as and when due hereunder, or otherwise defaults with respect to any provision of this Sublease beyond the applicable notice and cure period, Sublandlord may (but shall not be obligated to) use, apply or retain all or any portion of the Security Deposit for payment of any sum for which Subtenant is obligated or which will compensate Sublandlord for any costs, loss or damage which Sublandlord may suffer thereby. Any draw or partial draw of the Security Deposit shall not constitute a waiver by Sublandlord of its right to enforce its other remedies hereunder, at

law or in equity. If any portion of the Security Deposit is so used or applied, Subtenant shall, within ten (10) days after written demand therefor, deposit cash with Sublandlord in an amount sufficient to restore the Security Deposit to its original amount. Subtenant's failure to do so shall be a default of this Sublease. Sublandlord shall not be required to keep the Security Deposit separate from its general funds, and Subtenant shall not be entitled to interest thereon. If Subtenant fully and faithfully performs every provision of this Sublease to be performed by it, the Security Deposit or any remaining balance thereof shall be returned to Subtenant, or, at Sublandlord's discretion, Subtenant's last assignee, if applicable, within thirty (30) days after the expiration of the Sublease Term and Subtenant's vacation and surrender of the Subleased Premises in accordance with the terms of this Sublease. Subtenant hereby waives the provisions of California Civil Code Section 1950.7, other than Paragraph 1950.7(b), and 1951.7 and agrees that the Security Deposit shall be governed by the provisions of this Sublease.

7. Compliance with Laws; Use. The Subleased Premises shall be used for research and development, laboratory, administrative uses and all related legal uses, as permitted under the Master Lease and approved by the City of South San Francisco and any other governmental entity having jurisdiction over the Subleased Premises. Subtenant and its employees, agents, contractors and invitees (the "**Subtenant Controlled Parties**") shall comply with all statutes, codes, ordinances, orders, rules and regulations of any municipal or governmental entity, including, without limitation, all applicable federal, state and local Laws or regulations governing protection of, or damage to the environment, or the treatment, storage or disposal of hazardous materials (collectively referred to as "**Laws**"), regarding the operation of Subtenant's business and the use and occupancy of the Subleased Premises. In addition to the foregoing, Subtenant shall comply with the terms of Sections 5.3 and 11 of the Master Lease, which are incorporated herein by this reference (provided, however, that all references therein to "Landlord" shall mean and refer to Master Landlord, except for any indemnity obligations thereunder, which shall be for the benefit of both Sublandlord and Master Landlord, and references to "Tenant" and "Premises" shall mean "Subtenant" and the "Subleased Premises", respectively), and any other rules and regulations of the Master Premises adopted by Master Landlord from time to time, provided that a copy thereof is made available to Subtenant; provided, however, that Subtenant shall not be required to perform any alteration, addition or change of the Subleased Premises required by law, regulation, ordinance or order of any public authority unless such alteration, addition or change is required as a result of (i) Subtenant's particular use of the Subleased Premises, (ii) any alteration to the Subleased Premises made by or on behalf of Subtenant, and/or (iii) any applications made by or on behalf of Subtenant for governmental permits, licenses or approvals.

8. Maintenance and Repairs. Except as such maintenance and repairs are the responsibility of Master Landlord pursuant to the terms of Sections 7 and 10 of the Master Lease, Subtenant shall, at its sole cost, keep and maintain in good condition and repair the Subleased Premises; provided, however, that in the event a necessary repair or maintenance item affects a portion of Building 170 for which Sublandlord is responsible under the Master Lease, and such portion is greater than just the Subleased Premises, then, Sublandlord shall perform such obligation and (a) the cost thereof shall be amortized over the useful economic life of such item, as determined by Sublandlord in its reasonable discretion, together with an interest factor on the unamortized cost of such item equal to (1) Sublandlord's actual cost of funds (for any such item, the cost of which is financed by a third party), or (e) eight percent (8%) per annum (for any such item, the cost of which is financed by Sublandlord), but in no event shall such interest rate exceed the maximum rate of interest permitted by applicable law, and (b) Subtenant shall pay Sublandlord Subtenant's Share of the monthly amortized cost of such item each month for the remainder of the Sublease Term. Notwithstanding

anything to the contrary contained in this Section 8, in no event shall Sublandlord be obligated to undertake any maintenance and repair obligations that are otherwise the responsibility of Master Landlord hereunder or under the Master Lease, and, subject to the terms of Sections 6 and 18 of this Sublease, Subtenant hereby confirms its assumption of Sublandlord's maintenance and repair obligations under the Master Lease to the extent such obligations are applicable to the Subleased Premises.

9. Subtenant Improvements; Repairs and Alterations. Any alterations, additions or improvements to the Subleased Premises by or for Subtenant (collectively referred to as "**Alterations**") shall require the prior written consent of both Sublandlord and Master Landlord and be made in accordance with Section 9 of the Master Lease, which is incorporated herein by this reference (provided, however, that all references therein to "Tenant" and "Premises" shall mean "Subtenant" and the "Subleased Premises", respectively, and all references therein to "Landlord" shall mean both "Sublandlord" and "Master Landlord"). Sublandlord confirms that it will approve the Alterations proposed in **Exhibit A-1,** provided that Master Landlord approves such Alterations in accordance with the Master Lease. Subtenant shall be solely responsible for the planning, construction and completion of any Alterations at Subtenant's sole cost and expense. Subtenant shall make all payments for Alterations in a timely manner so as not to permit any mechanic's or other liens to be placed upon the Subleased Premises in connection with any Alterations. Subtenant shall fully discharge any such lien within thirty (30) days after it first becomes aware of the same. Any damage to the Subleased Premises caused by Subtenant or a Subtenant Controlled Party shall be promptly repaired by Subtenant, to Sublandlord's reasonable satisfaction, at Subtenant's sole cost and expense. If Subtenant shall fail to repair any damage within a reasonable time following written notice from Sublandlord, Sublandlord shall have the right to repair any damage caused by Subtenant at Subtenant's sole cost and expense. In such event, Subtenant shall reimburse Sublandlord for the reasonable cost of any such repairs within thirty (30) days after receipt of an invoice, together with an administrative charge in an amount equal to ten percent (10%) of the cost of the repairs. All Alterations to the Subleased Premises shall remain upon the Subleased Premises following the End Date, provided that Sublandlord receives a written waiver from Master Landlord of its surrender obligations set forth in Section 9.2 of the Master Lease with respect to such Alterations (a "**Surrender Restoration Waiver**"). If a Surrender Restoration Waiver is not obtained, then Subtenant shall, prior to the End Date, promptly remove any Alterations made by Subtenant at its sole cost and expense and repair any damage to the Subleased Premises caused by such removal. Conditioned upon Master Landlord's written consent, Sublandlord agrees that Subtenant shall not be obligated to remove the eight chemical fume hoods Subtenant intends to install.

10. Entry by Sublandlord or Master Landlord. Sublandlord or Master Landlord may enter the Subleased Premises at any time during the Sublease Term to inspect or show (in accordance with Section 14.1 of the Master Lease, which is incorporated herein by this reference, provided, however, that all references therein to "Tenant" and "Premises" shall mean "Subtenant" and the "Subleased Premises", respectively and all references therein to "Landlord" shall mean both "Sublandlord" and "Master Landlord") the Subleased Premises, or to clean and make repairs, alterations or additions to the Subleased Premises. Except in case of emergencies, Master Landlord or Sublandlord, as applicable, shall provide Subtenant with at least forty-eight (48) hours prior notice of entry into the Subleased Premises, which may be given orally.

11. Assignment and Subletting.

(a) Consent Required. Subtenant shall not assign, sublease, transfer or encumber any interest in this Sublease or allow any third party to use any portion of the Subleased Premises (collectively or individually, a "**Transfer**"), without the prior written consent of Sublandlord and Master Landlord, which may be given or withheld in accordance with Section 13 of the Master Lease, which is incorporated herein by this reference. Any Transfer or attempted Transfer without the consent of Sublandlord and Master Landlord shall be a default by Subtenant and, in addition to any other rights and remedies, shall entitle Sublandlord to terminate this Sublease. To the extent that rent paid by such assignee or sublessee is in excess of Rent paid by Subtenant hereunder ("**Bonus Subrent**"), such Bonus Subrent shall first be split as required by the Master Lease, then any excess remaining after Master Landlord's share shall be split 50% to Sublandlord and 50% to Subtenant, to be paid and distributed accordingly within five (5) days of actual receipt by Subtenant. Sublandlord shall be solely responsible for paying Master Landlord for any portion of Sublandlord's collection of Bonus Rent payable by between Sublandlord and Master Landlord per terms of the Master Lease.

(b) Permitted Transfer. So long as Master Landlord consents, or agrees that no consent is necessary, Sublandlord agrees that Subtenant may, without Sublandlord's prior written consent (but with at least ten (10) days prior notice), sublet all or any portion of the Subleased Premises or assign this Sublease pursuant to clauses (i) through (iv) of Section 13.1 of the Master Lease, which are incorporated herein by reference; provided, however, that (i) all references in the Master Lease to "Tenant" shall mean "Subtenant", and (ii) Subtenant shall not be released from any of its obligations under this Sublease or those provisions of the Master Lease incorporated herein and such permitted transferee shall be required to assume all of Subtenant's obligations hereunder as a condition to such transfer being permitted without Sublandlord's prior written consent.

12. Indemnity and Waiver of Claims. Except to the extent caused by the gross negligence or willful misconduct of Sublandlord, Master Landlord, any of their respective owners, partners, principals, members, trustees, officers, directors, shareholders, agents, employees and lenders ("**Sublandlord Related Parties**"), Subtenant shall indemnify, defend and hold Sublandlord and the Sublandlord Related Parties harmless from and against all liabilities, damages, claims, and expenses, including, without limitation, reasonable attorneys' fees (if and to the extent permitted by Law), which may be imposed upon, incurred by or asserted against Sublandlord or any of Sublandlord Related Parties arising out of or in connection with any damage or injury occurring in the Subleased Premises caused by any acts or omissions (including violations of Law) of Subtenant or any Subtenant Controlled Parties. Subtenant hereby waives all claims against Sublandlord and Sublandlord Related Parties for (a) any damage to person or property (or resulting from the loss of use thereof), except to the extent caused by the gross negligence or willful misconduct of Sublandlord or any Sublandlord Related Party and (b) any failure to prevent or control any criminal or otherwise wrongful conduct by any third party or to apprehend any third party who has engaged in such conduct. Notwithstanding any provision in this Sublease to the contrary, neither Sublandlord nor any Sublandlord Related Party shall be liable for (and Subtenant hereby waives any claims for) any injury or damage to, or interference with, Subtenant's business, including loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, or for any form of special or consequential damage.

Sublandlord shall indemnify, defend and hold Subtenant and its partners, shareholders, officers, directors, agents and employees harmless form any and all liability for injury to or death of any person, or loss of or damage to the property of any person, and all actions, claims, demands, costs

(including, without limitation, reasonable attorneys' fees), damages or expenses of any kind arising therefrom which may be brought or made against Subtenant or which Subtenant may pay or incur, to the extent such liabilities or other matters arise in, on or about the Property by reason of any negligence or willful misconduct or omission by Sublandlord or its agents or employees.

13. Insurance. The provisions of Section 12 of the Master Lease pertaining to insurance shall be incorporated into this Sublease, subject to the following terms. For purposes of this Sublease, the term "Tenant" in Section 12 of the Master Lease shall be deemed to mean Subtenant and the term "Landlord" shall be deemed to mean Master Landlord (except that the release and waiver of subrogation shall also apply as between Sublandlord and Subtenant) and the term "Premises" shall mean the "Subleased Premises", except that all policies of insurance required to be maintained by Subtenant hereunder and thereunder shall name both Sublandlord and Master Landlord as additional named insureds and all notices related to such insurance and all evidence of such policies shall be delivered to both Sublandlord and Master Landlord. Subtenant covenants that it shall obtain Master Landlord's approval for the form of insurance certificate to be provided to Master Landlord, including any "blanket insurance" policy obtained by Subtenant, prior to the Early Access Date.

14. Damage or Destruction and Condemnation. The provisions of Section 15 of the Master Lease pertaining to damage or destruction and condemnation shall be incorporated into this Sublease, subject to the following terms. For purposes of this Sublease, the term "Tenant" in Section 15 of the Master Lease shall be deemed to mean Subtenant and the term "Landlord" therein shall be deemed to mean Master Landlord and "Premises" shall mean the Subleased Premises. In no event shall Sublandlord have any obligation to Subtenant to restore the Subleased Premises if damaged, destroyed or condemned as described in Section 15 of the Master Lease.

15. Events of Default. The provisions of Section 16.1 of the Master Lease are hereby incorporated herein by this reference (provided, however, that all references therein to "Landlord", "Tenant" and "Premises" shall mean "Master Landlord", "Subtenant" and the "Subleased Premises", respectively).

16. Remedies. Upon any default by Subtenant under the terms of this Sublease, beyond any applicable notice and cure period, Sublandlord shall have the remedies set forth in Section 16.2 of the Master Lease (which shall be incorporated into this Sublease) as if Sublandlord is Master Landlord, including, without limitation, the right to terminate this Sublease, in which case Subtenant shall immediately surrender the Subleased Premises to Sublandlord. If Subtenant fails to surrender the Subleased Premises, Sublandlord may, in compliance with applicable Law and without prejudice to any other right or remedy, enter upon and take possession of the Subleased Premises. In addition to the right to terminate this Sublease and collect damages, Sublandlord shall have the right to pursue any other remedy provided under the Master Lease or that is now or hereafter available at Law or in equity.

17. Master Lease.

(a) Subtenant takes possession of the Subleased Premises, and enters into this Sublease, subject and subordinate to all of the terms, covenants, conditions, and restrictions of the Master Lease. Neither Sublandlord nor Subtenant shall by act or omission cause a breach of any of the terms, covenants, conditions, and restrictions contained in the Master Lease. Sublandlord shall not agree to any amendment, modification or termination of the Master Lease that materially adversely impacts the rights and obligations of Subtenant hereunder without Subtenant's prior written consent.

Except to the extent incorporated by reference in this Sublease, none of the terms, covenants, conditions and restrictions of the Master Lease are incorporated herein to define the agreement as between Sublandlord and Subtenant. With respect to any obligation of Subtenant to be performed under this Sublease, unless otherwise expressly stated in this Sublease, wherever the Master Lease grants to Sublandlord a specified number of days after notice or other time condition to perform its corresponding obligation under the Master Lease (excluding the payment of Rent), Subtenant shall have two (2) fewer days to perform the obligation, including without limitation curing any defaults. Any default notice or other notice of any obligations (including any billing or invoice for any Rent or any other expense or charge due under the Master Lease) from Master Landlord which is received by Subtenant (whether directly or as a result of being forwarded by Sublandlord) shall constitute such notice from Sublandlord to Subtenant under this Sublease without the need for any additional notice from Sublandlord.

(b) Sublandlord shall not be deemed to have made any representation made by Master Landlord in the Master Lease. Moreover, except as otherwise provided herein to the contrary, Sublandlord shall not be obligated:

(i) to provide any of the services or utilities that Master Landlord has agreed in the Master Lease to provide;

(ii) to make any of the repairs or restorations that Master Landlord has agreed in the Master Lease to make; or

(iii) to comply with any Laws or requirements of public authorities with which Master Landlord has agreed in the Master Lease to comply; and Sublandlord shall have no liability to Subtenant on account of any failure of Master Landlord to do so, or on account of any failure by Master Landlord to observe or perform any of the terms, covenants or conditions of the Master Lease required to be observed or performed by Master Landlord; provided Sublandlord agrees to use commercially reasonable efforts to enforce Master Landlord’s obligations under the Master Lease on Subtenant’s behalf.

(c) Notwithstanding the foregoing, Sublandlord grants to Subtenant the right to receive all of the services and benefits with respect to the Subleased Premises that are to be provided by Master Landlord under the Master Lease. To the extent that rent is abated under the Master Lease with respect to any portion of the Subleased Premises, Subtenant shall be entitled to an abatement of rent under this Sublease, in proportion to the degree to which Subtenant’s use is impaired by the occurrence which led to the abatement of rent under the Master Lease.

(d) If (i) Subtenant shall fail to perform any of its obligations hereunder and such failure shall continue beyond any cure period provided for herein, or (ii) Master Landlord shall give any notice of failure or default under the Master Lease arising out of any failure by Subtenant to perform any of its obligations hereunder then, in either case, Sublandlord shall have the right (but not the obligation), upon at least two (2) days’ prior written notice to Subtenant, to perform or endeavor to perform such obligation, at Subtenant’s expense, and Subtenant shall, within ten (10) days of Sublandlord’s demands from time to time, reimburse Sublandlord for all costs and expenses incurred by Sublandlord in doing so as Rent.

(e) Subtenant shall promptly execute, acknowledge and deliver to Sublandlord, any certificate or other document evidencing the status of the Sublease or subordination of this Sublease

to the Master Lease, that Sublandlord or Master Landlord may reasonably request, in accordance with Sections 17 and 19.16 of the Master Lease, which are incorporated herein by this reference (provided, however, the terms "Tenant" and "Subtenant" shall be deemed to mean "Subtenant" and the "Subleased Premises", respectively).

(f) Sublandlord warrants to Subtenant that (i) Sublandlord has delivered to Subtenant a complete copy of the Master Lease, (ii) the Master Lease is, as of the date of this Sublease, in full force and effect, and (iii) no event of default by Sublandlord or, to Sublandlord's knowledge, Master Landlord has occurred under the Master Lease nor has any event occurred and is continuing that would constitute an event of default by Sublandlord or, to Sublandlord's knowledge, Master Landlord under the Master Lease, but for the requirement of the giving of notice and the expiration of the period of time to cure.

18. Surrender of Subleased Premises. Subject to Section 9 of this Sublease, at the expiration or earlier termination of this Sublease, if no Surrender Restoration Waiver has been delivered to Sublandlord, then Subtenant, at its sole cost and expense, shall promptly remove from the Subleased Premises (a) any Alterations made by Subtenant (excluding any initial tenant improvements to be substantially completed prior the Start Date if approved by Sublandlord in accordance with the terms of this Sublease), (b) Subtenant's personal property, and (c) repair any damage to the Subleased Premises caused by such removal, and otherwise quit and surrender the Subleased Premises to Sublandlord, broom clean, and in good order, condition and repair, ordinary wear and tear excepted; provided, however, that in no event shall Subtenant have any duty to remove, at the expiration or earlier termination of this Sublease, any alterations, improvements, trade fixtures or personal property existing in the Subleased Premises on or before the Start Date. If Subtenant fails to remove any Alterations required to be removed hereunder or Subtenant's personal property within five (5) days after the termination of this Sublease, Sublandlord, at Subtenant's sole cost and expense, shall be entitled (but not obligated) to remove such Alterations or remove, store or dispose of Subtenant's personal property. Sublandlord shall not be responsible for the value, preservation or safekeeping of Subtenant's personal property. Notwithstanding anything to the contrary contained in this Sublease, conditioned upon Master Landlord's consent to installation, Subtenant shall have no obligation to remove the eight chemical fume hoods it intends to install.

19. Holding Over. Subtenant shall have no right to holdover in the Subleased Premises pursuant to this Sublease after the End Date. If Subtenant does not surrender and vacate the Subleased Premises on the End Date, Subtenant shall be a tenant at sufferance, or at the sole election of Sublandlord, a month to month tenancy, and the parties agree in either case that the reasonable rental value, if at sufferance, or the Rent if a month to month tenancy shall be Rent at the greater of (1) the monthly rate of one hundred and fifty percent (150%) of the monthly Rent set forth in Article 4, or (2) the rate of one hundred and fifty percent (150%) of any and all Rent due to Master Landlord from Sublandlord under the holdover provisions of the Master Lease. Notwithstanding the foregoing, and in addition to all other rights and remedies on the part of Sublandlord if Subtenant fails to surrender the Subleased Premises upon the End Date, in addition to any other liabilities to Sublandlord accruing therefrom, Subtenant shall indemnify, defend and hold Sublandlord harmless from all claims, actions, losses, damages and expenses resulting from such failure, including, without limitation, any such claims, actions, losses and damages to any third parties based on such failure to surrender to Sublandlord resulting therefrom.

20. Parking. Subtenant shall have Subtenant's proportionate share of such parking rights as Sublandlord may have in connection with the Subleased Premises pursuant to Section 19.20 of the

Master Lease.

21. Limitation of Liability. Notwithstanding anything set forth herein, in no event shall any personal liability be asserted against Sublandlord's or Subtenant's officers, directors, employees, agents or contractors or to the property or assets of any of them. Under no circumstances shall Sublandlord's or Subtenant's officers, directors, employees, agents or contractors be liable for any injury or damage to, or interference with, Subtenant's or Sublandlord business, including loss of profits, loss of rents or other revenues, loss of business opportunity, loss of goodwill or loss of use, or for any form of special or consequential damage.

22. Miscellaneous.

(a) Notices for Subtenant shall be sent to Subtenant at the Subleased Premises (ATTN: Joel Fernandes). Notices for Sublandlord shall be sent to Sublandlord as follows: Exelixis, Inc., 210 E. Grand Avenue, South San Francisco, CA 94080, and to the attention of Executive Vice President and General Counsel (each, a "**Notice Address**"). All demands, approvals, consents or notices shall be in writing and delivered by hand or sent by registered or certified mail with return receipt requested, or sent by overnight or same day courier service at the party's respective Notice Address(es) set forth above. Each notice shall be deemed to have been received or given on the earlier to occur of actual delivery or the date on which delivery is refused, or, if Subtenant has vacated the Subleased Premises or other Notice Address without providing a new Notice Address, three (3) days after notice is deposited in the U.S. mail or with a courier service in the manner described above. Any party may, at any time, change its Notice Address (other than to a post office box address) by giving the other parties written notice of the new address.

(b) The term "**Force Majeure Delay**" as used in the Sublease shall mean any delay by either party in fulfilling its obligations hereunder which is attributable to any: (i) actual delay or failure to perform attributable to any strike, lockout or other labor or industrial disturbance (whether or not on the part of the employees of either party hereto), civil disturbance, future order claiming jurisdiction, act of a public enemy, war, riot, sabotage, blockade, embargo, inability to secure customary materials, supplies or labor through ordinary sources by reason of regulation or order of any government or regulatory body; or (ii) actual delay or failure to perform attributable to lightening, earthquake, fire, storm, hurricane, tornado, flood, washout, explosion, or any other similar industry-wide or Building-wide cause beyond the reasonable control of the party from whom performance is required, or any of its contractors or other representatives. Any prevention, delay or stoppage due to any Force Majeure Delay shall excuse the performance of the party affected for a period of time equal to any such prevention, delay or stoppage (except the obligations of Subtenant to pay Rent and other charges pursuant to this Sublease).

(c) Either party's failure to declare a default immediately upon its occurrence or delay in taking action for a default shall not constitute a waiver of the default, nor shall it constitute an estoppel. If either party institutes a suit against the other for violation of or to enforce any covenant, term or condition of this Sublease, the prevailing party shall be entitled to all of its costs and expenses, including, without limitation, reasonable attorneys' fees.

(d) This Sublease shall be interpreted and enforced in accordance with the Laws of the state in which the Subleased Premises is located.

(e) Each of Subtenant and Sublandlord represents and warrants that it has not dealt with any broker in connection with this Sublease, other than Cornish & Carey Commercial Newmark Knight Frank (whose commissions shall be paid by Sublandlord), on behalf of Subtenant and Sublandlord, and each party hereto agrees to indemnify and hold the other party harmless from any commissions due to any broker with whom such party has dealt, other than the broker named in this paragraph.

(f) This Sublease constitutes the entire agreement between the parties and supersedes all prior agreements and understandings related to the Subleased Premises. This Sublease may be modified only by a written agreement signed by Sublandlord and Subtenant.

(g) The execution, delivery, and performance by each of Subtenant and Sublandlord of its respective obligations under this Sublease have been duly authorized and will not violate any provision of Law, any order of any court or other agency of government, or any indenture, agreement or other instrument to which it is a party or by which it is bound.

(h) This Sublease may be executed in multiple counterparts, and by each party on separate counterparts, each of which shall be deemed to be an original but all of which shall together constitute one agreement. The parties contemplate that they may be executing counterparts of the Sublease transmitted by facsimile or email in PDF format and agree and intend that a signature by such means shall bind the party so signing with the same effect as though the signature were an original signature.

23. Quiet Enjoyment. The provisions of Section 14.2 of the Master Lease are hereby incorporated herein by this reference (provided, however, that all references therein to “Landlord”, “Tenant” and “Premises” shall mean “Master Landlord”, “Subtenant” and the “Subleased Premises”, respectively).

24. Signage. Conditioned upon the consent of Master Landlord and applicable governmental authorities, Sublandlord agrees to install a monument at a location specified by Master Landlord, and to provide Subtenant half the available signage space on such monument, provided that Subtenant agrees to pay fifty percent (50%) of the costs of installation of the monument, an estimate of which costs shall be provided to Subtenant in advance for approval, and one hundred percent (100%) of the cost of installing, maintaining and removing Subtenant’s signage on such monument. The parties anticipate that such monument will be similar in size, type and quality to the monument located at 260 East Grand Avenue, South San Francisco. Conditioned upon the approval of Master Landlord, and Sublandlord’s approval, in its reasonable discretion, of Subtenant’s proposed signage specifications, Sublandlord shall install, at Sublandlord’s expense, signage for Subtenant in a lobby directory and at the entrance to the Subleased Premises.

[Signature Page Follows]

IN WITNESS WHEREOF, Sublandlord and Subtenant have executed this Sublease as of the day and year first above written.

SUBLANDLORD:

EXELIXIS, INC.,
a Delaware corporation

By: /s/ Frank Karbe
Name: Frank Karbe
Title: EVP & CFO

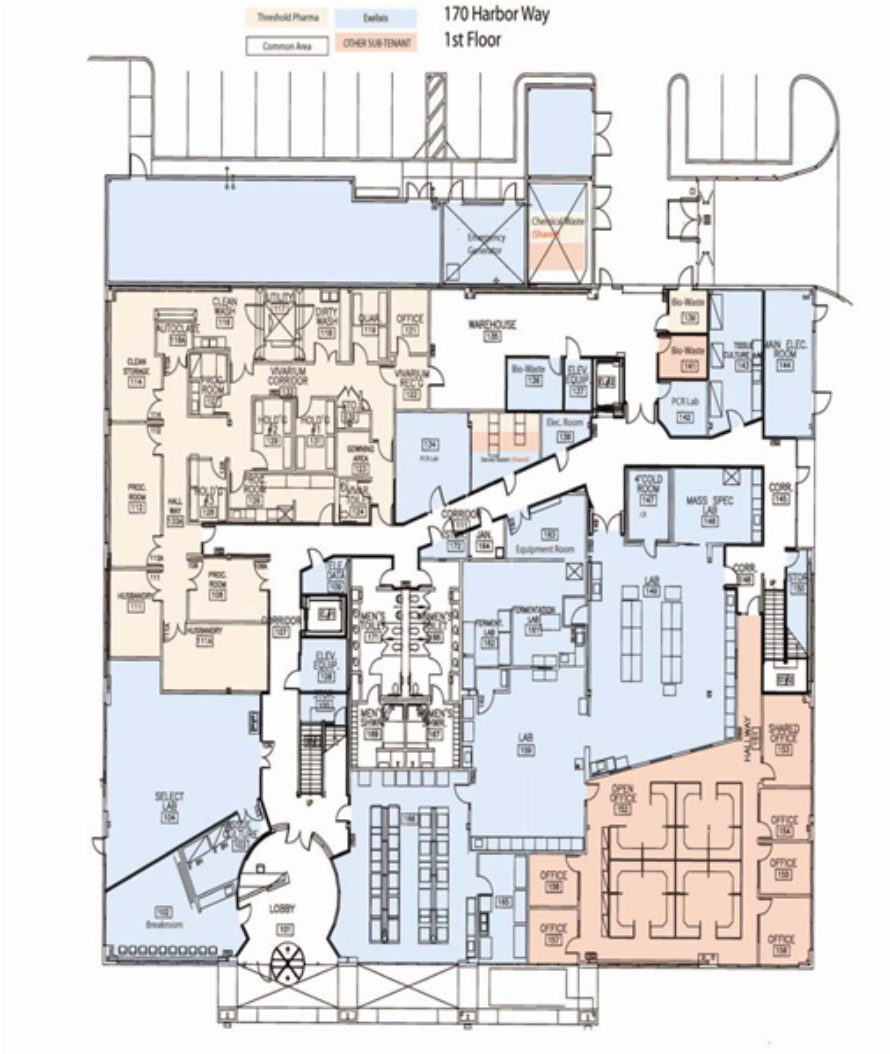
SUBTENANT:

THRESHOLD PHARMACEUTICALS, INC.,
a Delaware corporation

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

EXHIBIT A

MAP OF SUBLEASED PREMISES



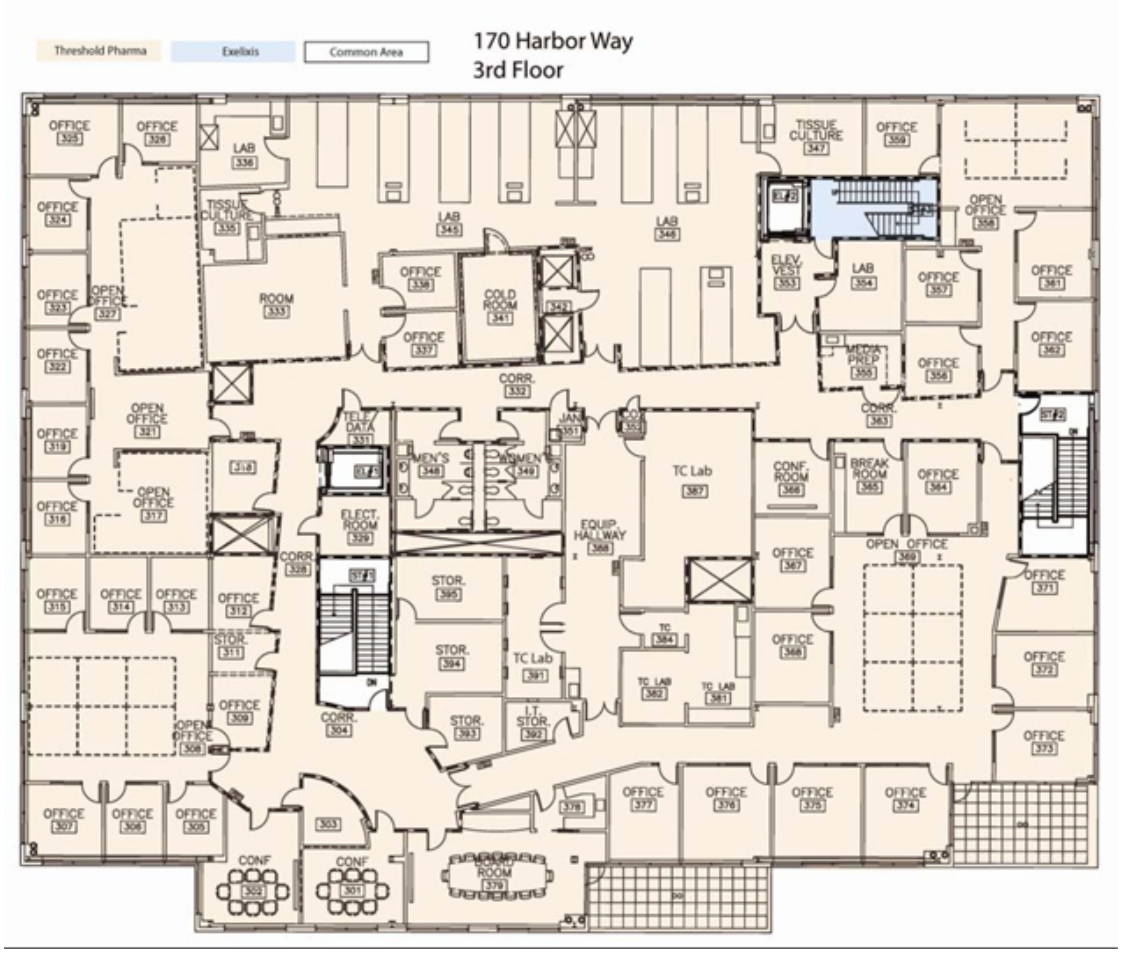

Threshold Pharma
Exelixis
Common Area
170 Harbor Way
3rd Floor
OFFICE 325
OFFICE 326
LAB 336
TISSUE CULTURE 335
OFFICE 324
OFFICE 323
OPEN OFFICE 327
ROOM 335
OFFICE 322
OPEN OFFICE 321
OFFICE 319
OPEN OFFICE 317
OFFICE 318
OFFICE 315
OFFICE 314
OFFICE 313
OFFICE 312
STOR. 311
OFFICE 309
OPEN OFFICE 308
OFFICE 307
OFFICE 306
OFFICE 305
CONF 302
CONF 301
303
CORR 304
CORR 328
ELECT. ROOM 329
TELE/ DATA 331
J18
OFFICE 338
OFFICE 337
LAB 345
COLD ROOM 341
342
CORR. 332
MEN'S 348
WOMEN 349
JAN. 351
EQUIP. HALLWAY 368
STOR. 395
STOR. 394
STOR. 393
TC Lab 391
I.T. STOR. 392
LAB 346
TC Lab 387
TC 384
TC LAB 382
TC LAB 381
OFFICE 377
OFFICE 376
OFFICE 375
OFFICE 374
TISSUE CULTURE 347
OFFICE 359
OPEN OFFICE 358
ELEV. VEST 353
LAB 354
OFFICE 357
OFFICE 361
MEDIA PREP 355
OFFICE 356
OFFICE 362
CORR. 363
CONF. ROOM 366
BREAK ROOM 365
OFFICE 364
OFFICE 367
OPEN OFFICE 369
OFFICE 371
OFFICE 368
OFFICE 372
OFFICE 373

EXHIBIT A-1

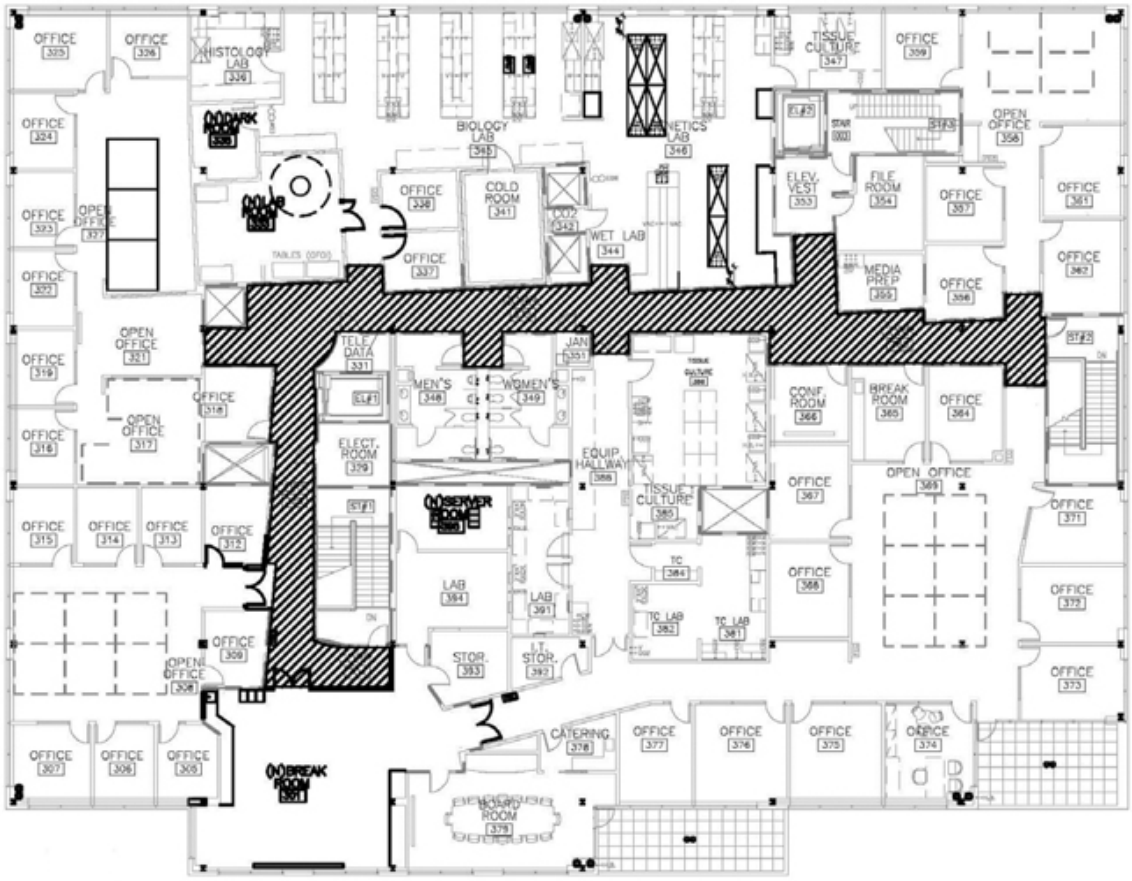

OFFICE 325
OFFICE 326
HISTOLOGY LAB 329
DARK ROOM 333
COLAB ROOM 335
OFFICE 324
OFFICE 323
OPEN OFFICE 327
OFFICE 322
OPEN OFFICE 321
OFFICE 319
OFFICE 316
OPEN OFFICE 317
OFFICE 315
OFFICE 314
OFFICE 313
OFFICE 312
OFFICE 309
OPEN OFFICE 308
OFFICE 307
OFFICE 306
OFFICE 305
BREAK ROOM 301
BIOLOGY LAB 345
OFFICE 338
COLD ROOM 341
CO2 342
OFFICE 337
WET LAB 344
GENETICS LAB 346
TISSUE CULTURE 347
OFFICE 359
OPEN OFFICE 358
ELEV. VEST 353
FILE ROOM 354
OFFICE 357
OFFICE 361
MEDIA PREP 355
OFFICE 356
OFFICE 362
TELE DATA 331
JAN 351
MEN'S 348
WOMEN'S 349
ELECT. ROOM 339
EQUIP. HALLWAY 388
TISSUE CULTURE 386
TISSUE CULTURE 385
CONF. ROOM 366
BREAK ROOM 365
OFFICE 364
OFFICE 367
OPEN OFFICE 369
OFFICE 371
OFFICE 368
OFFICE 372
OFFICE 373
SERVER ROOM 334
LAB 394
LAB 391
STOR. 393
I.T. STOR. 392
TC 384
TC LAB 382
TC LAB 381
CATERING 378
OFFICE 377
OFFICE 376
OFFICE 375
OFFICE 374
BOARD ROOM 379

EXHIBIT B

DELIVERY AGREEMENT

Re: Sublease dated , 2011, between **EXELIXIS INC.**, a Delaware corporation ("**Sublandlord**"), and **THRESHOLD PHARMACEUTICALS, INC.**, a Delaware corporation ("**Subtenant**"), concerning that subleased premises, consisting of the entire third floor and the vivarium on the first floor (collectively, the "**Subleased Premises**") located in the building at 170 Harbor Way, South San Francisco, CA ("**Building 170**")

Ladies and Gentlemen:

In accordance with the subject Sublease (to which reference is made for any undefined capitalized terms used herein), we wish to advise and/or confirm as follows:

The Start Date of the Sublease Term for the Subleased Premises is , 2011 (the "**Start Date**"), and the Sublease Term for the Subleased Premises expires on April 30, 2017 (the "**End Date**"), unless sooner terminated according to the terms of the Sublease. Sublandlord delivered possession of the Subleased Premises to Subtenant on the Start Date, in the condition required under the Sublease and Subtenant accepted possession of the Subleased Premises on the Start Date.

That in accordance with the Sublease, monthly Base Rent in the amount of $ and Subtenant's percentage share of Operating Expenses (as described below) for the Third Floor Subleased Premises shall commence to accrue on , 2012, and monthly Base Rent in the amount of $ and Subtenant's percentage share of Operating Expenses (as described below) for the Vivarium Subleased Premises shall commence to accrue on , 2012.

The total rentable square feet of the Subleased Premises is 28,180 and of Building 170 is 70,000 and of the Master Premises is 119,003. Subtenant's percentage share of Operating Expenses is twenty-three and sixty-eight hundredths percent (23.68%) as to Master Premises and forty and three-tenths percent (40.3%) as to Building 170. Each party represents and warrants to the other that it is duly authorized to enter into this document and that the person signing on its behalf is duly authorized to sign on behalf of such party.

SUBLANDLORD:

EXELIXIS, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

SUBTENANT:

THRESHOLD PHARMACEUTICALS, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

EXHIBIT C

BILL OF SALE

For One Dollar ($1.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, **EXELIXIS INC.**, a Delaware corporation ("**Seller**"), hereby conveys to **THRESHOLD PHARMACEUTICALS, INC.**, a Delaware corporation ("**Purchaser**"), all of Seller's right, title and interest in and to the office furniture, cubicles and other related furniture, fixtures and equipment owned by Seller and listed on Schedule 1 attached hereto, and located in the Subleased Premises (the "**Sold Personal Property**"), which list does not include those items set forth on Schedule 2 hereto, which shall be retained by Sublandlord (the "**Retained Personal Property**").

Seller does hereby represent to Purchaser that Seller is the lawful owner of such personal property, that such personal property is free and clear of all encumbrances, and that Seller has good right to sell the same as aforesaid.

Seller has not made and does not make any express or implied warranty or representation with respect to the merchantability of the Sold Personal Property or its fitness for any particular purpose; the design or condition of the Sold Personal Property; the quality or capacity of the Sold Personal Property; workmanship or compliance of the Sold Personal Property with the requirements of any Law, rule, specification or contract pertaining thereto; patent infringement or latent defects. Purchaser accepts the Sold Personal Property on an "**AS IS, WHERE IS**" basis.

IN WITNESS WHEREOF, Seller has caused this instrument to be executed and delivered as of this day of , 2011.

SELLER:

EXELIXIS, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

SCHEDULE 1 TO BILL OF SALE

SOLD PERSONAL PROPERTY

Location	Item	Model Number	Serial Number	Description	Old Asset Number	THLD (Y/N)	New Asset Number	Comments
Rm114	Ancare Stainless Steel Cage Transport Rack	N/A	N/A			Y	40001035	
Rm114	Ancare Stainless Steel Cage Transport Rack	N/A	N/A			Y	40001036	
Rm114	Stainless Steel Cage Storage Rack	N/A	N/A	~ 7 x 3 ft		Y	40001037	
Rm114	Stainless Steel Cage Storage Rack	N/A	N/A	~ 7 x 3 ft		Y	40001038	
Rm114	Stainless Steel Cage Storage Rack	N/A	N/A	~ 7 x 3 ft		Y	40001039	
Rm114	Metro Racks	N/A	N/A	Green; 5 shelves; 5’ x 6’ x18”		Y	40001040	
Rm114	Metro Racks	N/A	N/A	Green; 3 shelves; 6’ 8” x 6’ x24”		Y	40001041	
Rm114	Metro Racks	N/A	N/A	Chrome; 3 shelves; 7’ 8” x 3’ 5” x 2’		Y	40001042	
Rm114	Metro Racks	N/A	N/A	Chrome; 2 shelves; 7’ 8” x 3’ 5” x 2’		Y	40001043	
Rm114	Metro Racks	N/A	N/A	Green; 1 shelf; 6’ x 2’		Y	40001044	
	Mouse Shoe Box Cages	N/A	N/A	~550 total		Y(300)	40001109	
	Mouse Cage Wire Racks	N/A	N/A	~500 total		Y(300)	40001110	
	Mouse Shoe Box Lids	N/A	N/A	~500 total		Y(300)	40001111	
	Rat Shoe Box Cages	N/A	N/A	~300 total		Y(100)	40001112	
	Rat Cage Wire Racks	N/A	N/A	~300 total		Y(100)	40001113	
	Rat Shoe Box Lids	N/A	N/A	~350 total		Y(100)	40001114	
	Water bottles	N/A	N/A	~430 total		Y (all)	40001115	
	Edstrom Water System #1	PS1: 7030-7550-165	PS1: 00A1-6436-3201		10003571	Y	40001086	
	Edstrom Water System #2	PS2: 7040-8550-197	PS2: 0011-7974-0100				40001118	Hard piped in walls. Cannot remove

Location	Item	Model Number	Serial Number	Description	Old Asset Number	THLD (Y/N)	New Asset Number	Comments
	Edstrom Chlori-Flush Station	2494	138671		10002880		40001117	Hard piped in walls. Cannot remove
	Cage Card Holders	N/A	N/A	>500		Y	40001116	
	Autoclave	SSR-3A-PB	020800		10002438	Y	40001045	
	Water bottle fill station	01130	N/A		10003593	Y	40001046	
	Cage Washer Rack for lids/racks	N/A	N/A		10002437	Y	40001047	
	Cage Washer Rack for Cages	N/A	N/A		10003594	Y	40001077	
	Cage washer	3601700001	4600		10002879	Y	40001049	
Hallway	Stainless Steel Table	N/A	N/A	6’ x 3’		Y	40001050	
Hallway	Stainless Steel Table	N/A	N/A	6’ x 3’		Y	40001051	
Hallway	Plastic Metro Cart	N/A	N/A	39” x 27”			40001067	
Hallway	Plastic Metro Cart	N/A	N/A	39” x 27”			40001068	
Hallway	Plastic Metro Cart	N/A	N/A	39” x 27”			40001069	
Hallway	Plastic Metro Cart	N/A	N/A	39” x 27”			40001070	
Hallway	Plastic Metro Cart	N/A	N/A	39” x 27”			40001071	
Hallway	Plastic Metro Cart	N/A	N/A	17” x 30”			40001072	
Hallway	Plastic Metro Cart	N/A	N/A	17” x 30”			40001073	
Hallway	Plastic Metro Cart	N/A	N/A	39” x 27”			40001074	
Hallway	Plastic Metro Cart	N/A	N/A	17” x 30”			40001075	
Hallway	Plastic Metro Cart	N/A	N/A	17” x 30”			40001076	
Rm119	Mouse Cage Unit	N/A	V7672-02-05	Includes blower (10003596) and exhaust (10003598)	10002887	Y	40001052	Blower assigned Asset Number 40001054; Exhaust assigned Asset Number 40001055
Rm119	Mouse Cage Unit	N/A	V6484-04-04	Includes blower (10003467) and exhaust (10003198)	10003199	Y	40001053	Blower assigned Asset Number 40001056; Exhaust assigned Asset Number 40001057
Rm119	Stainless Steel Table	N/A	N/A	~6 ft x 2.5 ft		Y	40001058	
Rm131	Stainless Steel Table	N/A	N/A	~6 ft x 2.5 ft and 5 x 2 ft		Y	40001059	
Rm131	Stainless Steel Table	N/A	N/A	~6 ft x 2.5 ft and 5 x 2 ft		Y	40001060	
Rm129	Rat Cage Unit	N/A	V7279-10-04	Includes blower (no tag) and exhaust (no tag)	10002451	Y	40001061	Blower assigned Asset Number 40001062; Exhaust assigned Asset Number 40001063

Location	Item	Model Number	Serial Number	Description	Old Asset Number	THLD (Y/N)	New Asset Number	Comments
Rm129	Rat Cage Unit	N/A	V7673-04-05	Includes blower (no tag) and exhaust (no tag)	10002894	Y	40001064	Blower assigned Asset Number 40001065; Exhaust assigned Asset Number 40001066
Rm111A	Mouse Cage Unit	N/A	V2569-06-01	Includes blower (10003183) and exhaust (10003182))	10003181	Y	40001078	Blower assigned Asset Number 40001079; Exhaust assigned Asset Number 40001080
Rm111A	Mouse Cage Unit	N/A	V5383-06-03	Includes blower (10003172) and exhaust (10003171)	10003170	Y	40001048	Blower assigned Asset Number 40001082; Exhaust assigned Asset Number 40001081
Rm111A	Stainless Steel Table	N/A	N/A	~6 ft x 2.5 ft		Y	40001083	
Rm111A	Nuaire Biological Safety Cabinet	NU-629-600	91511061604		10003442	Y	40001084	
Rm111	Mouse Cage Unit	N/A	V7671-02-05	Includes blower (10002886) and exhaust (10002885)	10002884	Y	40001104	Blower assigned Asset Number 40001106; Exhaust assigned Asset Number 40001105
Rm111	Mouse Cage Unit	N/A	V2931-11-01	Includes blower (10003453) and exhaust (10003452)	10003451	Y	40001101	Blower assigned Asset Number 40001102; Exhaust assigned Asset Number 40001103
Rm111	Nuaire Laminar Flow Hood	NU-S617-400	98258042205		10002882	Y	40001085	
Rm111	Stainless Steel Table	N/A	N/A	8 x 3 ft		Y	40001004	
Rm112	Stainless Steel Table	N/A	N/A	~6 ft x 2.5 ft		Y	40001005	
Rm112	Stainless Steel Table	N/A	N/A	~6 ft x 2.5 ft		Y	40001006	
Rm112	Stainless Steel Table	N/A	N/A	~6 ft x 2.5 ft		Y	40001007	
Rm112	Stainless Steel Table	N/A	N/A	~6 ft x 2.5 ft		Y	40001008	
Rm112	Stainless Steel Table	N/A	N/A	~6 ft x 2.5 ft		Y	40001009	
Rm112	Stainless Steel Table	N/A	N/A	~6 ft x 2.5 ft		Y	40001010	
Rm112	Stainless Steel Table	N/A	N/A	~6 ft x 2.5 ft		Y	40001011	
Rm112	Storage Metro Rack	N/A	N/A			Y	40001108	
Rm129	Laminate Table	N/A	N/A	~6 x 2.5 ft		Y	40001012	
Rm126	Stainless Steel Table	N/A	N/A	~8 x 2.5 ft		Y	40001013	
Rm126	Stainless Steel Table	N/A	N/A	~8 x 2.5 ft		Y	40001014	
Rm126	Stainless Steel Table	N/A	N/A	~6 x 2.5 ft		Y	40001015	
Rm126	Table	N/A	N/A	~5 x 2.5 ft		Y	40001016	
Rm128	Food Metro Rack	N/A	N/A	2 shelves; 91” x 42” x 24”		Y	40001017	
Rm127	Table	N/A	N/A	~6 x 2.5 ft		Y	40001018	
Rm127	Table	N/A	N/A	~6 x 2.5 ft		Y	40001019	

Location	Item	Model Number	Serial Number	Description	Old Asset Number	THLD (Y/N)	New Asset Number	Comments
Rm106	IsoFluorane Anesthesia	V-10	014664		EX02246	Y	40001020	
Rm106	IsoFluorane Anesthesia	V-10	014591		10002473	Y	40001021	
Rm106	IsoFluorane Anesthesia	V-10	014665		10002904	Y	40001022	
Rm106	Stainless Steel Cage Storage Rack	N/A	N/A	~ 7 x 3 ft		Y	40001031	
Rm106	Stainless Steel Cage Storage Rack	N/A	N/A	~ 7 x 3 ft		Y	40001032	
Rm106	Nuaire Biological Safety Cabinet	NU-629-600	8796020304		10003462	Y	40001033	
Rm118	Nuaire Animal Bedding Disposal	NU-607-400	92524080404		10002471	Y	40001034	
Gowning	Storage Metro Rack	N/A	N/A	Chrome; 4 shelves; 72” x 80” x 24”		Y	40001001	
Gowning	Storage Metro Rack	N/A	N/A	Green; 5 shelves; 80” x 60” x 18”		Y	40001002	
Gowning	Stainless Steel Bench	N/A	N/A			Y	40001003	
	Hoshizaki Ice Machine	F300BAF	R03266D			Y	40001098	
	Kenmore Freezer	253.280.42804	WB93468434			Y	40001099	
	Storage Metro Rack	N/A	N/A			Y	40001100	
	Lab chair	N/A	N/A			Y	40001024	
	Lab chair	N/A	N/A			Y	40001023	
	Lab chair	N/A	N/A			Y	40001026	
	Lab chair	N/A	N/A			Y	40001027	
	Lab chair	N/A	N/A			Y	40001028	
	Lab chair	N/A	N/A			Y	40001029	
	Lab chair	N/A	N/A			Y	40001030	
	Lab chair	N/A	N/A			Y	40001025	
	Lab chair	N/A	N/A			Y	40001087	
	Lab chair	N/A	N/A			Y	40001088	
	Lab chair	N/A	N/A			Y	40001089	
	Lab chair	N/A	N/A			Y	40001090	
	Lab chair	N/A	N/A			Y	40001091	
	Lab chair	N/A	N/A			Y	40001092	
	Lab chair	N/A	N/A			Y	40001093	
	Office chair	N/A	N/A			Y	40001094	

Location	Item	Model Number	Serial Number	Description	Old Asset Number	THLD (Y/N)	New Asset Number	Comments
	Office chair	N/A	N/A			Y	40001095	
	Office chair	N/A	N/A			Y	40001096	
	Office chair	N/A	N/A			Y	40001097	
Mech Rm	Siemens Water System	VROWL04AX	N/A	RO Generation, Storage & Distribution		Y	40001147	

SCHEDULE 2 TO BILL OF SALE

RETAINED PERSONAL PROPERTY

Cabinets, freezers and a Cryogenic storage tank in the 1st floor shipping & receiving area (Common Area) that will be removed by the middle of August during the early access period

Exhibit 10.6

CONSENT TO SUBLEASE AGREEMENT

THIS CONSENT TO SUBLEASE AGREEMENT (this "**Agreement**") is made as of August 19, 2011, by and among HCP Life Science REIT, Inc., a Maryland corporation ("**Landlord**"), Exelixis Inc., a Delaware corporation ("**Tenant**"), and Threshold Pharmaceuticals, Inc., a Delaware corporation ("**Subtenant**").

R E C I T A L S

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

B. Pursuant to the terms of Article 13 of the Lease, Tenant has requested Landlord's consent to that certain Sublease dated July 25, 2011, between Tenant and Subtenant (the "**Sublease**"), with respect to a subletting by Subtenant of a portion of the Premises, as more particularly described in the Sublease (the "**Sublet Premises**"). A copy of the Sublease is attached hereto as Exhibit A. Landlord is willing to consent to the Sublease in the terms and conditions contained herein.

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

A G R E E M E N T

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

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

3. Non-Release of Tenant; Further Transfers. Neither the Sublease nor this consent thereto shall release or discharge Tenant from any liability, whether past, present or future, under the Lease or alter the primary liability of the Tenant to pay the rent and perform and comply with all of the obligations of Tenant to be performed under the Lease (including the payment of all bills rendered by Landlord for charges incurred by the Subtenant for services and materials supplied to the Sublet Premises). Neither the Sublease nor this consent thereto shall be construed as a waiver of Landlord's right to consent to any further subletting either by Tenant or by the Subtenant, or to any assignment by Tenant of the Lease or assignment by the Subtenant of the Sublease, or as a consent to any portion of the Sublet Premises being used or occupied by any other party. Landlord may consent to subsequent sublettings and assignments of the Lease or any amendments or modifications thereto without notifying Subtenant nor anyone else liable under the Sublease and without obtaining their consent. No such action by Landlord shall relieve such persons from any liability to Landlord or otherwise with regard to the Sublet Premises.

4. Relationship With Landlord. Tenant hereby assigns and transfers to Landlord the Tenant's interest in the Sublease and all rentals and income arising therefrom, subject to the terms of this Section 4. Landlord, by consenting to the Sublease agrees that until the earlier of (a) the occurrence of a default in the performance of Tenant's obligations under the Lease which remains uncured beyond any applicable notice and cure period, or (b) the occurrence of a Recurring Rent Default (defined below), Tenant may receive, collect and enjoy the rents accruing under the Sublease. In the event Tenant shall default in the performance of its obligations to Landlord under the Lease (whether or not Landlord terminates the Lease), which default remains uncured beyond any applicable notice and cure period, Landlord may at its option by notice to Tenant, either (i) terminate the Sublease, (ii) elect to receive and collect, directly from Subtenant, all rent and any other sums owing and to be owed under the Sublease, as further set forth in Section 4.1, below, or (iii) elect to succeed to Tenant's interest in the Sublease and cause Subtenant to attorn to Landlord, as further set forth in Section 4.2, below. Additionally, in the event a Recurring Rent Default occurs, Landlord may at its option by notice to Tenant, elect to receive and collect, directly from Subtenant, all rent and any other sums owing and to be owed under the Sublease, as further set forth in Section 4.1, below. As used herein, a "**Recurring Rent Default**" shall mean and refer to Tenant's failure to pay minimum rental, operating expenses or any other sum payable under the Lease on or before the due date thereof on three (3) or more occasions during any twelve (12) consecutive month period.

4.1 Landlord's Election to Receive Rents. Landlord shall not, by reason of the Sublease, nor by reason of the collection of rents or any other sums from the Subtenant pursuant to Section 4, item (ii), above, or pursuant to the penultimate sentence of Section 4, above, be deemed liable to Subtenant for any failure of Tenant to perform and comply with any obligation of Tenant, and Tenant hereby irrevocably authorizes and directs Subtenant, upon receipt of any written notice from Landlord stating that a default exists in the performance of Tenant's obligations under the Lease, to pay to Landlord the rents and any other sums due and to become due under the Sublease. Tenant agrees that Subtenant shall have the right to rely upon any such statement and request from Landlord, and that Subtenant shall pay any such rents and any other sums to Landlord without any obligation or right to inquire as to whether such default exists and notwithstanding any notice from or claim from Tenant to the contrary. Tenant shall not have any right or claim against Subtenant for any such rents or any other sums so paid by Subtenant to Landlord. Landlord shall credit Tenant with any rent received by Landlord under such

assignment but the acceptance of any payment on account of rent from the Subtenant as the result of any such default shall in no manner whatsoever be deemed an attornment by the Landlord to Subtenant or by Subtenant to Landlord, be deemed a waiver by Landlord of any provision of the Lease, or serve to release Tenant from any liability under the terms, covenants, conditions, provisions or agreements under the Lease. Notwithstanding the foregoing, any other payment of rent from the Subtenant directly to Landlord, regardless of the circumstances or reasons therefor, shall in no manner whatsoever be deemed an attornment by the Subtenant to Landlord in the absence of a specific written agreement signed by Landlord to such an effect.

4.2 Landlord's Election of Tenant's Attornment. In the event Landlord elects, at its option, to cause Subtenant to attorn to Landlord pursuant to Section 3, item (iii), above, Landlord shall undertake the obligations of Tenant under the Sublease from the time of the exercise of the option, but Landlord shall not (i) be liable for any prepayment of more than one month's rent or any security deposit paid by Subtenant, (ii) be liable for any previous act or omission of Tenant under the Lease or for any other defaults of Tenant under the Sublease, (iii) be subject to any defenses or offsets previously accrued which Subtenant may have against Tenant, or (iv) be bound by any changes or modifications made to the Sublease without the written consent of Landlord.

4.3 Operational Matters. Notwithstanding Landlord's consent to the Sublease as set forth herein, Landlord shall not be obligated to accept from Subtenant any payments of Base Rent or Additional Rent due under the Lease, all of which shall be paid by Tenant as set forth in the Lease. Requests for Building services as provided under the Lease, including without limitation, parking privileges, repair and maintenance services, or any other services or obligations to be performed by Landlord under the terms of the Lease, shall be made by Tenant, and Landlord shall have no obligation to respond to any direct request of Subtenant regarding the same.

4.4 No Waiver. The acceptance of any amounts by Landlord from Subtenant or any other party shall not be deemed a waiver by Landlord of the obligation of Tenant to pay any or all amount due and owing under the Lease. The performance of any obligation required by Tenant under the Lease by Subtenant or any other party shall not be deemed a waiver by Landlord of the duty of Tenant to perform such obligation or any other obligation as to which performance is or becomes due under the Lease.

4.5 Acts of Subtenant. Any act or omission by Subtenant, or by any other person or entity for whose acts or omissions Tenant is liable or responsible under the terms of the Lease, that violates any of the provisions of the Lease, shall be deemed a violation of the Lease by Tenant, subject to any applicable notice and cure provisions contained in the Lease.

4.6 Indemnification. Subtenant hereby assumes all risk of damage to property or injury to persons in, upon or about the Premises from any cause whatsoever (including, but not limited to, any personal injuries resulting from a slip and fall in, upon or about the Premises) and agrees that Landlord, its partners, subpartners and their respective officers, agents, servants, employees, and independent contractors shall not be liable for, and are hereby released from any responsibility for, any damage either to person or property or resulting from the loss of use thereof, which damage is sustained by Subtenant or by other persons claiming through

Subtenant. Tenant shall indemnify, defend, protect, and hold Landlord harmless from any and all loss, cost, damage, expense and liability (including without limitation court costs and reasonable attorneys' fees) incurred in connection with or arising from any cause in, on or about the Premises (including, but not limited to, a slip and fall), any acts, omissions or negligence of Subtenant or of any person claiming by, through or under Subtenant, or of the contractors, agents, servants, employees, invitees, guests or licensees of Subtenant or any such person, in, on or about the Building, provided that the terms of the foregoing indemnity shall not apply to the gross negligence or willful misconduct of Landlord. The provisions of this Section 4.6 shall survive the expiration or sooner termination of the Sublease with respect to any claims or liability arising in connection with any event occurring prior to such expiration or termination.

4.7 Insurance. Prior to Subtenant's occupancy of the Sublet Premises, Subtenant shall provide Landlord with certificates of all of the insurance required to be carried by Subtenant by the terms of the Sublease, which shall show Landlord as being an additional insured thereunder. The waiver of subrogation contained in Section 12.4 of the Lease shall apply as between Landlord and Subtenant.

4.8 No Consent to Alterations or Particular Use. Notwithstanding anything contained in the Sublease to the contrary, Landlord's consent to the Sublease as contained in this Agreement shall not be deemed to be a consent to (i) any alteration or work of improvement that Tenant or Subtenant may desire or intend in the Sublet Premises, (ii) any use of hazardous, radioactive or toxic materials in or about the Sublet Premises, or (iii) any signage proposed to be installed for the benefit of Subtenant.

5. General Provisions.

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

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

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

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

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

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

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

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

[Signatures begin on next page]

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

"Landlord"

HCP Life Science REIT, Inc.
a Maryland corporation

By: /s/ Jonathan Bergschneider
Its: EVP

"Tenant"

Exelixis, Inc.,
a Delaware corporation

By: /s/ Frank Karbe
Name: Frank Karbe
Its: EVP & CFO

"Subtenant"

Threshold Pharmaceuticals, Inc.,
a Delaware corporation

By: /s/ Joel A. Fernandes
Name: Joel A. Fernandes
Its: Vice President, Finance & Controller

EXHIBIT A

THE SUBLEASE

See Exhibit 10.5 to Form 10-Q filed 10/27/2011

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Exhibit 10.7

ELEVENTH AMENDMENT
TO
LOAN AND SECURITY AGREEMENT

THIS ELEVENTH AMENDMENT to Loan and Security Agreement (this "Amendment") is entered into this 18 day of August, 2011, by and between Silicon Valley Bank ("Bank") and Exelixis, Inc., a Delaware corporation ("Borrower"), whose address is 210 E. Grand Avenue, South San Francisco, California 94080.

RECITALS

A. Bank and Borrower have entered into that certain Loan and Security Agreement dated as of May 22, 2002 (as amended, modified, supplemented or restated from time to time, the "Loan Agreement").

B. Bank has extended credit to Borrower for the purposes permitted in the Loan Agreement.

C. Borrower has requested that Bank amend the Loan Agreement and Bank has agreed to so amend certain provisions of the Loan Agreement, but only to the extent, in accordance with the terms, subject to the conditions, and in reliance upon the representations and warranties set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and intending to be legally bound, the parties hereto agree as follows:

1. Definitions. Capitalized terms used but not defined in this Amendment shall have the meanings given to them in the Loan Agreement.

2. Amendments to Loan Agreement.

2.1 Overadvances. Sections 2.2 of the Loan Agreement is hereby amended and restated in its entirety as follows:

"2.2 Overadvances.

(a) If the Obligations under Section 2.1.1 at any time exceed the Facility A Committed Equipment Line, or the principal balance of the non-interest bearing certificate deposit account (any such

account, a "CD Account"), segregated securities account (any such account, a "SVBS Account"), or segregated asset management account (any such account, a "SAM Account") required by Section 6.4(a) hereof at any time is less than 100% of the outstanding principal balance of the Obligations under Section 2.1.1, then Borrower will be in an Overadvance to the extent of such excess amount. If Borrower is in an Overadvance, then Borrower shall immediately repay to Bank such excess amount.

(b) If the Obligations under Section 2.1.2 at any time exceed the Facility B Committed Equipment Line, or the principal balance of the CD Account, SVBS Account, or SAM Account required by Section 6.4(b) hereof at any time is less than 100% of the outstanding principal balance of the Obligations under Section 2.1.2, then Borrower will be in an Overadvance to the extent of such excess amount. If Borrower is in an Overadvance, then Borrower shall immediately repay to Bank such excess amount.

(c) If the Obligations under Section 2.1.3 at any time exceed the Facility C Committed Equipment Line, or the principal balance of the CD Account, SVBS Account, or SAM Account required by Section 6.4(c) hereof at any time is less than 100% of the outstanding principal balance of the Obligations under Section 2.1.3, then Borrower will be in an Overadvance to the extent of such excess amount. If Borrower is in an Overadvance, then Borrower shall immediately repay to Bank such excess amount."

(d) If the Obligations under Section 2.1.4 at any time exceed the Facility D Committed Equipment Line, or the principal balance of the CD Account, SVBS Account, or SAM Account required by Section 6.4(c) hereof at any time is less than 100% of the outstanding principal balance of the Obligations under Section 2.1.4, then Borrower will be in an Overadvance to the extent of such excess amount. If Borrower is in an Overadvance, then Borrower shall immediately repay to Bank such excess amount.

Notwithstanding the foregoing, Bank may from time to time re-evaluate its collateral position and, solely with respect to a SVBS or SAM Account, as a result of a collateral inspection pursuant to Section 6.6 hereof, may increase any of the collateral balance percentage requirements set forth in this Section 2.2 or Section 6.4 with respect thereto to an amount not to exceed 107% of the outstanding principal balance of the applicable Obligations. The parties hereto acknowledge that as of the Eleventh Amendment

[*] = 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.

Effective Date, the principal balance of the foregoing accounts required under this Section 2.2 have a value equal to or greater than 102% of the outstanding principal balance of the Obligations."

2.2 Collateral Accounts. Section 6.4 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"6.4 Collateral Accounts.

(a) Borrower will at all times maintain on deposit in a CD Account, SVBS Account, or SAM Account with Bank or one of Bank's Affiliates a principal balance in a value equal to at least 100% of the outstanding principal balance of the Obligations under Section 2.1.1 plus all requested Credit Extensions (other than the principal portion of the Obligations under Section 2.1.2, Section 2.1.3, Section 2.1.4 and Section 2.1.5), the value of such account to be marked to market on a monthly basis. The balance in such account, as applicable, must be invested in a manner consistent with the Investment Policy approved by the Audit Committee of Borrower's Board of Directors (as the same may be from time to time amended, modified or supplemented, the "Borrower Investment Policy"), or in mutual funds offered by Bank or one of its Affiliates, as determined by Borrower and acceptable to Bank in its reasonable discretion.

(b) Borrower will at all times maintain on deposit in a CD Account, SVBS Account, or SAM Account with Bank or one of Bank's Affiliates a principal balance in a value equal to at least 100% of the outstanding principal balance of the Obligations under Section 2.1.2 plus all requested Credit Extensions (other than the principal portion of the Obligations under Section 2.1.1, Section 2.1.3, Section 2.1.4 and Section 2.1.5), the value of such account to be marked to market on a monthly basis. The balance in such account, as applicable, must be invested in a manner consistent with the Borrower Investment Policy, or in mutual funds offered by Bank or one of its Affiliates, as determined by Borrower and acceptable to Bank in its reasonable discretion.

(c) Borrower will at all times maintain on deposit in a CD Account, SVBS Account, or SAM Account with Bank or one of Bank's Affiliates a principal balance in a value equal to at least 100% of the outstanding principal balance of the Obligations under Section 2.1.3 plus all requested Credit Extensions (other than the principal portion of the Obligations under Section 2.1.1, Section 2.1.2, Section 2.1.4 and Section 2.1.5), the value of such account to be marked to market on a monthly basis. The balance in such account, as applicable, must be invested in a manner

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consistent with the Borrower Investment Policy, or in mutual funds offered by Bank or one of its Affiliates, as determined by Borrower and acceptable to Bank in its reasonable discretion.

(d) Borrower will at all times maintain on deposit in a CD Account, SVBS Account, or SAM Account with Bank or one of Bank's Affiliates a principal balance in a value equal to at least 100% of the outstanding principal balance of the Obligations under Section 2.1.4 plus all requested Credit Extensions (other than the principal portion of the Obligations under Section 2.1.1, Section 2.1.2, Section 2.1.3 and Section 2.1.5), the value of such account to be marked to market on a monthly basis. The balance in such account, as applicable, must be invested in a manner consistent with the Borrower Investment Policy, or in mutual funds offered by Bank or one of its Affiliates, as determined by Borrower and acceptable to Bank in its reasonable discretion.

(e) Borrower will at all times maintain on deposit in a CD Account, SVBS Account, or SAM Account with Bank or one of Bank's Affiliates a compensating balance, which constitutes support for the Obligations, with a principal balance in a value equal to at least 100% of the outstanding principal balance of the Obligations under Section 2.1.5 plus all requested Credit Extensions (other than the principal portion of the Obligations under Section 2.1.1, Section 2.1.2, Section 2.1.3 and Section 2.1.4), the value of such account to be marked to market on a monthly basis. In the event that Borrower withdraws funds from such account and, as a result, the compensating balance falls below a value equal to least 100% of the outstanding principal balance of the Obligations under Section 2.1.5 plus all requested Credit Extensions (other than the principal portion of the Obligations under Section 2.1.1, Section 2.1.2, Section 2.1.3 and Section 2.1.4), then Borrower shall be in violation of this Section 6.4(e). The balance in such account, as applicable, must be invested in a manner consistent with the Borrower Investment Policy, or in mutual funds offered by Bank or one of its Affiliates, as determined by Borrower and acceptable to Bank in its reasonable discretion.

Notwithstanding the foregoing, Bank may from time to time re-evaluate its collateral position and, solely with respect to a SVBS or SAM Account, as a result of a collateral inspection pursuant to Section 6.6 hereof, may increase any of the collateral balance percentage requirements set forth in Section 2.2 or this Section 6.4 with respect thereto to an amount not to exceed 107% of the outstanding principal balance of the applicable Obligations. The parties hereto acknowledge that as of the Eleventh Amendment Effective Date, the principal balance of the foregoing

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accounts required under this Section 6.4 have a value equal to or greater than 102% of the outstanding principal balance of the Obligations."

2.3 Collateral Inspections. A new Section 6.6 of the Loan Agreement is hereby added following the existing Section 6.5 as follows:

"6.6 Collateral Inspections. Borrower shall allow Bank, or its agents, to inspect the Collateral. Such inspections shall be conducted no more often than once every three months unless an Event of Default has occurred and is continuing. In the event that any collateral inspection results in Bank desiring to change any of the collateral balance percentage requirements pursuant to Section 2.2 or Section 6.4 herein, Bank shall provide Borrower with written notice and Borrower shall have 30 days from the date of receipt of such notice, at its sole and absolute discretion, to either (i) conform to such new collateral balance percentage requirement(s) by providing additional Collateral or (ii) change the investments in the accounts to conform with the applicable collateral balance percentage requirements in existence prior to the receipt of such notice."

2.4 Definitions. Section 13 of the Loan Agreement is hereby amended by adding the following definition in alphabetical order:

"**Eleventh Amendment Effective Date**" means August 18, 2011.

2.5 Exhibit A. Exhibit A attached to the Loan Agreement is hereby deleted in its entirety and replaced with Exhibit A attached hereto.

3. Limitation of Amendments.

3.1 The amendments set forth in Section 2, above, are effective for the purposes set forth herein and shall be limited precisely as written and shall not be deemed to (a) be a consent to any amendment, waiver or modification of any other term or condition of any Loan Document, or (b) otherwise prejudice any right or remedy which Bank may now have or may have in the future under or in connection with any Loan Document.

3.2 This Amendment shall be construed in connection with and as part of the Loan Documents and all terms, conditions, representations, warranties, covenants and agreements set forth in the Loan Documents, except as herein amended, are hereby ratified and confirmed and shall remain in full force and effect.

4. Representations and Warranties. To induce Bank to enter into this Amendment, Borrower hereby represents and warrants to Bank as follows:

4.1 Immediately after giving effect to this Amendment, (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to

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an earlier date, in which case they are true and correct as of such date), and (b) no Event of Default has occurred and is continuing;

4.2 Borrower has the power and authority to execute and deliver this Amendment and to perform its obligations under the Loan Agreement, as amended by this Amendment;

4.3 The organizational documents of Borrower delivered by Borrower to Bank most recently prior to the execution of this Amendment remain true, accurate and complete and have not been amended, supplemented or restated and are and continue to be in full force and effect;

4.4 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, have been duly authorized;

4.5 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not and will not contravene (a) any law or regulation binding on or affecting Borrower, (b) any contractual restriction with a Person binding on Borrower, (c) any order, judgment or decree of any court or other governmental or public body or authority, or subdivision thereof, binding on Borrower, or (d) the organizational documents of Borrower;

4.6 The execution and delivery by Borrower of this Amendment and the performance by Borrower of its obligations under the Loan Agreement, as amended by this Amendment, do not require any order, consent, approval, license, authorization or validation of, or filing, recording or registration with, or exemption by any governmental or public body or authority, or subdivision thereof, binding on either Borrower, except as already has been obtained or made; and

4.7 This Amendment has been duly executed and delivered by Borrower and is the binding obligation of Borrower, enforceable against Borrower in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, liquidation, moratorium or other similar laws of general application and equitable principles relating to or affecting creditors' rights.

5. Conditions Precedent. The effectiveness of this Amendment is expressly conditioned upon:

5.1 receipt by Bank of a fully executed copy of this Amendment executed by Bank and Borrower;

5.2 Bank confirming all deposit balances required in connection with the Loan Agreement as amended by this Amendment;

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5.3 Borrower having opened segregated securities or asset management accounts in accordance with this Amendment;

5.4 receipt by Bank of duly executed securities account control agreements with respect to the new securities accounts in form and substance satisfactory to Bank, and Bank having a perfected first-priority security interest in each securities account required to be maintained by Borrower in connection with the Loan Agreement;

5.5 receipt by Bank of a fully executed copy of a Borrower's Secretary certificate;

5.6 receipt by Bank of all acknowledgments of filed amended financing statements describing the new Collateral necessary to perfect its lien on such Collateral; and

5.7 receipt by Bank of all Bank Expenses incurred by Bank in connection with this Amendment and any other Bank Expenses now due and payable under the Loan Agreement.

6. Counterparts. This Amendment may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

7. Effectiveness. This Amendment shall be deemed effective upon the due execution and delivery to Bank of this Amendment by each party hereto.

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered as of the date first written above.

BANK	**BORROWER**
SILICON VALLEY BANK	EXELIXIS, INC.
By: /s/ Lindsay Schwallie	By: /s/ Frank Karbe
Name: Lindsay Schwallie	Name: Frank Karbe
Title: Relationship Manager	Title: EVP & CFO

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EXHIBIT A

The Collateral consists of all of Borrower's right, title and interest in and to the following:

All documents, cash, deposit accounts, securities, securities entitlements, securities accounts, investment property, financial assets, letters of credit, certificates of deposit and instruments held in the following segregated investment or deposit accounts with Bank or an affiliate of Bank, whether now owned or hereafter acquired, and all proceeds of any of the foregoing, and all of Borrower's Books relating to the foregoing:

ACCOUNT # [*]

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SEVERANCE/CONSULTING AGREEMENT AND RELEASE

PLEASE READ CAREFULLY:
THIS CONTAINS A RELEASE OF CLAIMS,
KNOWN OR UNKNOWN

THIS SEVERANCE/CONSULTING AGREEMENT AND RELEASE (the "Agreement") is entered into by and between Lupe M. Rivera ("Employee") and Exelixis, Inc. ("Employer" or "Company") as follows:

1. Termination: Employee's position is being eliminated as of **September 28, 2011** ("Termination Date") and her layoff will be effective as of that date. On the Termination Date, Employee will be provided with her final paycheck which includes all accrued wages and all accrued but unused vacation time.

2. Severance Benefits: If Employee signs this Agreement, and allows all releases contained herein to become effective, then the Company shall provide Employee with the following:

   a. **Severance Payments**. Employer shall pay Employee the total sum of **$500,000.00** which shall consist of the following elements:

      i. **Severance Pay**. The amount of **$306,500.00**, less required deductions and withholdings (the "Severance Pay"). This amount shall be paid in one lump sum within ten (10) days of the Effective Date (as defined in Section 6(c) herein).

      ii. **Transition Payment.** The amount of **$168,500.00** for Employee's attorneys' fees and costs incurred in the negotiation of this Agreement and alleged non-economic harm arising from certain claims asserted against the Company (the "Transition Payment"). Employer will not withhold any amount for taxes from this payment and will issue Employee an IRS Form 1099 for the full Transition Payment and an IRS Form 1099 to Employee's counsel for the attorneys' fees and costs portion of the Transition Payment. Employee agrees that she shall be solely responsible for any taxes which may be due on the Transition Payment. This amount shall be paid in one lump sum within ten (10) days of the Effective Date (as defined in Section 6(c) herein).

      iii. **Outplacement Services Payment**. The Company will provide Employee with **$30,000.00** to obtain outplacement services and to pay reasonable fees incurred by Employee for her professional affiliations, memberships, and/or certifications (the "**Outplacement Services Payment**"). Employer will not withhold any amount for taxes from this payment and will issue Employee an IRS Form 1099 for the Outplacement Services Payment. Employee agrees that she shall be solely responsible for any taxes which may be due on the Outplacement Services Payment. This amount shall be paid in one lump sum within ten (10) days of the Effective Date (as defined in Section 6(c) herein).

      iv. **Indemnification**. Employee hereby indemnifies Employer against any taxes, fines, penalties, or interest that may be assessed against the Company due to the fact that the Company will not withhold any taxes

from the Transition Payment or the Outplacement Services Payment.

b. **COBRA Benefits**. If Employee timely elects continued coverage under COBRA for herself and/or any eligible dependents, the Company will pay the COBRA premiums necessary to continue Employee's current coverage (including dependent coverage) for the earlier to occur of either: (i) a period of eight months after the Termination Date; or (ii) the date Employee becomes eligible for health insurance coverage through another employer.

3. Consulting Period.

a. **Consulting Period.** Provided that Employee signs, dates, and returns this Agreement, and does not subsequently revoke it, the Company shall retain Employee as a consultant to the Company from the Termination Date through the date that is nine (9) months after the Termination Date unless: (i) Employee elects to terminate this consulting period prior to the end of the nine month period for any reason by providing written notice to the Company; or (ii) the Company terminates this consulting period prior to the end of the ninth month period for Cause. The period of time during which Employee is actually retained as a consultant shall be the "Consulting Period". For purposes of this provision, the term "Cause" shall mean any one or more of the following: (i) conviction of any felony or any crime involving moral turpitude or dishonesty; (ii) participation in a fraud or act of dishonesty against the Company or an Affiliate; (iii) conduct that, based upon a good faith and reasonable factual investigation and determination by the Company, demonstrates gross unfitness to serve; or (iv) intentional, material violation of any agreement with the Company, or of any statutory duty to the Company, that is not corrected within thirty (30) days after written notice thereof.

b. **Consulting Services.** During the Consulting Period, Employee shall make herself available to provide consulting services (the "Services") within her areas of expertise as requested by the Company. The Company's General Counsel shall be Employee's sole contact for such Consulting Services unless otherwise mutually agreed between Employer and Employee. Specifically, the Services shall include advice and assistance relating to the Company's and its subsidiaries' business operations, including but not limited to human resources, facilities and real estate. Consultant's primary goal will be to continue to advise Company in these areas using her expertise in the field as well as her knowledge of past and ongoing Exelixis programs. Employee agrees to make herself available to provide Services throughout the Consulting Period for up to, but not exceeding, twenty (20) hours per week. Employee shall exercise the highest degree of professionalism and utilize her expertise and creative talents in performing the Services. During the Consulting Period, Employee shall be free to pursue other employment or consulting engagements with third parties, provided that she does not provide services to any third parties that are competitors of the Company, and her other engagements do not unreasonably interfere with her performance of the Services to the Company. The Company shall not require Employee to perform the Services in a manner that would unreasonably interfere with her performance of her other professional duties.

c. **Consulting Fees.** During the Consulting Period, the Company will pay Employee consulting fees of two hundred dollars ($200.00) per hour for each hour or portion thereof during which Employee actually provides the Services

(the “Consulting Fees”). The Consulting Fees shall be paid monthly pursuant to invoices Employee submits to the Company’s Accounts Payable group.

d. **Equity.** The Services performed by Employee during the Consulting Period shall constitute “Continuous Service” as defined under the Exelixis, Inc. 2000 Equity Incentive Plan (the “Equity Plan”) and all outstanding stock options and restricted stock units held by Consultant under the Equity Plan shall continue to vest during the Consulting Period. In addition, and notwithstanding anything to the contrary in the Equity Plan, Employee’s vested stock options shall be available for exercise, in accordance with the terms of the Equity Plan, until the earlier of: (i) the date which is six (6) months after the end of the Consulting Period; or (ii) the original expiration date of each option. Except as expressly modified in this Section 3(d), all such options and restricted stock units shall continue to be governed by the applicable grant notice, stock option or restricted stock option agreement, and the Equity Plan. Nothing herein shall be construed to modify any rights to accelerated vesting that Employee may have pursuant to Section 11 of the Equity Plan.

e. **Protection of Information.** Employee agrees that, during the Consulting Period and thereafter, she will not, except for the purposes of performing the Services, use or disclose any confidential or proprietary information or materials of the Company that Employee obtains or develops in the course of performing the Services or that Employee obtained during your employment with the Company. Any and all work product Employee creates in the course of performing the Services will be the sole and exclusive property of the Company. Employee hereby assigns to the Company all right, title, and interest in all inventions, techniques, processes, materials, and other intellectual property and work product developed in the course of performing the Services.

f. **Authority During Consulting Period.** After the Termination Date, Employee will have no authority to bind the Company to any contractual obligations, whether written, oral or implied, and Employee shall not represent or purport to represent the Company in any manner whatsoever to any third party unless authorized to do so in writing by the Company.

g. **Independent Contractor Status.** Employee acknowledges and agrees that during the Consulting Period, she will be an independent contractor of the Company and not an employee, and she will not be entitled to any of the benefits that the Company may make available to its employees, such as group insurance, workers’ compensation insurance coverage, profit sharing or retirement benefits, other than Employee’s rights to continued group health insurance coverage under COBRA or as otherwise provided by law. Because Employee will perform the Services as an independent contractor, the Company will not withhold from the Consulting Fees any amount for taxes, social security or other payroll deductions, and the Consulting Fees shall be reported on an Internal Revenue Service Form 1099. Employee acknowledges and agrees to accept exclusive liability for complying with all applicable local, state and federal laws governing self-employed individuals, including obligations such as payment of taxes, Social Security, disability and other contributions related to the Consulting Fees. In the event that any federal, state or local taxing authority determines that Employee is an employee rather than an independent contractor

during the Consulting Period, Employee agrees to indemnify the Company for and against any taxes, withholdings, interest and penalties (with the exception of employer's share of Social Security, if any), arising from the Company's payment of the Consulting Fees.

h. **Expenses.** The Company will reimburse Employee, pursuant to its regular business practice, for reasonable, documented business expenses incurred in performing the Services (if any).

i. **Insider Status**. Upon Employee's termination from the Company, she will no longer be an officer or executive of the Company and she will no longer be bound by any agreement restricting her ability to buy or sell shares in the Company. She can begin trading immediately upon her employment termination subject to any applicable statutory or regulatory restrictions.

4. No Other Compensation or Benefits. Employee acknowledges and agrees that, except as expressly provided herein, Employee has not earned and is not entitled to receive, and shall not receive, any other compensation, severance, benefits, equity or any other type of payment from Employer including, without limitation, any additional equity grants that may be provided in the future to other employees or service providers.

5. Employee's Representations: Employee warrants, represents and acknowledges that Employer is providing the benefits set forth herein in reliance upon the following: (i) Employee has been paid all compensation owed by Employer as of the date Employee signs this Agreement, including any and all wages, expense reimbursements, commissions, and bonuses; (ii) Employee has no reason to believe that she has suffered any injuries or illnesses on the job that would typically be covered by workers' compensation laws which have not been reported to Employer; and (iii) Employee has been properly provided any leave of absence because of Employee's or Employee's family member's health condition and has not been subjected to any improper treatment, conduct or actions due to a request for or taking such leave.

6. Release:

a. **General Release.** Employee hereby generally and completely releases, acquits and forever discharges the Company, and its parent, subsidiary, and affiliated entities, along with its and their predecessors and successors and their respective directors, officers, employees, shareholders, stockholders, partners, agents, attorneys, insurers, affiliates and assigns (collectively, the "Released Parties"), of and from any and all claims, liabilities and obligations, both known and unknown, that arise from or are in any way related to events, acts, conduct, or omissions occurring at any time prior to and including the date that Employee signs this Agreement (collectively, the "Released Claims")

b. **Scope of Release.** The Released Claims include, but are not limited to: (i) all claims arising out of or in any way related to Employee's employment with the Company, or the termination of that employment; (ii) all claims related to Employee's compensation or benefits from the Company, including salary, bonuses, commissions, other incentive compensation, vacation pay and the redemption thereof, expense reimbursements, severance payments, fringe benefits, stock, stock options, or any other ownership or equity interests in the Company; (iii) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (iv) all tort claims, including

but not limited to claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (v) all federal, state, and local statutory claims, including but not limited to claims for discrimination, harassment, retaliation, attorneys' fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990 (as amended), the federal Age Discrimination in Employment Act, as amended (the "ADEA"), the federal Family and Medical Leave Act (as amended) (the "FMLA"), the California Family Rights Act ("CFRA"), the California Labor Code (as amended) and the California Fair Employment and Housing Act (as amended).

c. **ADEA Waiver**. Employee acknowledges that she is knowingly and voluntarily waiving and releasing any rights she may have under the ADEA ("ADEA Waiver"). Employee also acknowledges that the consideration given for the ADEA Waiver is in addition to anything of value to which Employee was already entitled. Employee further acknowledges that she has been advised by this writing, as required by the ADEA, that: (i) her ADEA Waiver does not apply to any rights or claims that arise after the date she signs this Agreement; (ii) she should consult with an attorney prior to signing this Agreement (although she may choose voluntarily not to do so); (iii) she has twenty-one (21) days to consider this Agreement (although she may choose to voluntarily sign it sooner); (iv) she has seven (7) days following the date she signs this Agreement to revoke it, with such revocation to be effective only if she delivers written notice of revocation to the Company within the seven (7)-day period; and (v) the ADEA Waiver will not be effective until the date upon which the revocation period has expired unexercised, which will be the eighth day after Employee signs this Agreement or, in the case of the Termination Date Affirmation, the eighth day after Employee signs this Affirmation ("Effective Date"). To revoke the Agreement, Employee must deliver a written statement of revocation to Exelixis, Inc., c/o Laura Dillard, Executive Director, Human Resources, 210 E. Grand Avenue, P.O. Box 551, South San Francisco, CA 94093-0511, by hand delivery by no later than the close of business on the seventh day after signing the Agreement or by registered or certified mail postmarked within the seven-day revocation period, along with a faxed copy of Employee's revocation to 650-837-7226 within the seven-day revocation period.

d. **Section 1542 Waiver.** In giving the release herein, which includes claims which may be unknown to Employee at present, Employee acknowledges that she has read and understands Section 1542 of the California Civil Code, which reads as follows: "**A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.**" Employee hereby expressly waives and relinquishes all rights and benefits under that section and any law or legal principle of similar effect in any jurisdiction with respect to her release of claims in this Agreement, including her release of unknown and unsuspected claims.

e. **Exceptions.** Notwithstanding the foregoing, the following are not included in the Released Claims (the "**Excluded Claims**"): (i) any rights or claims for indemnification Employee may have pursuant to any fully signed indemnity agreement she may have with the Company, the charter, bylaws, or operating agreements of the Company, or under applicable law; (ii) any rights or claims which are not waivable as a matter of law; (iii) any claims arising from the breach of this Agreement; or (iv) claims which Employee alleges arise from the

execution and revocation of her 10b-5 plan in December 2010. With respect to the claims set forth in Section 6(e)(iv), Employer hereby agrees to toll the statute of limitations applicable to such claims for a fifteen (15) month period beginning on the Termination Date. In addition, nothing in this Agreement prevents Employee from filing, cooperating with, or participating in any investigation or proceeding before the Equal Employment Opportunity Commission, the federal Department of Labor, the California Fair Employment and Housing Commission, or any other government agency, except that Employee hereby waives her right to any monetary benefits in connection with any such claim, charge, investigation or proceeding. Employee hereby represents and warrants that, other than the Excluded Claims, she is not aware of any claims she has or might have against any of the Released Parties that are not included in the Released Claims.

7. Proprietary Information: Employee agrees and acknowledges that during her employment Employee obtained certain confidential and proprietary information of Employer. Employee agrees that she will comply fully with her Employee Proprietary Information and Inventions Agreement to the extent such Agreement is enforceable under California law.

8. Nondisparagement: Employee agrees not to disparage the Company and its officers, directors, employees, shareholders and agents, in any manner likely to be harmful to them or their business, business reputations or personal reputations, and the Company agrees to direct its officers and directors not to disparage Employee in any manner likely to be harmful to her business, business reputation or personal reputation; provided that both Employee and the Company may respond accurately and fully to any request for information to the extent required by legal process. Employee and the Company shall negotiate in good faith to attempt to mutually agree upon the public announcement of Employee's departure. Section 8 does not apply to privileged communications.

9. No Voluntary Adverse Action: Employee agrees that she will not voluntarily (except in response to legal compulsion) assist any person in bringing or pursuing any proposed or pending litigation, arbitration, administrative claim or other formal proceeding against the Company, its parent or subsidiary entities, affiliates, officers, directors, employees or agents.

10. No Admissions: Nothing contained in this Agreement shall be construed as an admission by Employee or the Company of any liability, obligation, wrongdoing or violation of law.

11. Dispute Resolution. To aid in the rapid and economical resolution of any disputes which may arise under this Agreement, Employee and the Company agree that any and all claims, disputes or controversies of any nature whatsoever arising from or regarding the interpretation, performance, negotiation, execution, enforcement or breach of this Agreement, her employment, or the termination of her employment, including but not limited to any statutory claims, shall be resolved by confidential, final and binding arbitration conducted before a single arbitrator with JAMS, Inc. ("**JAMS**") in San Francisco, California, in accordance with JAMS' then-applicable arbitration rules for the resolution of employment claims. **The parties acknowledge that by agreeing to this arbitration procedure, they waive the right to resolve any such dispute through a trial by jury, judge or administrative proceeding**. Employee will have the right to be represented by legal counsel at any arbitration proceeding at her own expense. The arbitrator shall: (a) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be available under applicable

law in a court proceeding; and (b) issue a written statement signed by the arbitrator regarding the disposition of each claim and the relief, if any, awarded as to each claim, the reasons for the award, and the arbitrator's essential findings and conclusions on which the award is based. The Company shall bear JAMS' arbitration fees and administrative costs. Nothing in this Agreement shall prevent either Employee or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Any awards or orders in such arbitrations may be entered and enforced as judgments in the federal and state courts of any competent jurisdiction. Notwithstanding any of the foregoing, should Employee elect to pursue the claims allegedly arising out of Employee's execution and revocation of her 10b-5 plan (as set forth in Section 6(e)(iv) herein), Employee may elect to bring such claims in either a court of competent jurisdiction or pursuant to the arbitration procedure set forth herein.

12. Miscellaneous: This Agreement shall be governed by California law. This Agreement constitutes the complete and total agreement between the Company and Employee with respect to issues addressed in this Agreement; provided, however, that this Agreement shall not in any way affect, modify, or nullify any other agreement Employee has entered into with the Company, including any agreement which obligates Employee to protect the Company's confidential information, after Employee's employment is terminated. Employee represents that she is not relying on any other agreements or oral representations not fully expressed in this document. Employee agrees that this Agreement shall not be modified, altered, or discharged except by written instrument signed by an authorized Company representative and Employee. The headings in this document are for reference only, and shall not in any way affect the meaning or interpretation of this Agreement. Employee agrees that should any part of this Agreement be found to be void or unenforceable by a court of competent jurisdiction, that determination will not affect the remainder of this Agreement.

Employee has read and understands the Agreement set forth above. Employee accepts the consideration stated above and agrees to be bound by the terms of this Agreement.

Dated: 9/28/11

/s/ Lupe M. Rivera

Lupe M. Rivera
“Employee”

Dated: 9/28/, 2011

Exelixis, Inc.
“Employer”

/s/ Pamela A. Simonton

Pamela A. Simonton, J.D., L.L.M.
Executive Vice President and General Counsel

Exhibit 31.1

CERTIFICATION

I, Michael M. Morrissey, Ph.D., Chief Executive Officer of Exelixis, Inc., certify that:

1. I have reviewed this quarterly report on 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.

Date: October 27, 2011

/s/ Michael M. Morrissey

Michael M. Morrissey, Ph.D.
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Frank Karbe, Chief Financial Officer of Exelixis, Inc., certify that:

1. I have reviewed this quarterly report on 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.

Date: October 27, 2011

/s/ Frank Karbe

Frank Karbe
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Michael M. Morrissey, Chief Executive Officer of Exelixis, Inc. (the "Company"), and Frank Karbe, Chief Financial Officer of the Company, each hereby certifies, to his knowledge, that:

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2011 (the "Periodic Report"), to which this Certification is attached as Exhibit 32.1, fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Periodic 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 27th day of October, 2011.

/s/ Michael M. Morrissey
Michael M. Morrissey, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Frank Karbe
Frank Karbe
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)