Table of Contents

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 July 1, 2022
or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 000-30235

EXELIXIS, INC.

(Exact name of registrant as specified in its charter)

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

1851 Harbor Bay Parkway
Alameda, CA 94502
(650) 837-7000

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock $.001 Par Value per Share	**EXEL**	**The Nasdaq Stock Market LLC**

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Securities Act. ☐

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

As of August 1, 2022, there were 321,831,784 shares of the registrant's common stock outstanding.

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

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

EXELIXIS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share amounts)
(unaudited)

	June 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 627,000	$ 647,169
Short-term investments	907,938	819,905
Trade receivables, net	235,400	282,650
Inventory	33,020	27,493
Prepaid expenses and other current assets	48,281	57,530
Total current assets	1,851,639	1,834,747
Long-term investments	463,889	371,112
Property and equipment, net	108,529	104,031
Deferred tax assets, net	113,958	111,663
Goodwill	63,684	63,684
Other long-term assets	279,705	131,002
Total assets	$ 2,881,404	$ 2,616,239
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 19,978	$ 24,258
Accrued compensation and benefits	61,450	61,969
Accrued clinical trial liabilities	76,740	77,544
Rebates and fees due to customers	43,795	33,700
Accrued collaboration liabilities	29,990	86,753
Other current liabilities	72,568	53,366
Total current liabilities	304,521	337,590
Long-term portion of deferred revenues	7,209	8,739
Long-term portion of operating lease liabilities	161,019	51,272
Other long-term liabilities	17,395	8,023
Total liabilities	490,144	405,624
Commitments and contingencies		
Stockholders' equity		
Preferred stock, $0.001 par value, 10,000 shares authorized and no shares issued	—	—
Common stock, $0.001 par value; 400,000 shares authorized; issued and outstanding: 321,800 and 318,842 at June 30, 2022, and December 31, 2021, respectively	322	319
Additional paid-in capital	2,477,117	2,427,561
Accumulated other comprehensive loss	(8,917)	(758)
Accumulated deficit	(77,262)	(216,507)
Total stockholders' equity	2,391,260	2,210,615
Total liabilities and stockholders' equity	$ 2,881,404	$ 2,616,239

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Net product revenues	$ 347,044	$ 284,248	$ 657,342	$ 511,460
License revenues	57,526	39,640	89,593	67,168
Collaboration services revenues	14,857	61,289	28,472	76,779
Total revenues	419,427	385,177	775,407	655,407
Operating expenses:				
Cost of goods sold	13,481	14,884	26,684	28,082
Research and development	199,481	148,790	356,152	308,078
Selling, general and administrative	122,759	98,495	225,622	200,846
Total operating expenses	335,721	262,169	608,458	537,006
Income from operations	83,706	123,008	166,949	118,401
Interest income	4,757	1,891	6,579	4,573
Other income (expense), net	45	(11)	209	(101)
Income before income taxes	88,508	124,888	173,737	122,873
Provision for income taxes	17,836	28,796	34,492	25,180
Net income	$ 70,672	$ 96,092	$ 139,245	$ 97,693
Net income per share:				
Basic	$ 0.22	$ 0.31	$ 0.43	$ 0.31
Diluted	$ 0.22	$ 0.30	$ 0.43	$ 0.30
Weighted-average common shares outstanding:				
Basic	321,117	314,117	320,349	313,295
Diluted	324,904	322,941	324,096	322,114

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income	$ 70,672	$ 96,092	$ 139,245	$ 97,693
Other comprehensive loss:				
Net unrealized losses on available-for-sale debt securities, net of tax impact of $639, $257, $2,295 and $756, respectively	(2,252)	(755)	(8,159)	(2,491)
Comprehensive income	$ 68,420	$ 95,337	$ 131,086	$ 95,202

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

EXELIXIS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Three Months Ended June 30, 2022					
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at March 31, 2022	320,268	$ 320	$2,448,130	$ (6,665)	$ (147,934)	$ 2,293,851
Net income	—	—	—	—	70,672	70,672
Other comprehensive loss	—	—	—	(2,252)	—	(2,252)
Issuance of common stock under equity incentive plans and stock purchase plan	1,532	2	10,317	—	—	10,319
Stock transactions associated with taxes withheld on equity awards	—	—	(6,225)	—	—	(6,225)
Stock-based compensation	—	—	24,895	—	—	24,895
Balance at June 30, 2022	321,800	$ 322	$2,477,117	$ (8,917)	$ (77,262)	$ 2,391,260

	Three Months Ended June 30, 2021					
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at March 31, 2021	313,262	$ 313	$2,354,103	$ 2,740	$ (445,969)	$ 1,911,187
Net income	—	—	—	—	96,092	96,092
Other comprehensive loss	—	—	—	(755)	—	(755)
Issuance of common stock under equity incentive plans and stock purchase plan	1,560	2	11,283	—	—	11,285
Stock transactions associated with taxes withheld on equity awards	—	—	(2,767)	—	—	(2,767)
Stock-based compensation	—	—	28,035	—	—	28,035
Balance at June 30, 2021	314,822	$ 315	$2,390,654	$ 1,985	$ (349,877)	$ 2,043,077

Continued on next page

EXELIXIS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Six Months Ended June 30, 2022					
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2021	318,842	$ 319	$2,427,561	$ (758)	$ (216,507)	$ 2,210,615
Net income	—	—	—	—	139,245	139,245
Other comprehensive loss	—	—	—	(8,159)	—	(8,159)
Issuance of common stock under equity incentive plans and stock purchase plan	2,958	3	15,829	—	—	15,832
Stock transactions associated with taxes withheld on equity awards	—	—	(11,185)	—	—	(11,185)
Stock-based compensation	—	—	44,912	—	—	44,912
Balance at June 30, 2022	321,800	$ 322	$2,477,117	$ (8,917)	$ (77,262)	$ 2,391,260

	Six Months Ended June 30, 2021					
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2020	311,627	$ 312	$2,321,895	$ 4,476	$ (447,570)	$ 1,879,113
Net income	—	—	—	—	97,693	97,693
Other comprehensive loss	—	—	—	(2,491)	—	(2,491)
Issuance of common stock under equity incentive plans and stock purchase plan	3,195	3	15,484	—	—	15,487
Stock transactions associated with taxes withheld on equity awards	—	—	(9,413)	—	—	(9,413)
Stock-based compensation	—	—	62,688	—	—	62,688
Balance at June 30, 2021	314,822	$ 315	$2,390,654	$ 1,985	$ (349,877)	$ 2,043,077

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2022	**2021**
Net income	$ 139,245	$ 97,693
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	9,266	6,895
Stock-based compensation	44,381	62,688
Non-cash lease expense	6,443	2,586
Deferred taxes	—	22,800
Other, net	4,359	22,831
Changes in operating assets and liabilities:		
Trade receivables, net	46,693	(12,313)
Inventory	(8,322)	(8,020)
Prepaid expenses and other assets	(26,025)	(12,296)
Deferred revenue	(1,831)	9,346
Accrued collaboration liabilities	(53,263)	2,972
Accounts payable and other liabilities	17,903	25,863
Net cash provided by operating activities	178,849	221,045
Cash flows from investing activities:		
Purchases of property, equipment and other	(17,946)	(33,768)
Purchases of investments	(692,091)	(688,903)
Proceeds from maturities and sales of investments	500,356	714,081
Net cash used in investing activities	(209,681)	(8,590)
Cash flows from financing activities:		
Proceeds from issuance of common stock under equity incentive plans	15,791	15,487
Taxes paid related to net share settlement of equity awards	(11,164)	(9,413)
Net cash provided by financing activities	4,627	6,074
Net (decrease) increase in cash, cash equivalents, and restricted cash equivalents	(26,205)	218,529
Cash, cash equivalents and restricted cash equivalents at beginning of period	663,891	320,772
Cash, cash equivalents and restricted cash equivalents at end of period	$ 637,686	$ 539,301
Supplemental cash flow disclosures:		
Non-cash operating activities:		
Right-of-use assets obtained in exchange for lease obligations	$ 120,363	$ 4,893
Non-cash investing activities:		
Unpaid liabilities incurred for purchases of property and equipment	$ 3,570	$ 5,125
Unpaid liabilities incurred in asset acquisition	$ 500	$ 9,000
Unpaid liabilities incurred for unsettled investment purchases	$ —	$ 7,378

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Exelixis, Inc. (Exelixis, we, our or us) is an oncology-focused biotechnology company that strives to accelerate the discovery, development and commercialization of new medicines for patients with difficult-to-treat cancers. Using our considerable drug discovery, development and commercialization resources and capabilities, we have invented and brought to market innovative therapies that appropriately balance patient benefits and risks; we will continue to build on this foundation as we strive to provide cancer patients with new treatment options that improve upon current standards of care.

Today, four products that originated in Exelixis laboratories are available to be prescribed to patients. Sales related to our flagship molecule, cabozantinib, account for the large majority of our revenues. Cabozantinib is an inhibitor of multiple tyrosine kinases including MET, AXL, VEGF receptors and RET and has been approved by the U.S. Food and Drug Administration (FDA) and in 62 other countries as: CABOMETYX® (cabozantinib) tablets approved for advanced renal cell carcinoma (RCC), both alone and in combination with Bristol-Myers Squibb Company's (BMS) OPDIVO® (nivolumab), for previously treated hepatocellular carcinoma (HCC) and, currently by the FDA and European Commission (EC), for previously treated, radioactive iodine (RAI)-refractory differentiated thyroid cancer (DTC); and COMETRIQ® (cabozantinib) capsules approved for progressive, metastatic medullary thyroid cancer (MTC). For physicians treating these types of cancer, cabozantinib has become or is becoming an important medicine in their selection of effective therapies.

The other two products resulting from our discovery efforts are: COTELLIC® (cobimetinib), an inhibitor of MEK approved as part of multiple combination regimens to treat specific forms of advanced melanoma and marketed under a collaboration with Genentech, Inc. a member of the Roche Group (Genentech); and MINNEBRO® (esaxerenone), an oral, non-steroidal, selective blocker of the mineralocorticoid receptor approved for the treatment of hypertension in Japan and licensed to Daiichi Sankyo Company, Limited (Daiichi Sankyo).

Basis of Presentation

The accompanying Condensed Consolidated Financial Statements include the accounts of Exelixis and those of our wholly owned subsidiaries. These entities' functional currency is the U.S. dollar. All intercompany balances and transactions have been eliminated.

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the U.S. for interim financial information and pursuant to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission (SEC). Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In our opinion, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of our financial statements for the periods presented have been included. Operating results for the six months ended June 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022 or for any future period. The accompanying Condensed Consolidated Financial Statements and Notes thereto should be read in conjunction with our Consolidated Financial Statements and Notes included in Part II, Item 8 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the SEC on February 18, 2022 (Fiscal 2021 Form 10-K).

We have adopted a 52- or 53-week fiscal year policy that generally ends on the Friday closest to December 31st. Fiscal year 2022, which is a 52-week fiscal year, will end on December 30, 2022 and fiscal year 2021, which was a 52-week fiscal year, ended on December 31, 2021. For convenience, references in this report as of and for the fiscal periods ended July 1, 2022 and July 2, 2021, and as of and for the fiscal year ending December 30, 2022 are indicated as being as of and for the fiscal periods ended June 30, 2022 and June 30, 2021, and the year ending December 31, 2022, respectively.

Segment Information

We operate in one business segment that focuses on the discovery, development and commercialization of new medicines for difficult-to-treat cancers. Our Chief Executive Officer, as the chief operating decision-maker, manages and allocates resources to our operations on a total consolidated basis. Consistent with this decision-making process, our Chief

Executive Officer uses consolidated, single-segment financial information for purposes of evaluating performance, forecasting future period financial results, allocating resources and setting incentive targets.

All of our long-lived assets are located in the U.S. See “Note 2. Revenues” for enterprise-wide disclosures about product sales, revenues from major customers and revenues by geographic region.

Use of Estimates

The preparation of the accompanying Condensed Consolidated Financial Statements conforms to accounting principles generally accepted in the U.S., which requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, equity, revenues and expenses, and related disclosures. On an ongoing basis, we evaluate our significant estimates. We base our estimates on historical experience and on various other market-specific and other relevant assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ materially from those estimates.

Reclassifications

Certain prior period amounts in the accompanying Condensed Consolidated Financial Statements have been reclassified to conform to the current period presentation. Such reclassifications did not impact previously reported total revenues, income from operations, net income, total assets, total liabilities or total stockholders’ equity.

Significant Accounting Policies

There have been no material changes to our significant accounting policies during the six months ended June 30, 2022, compared to the significant accounting policies disclosed in “Note 1. Organization and Summary of Significant Accounting Policies” of the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of our Fiscal 2021 Form 10-K.

Recently Adopted Accounting Pronouncements

There were no new accounting pronouncements adopted by us since the filing of our Fiscal 2021 Form 10-K, which could have a significant effect on our Condensed Consolidated Financial Statements.

Recent Accounting Pronouncements Not Yet Adopted

There were no new accounting pronouncements issued since the filing of our Fiscal 2021 Form 10-K, which could have a significant effect on our Condensed Consolidated Financial Statements.

NOTE 2. REVENUES

Revenues consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Product revenues:				
Gross product revenues	$ 483,073	$ 380,204	$ 931,310	$ 694,409
Discounts and allowances	(136,029)	(95,956)	(273,968)	(182,949)
Net product revenues	347,044	284,248	657,342	511,460
Collaboration revenues:				
License revenues	57,526	39,640	89,593	67,168
Collaboration services revenues	14,857	61,289	28,472	76,779
Total collaboration revenues	72,383	100,929	118,065	143,947
Total revenues	$ 419,427	$ 385,177	$ 775,407	$ 655,407

The percentage of total revenues by customer who individually accounted for 10% or more of our total revenues were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Affiliates of McKesson Corporation	16 %	14 %	17 %	14 %
Affiliates of CVS Health Corporation	16 %	13 %	16 %	14 %
Affiliates of AmerisourceBergen Corporation	15 %	12 %	16 %	13 %
Ipsen Pharma SAS	15 %	24 %	12 %	19 %
Accredo Health, Incorporated	10 %	8 %	9 %	8 %

The percentage of trade receivables by customer who individually accounted for 10% or more of our trade receivables were as follows:

	June 30, 2022	December 31, 2021
Ipsen Pharma SAS	30 %	50 %
Affiliates of McKesson Corporation	17 %	10 %
Affiliates of AmerisourceBergen Corporation	14 %	11 %
Affiliates of CVS Health Corporation	14 %	9 %
Cardinal Health	10 %	6 %

Revenues by geographic region were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
U.S.	$ 349,615	$ 287,190	$ 663,680	$ 517,147
Europe	62,240	90,921	96,767	124,727
Japan	7,572	7,066	14,960	13,533
Total revenues	$ 419,427	$ 385,177	$ 775,407	$ 655,407

Total revenues include net product revenues attributed to geographic regions based on the ship-to location and license and collaboration services revenues attributed to geographic regions based on the location of our collaboration partners' headquarters.

Net product revenues and license revenues are recorded in accordance with ASC Topic 606, *Revenue from Contracts with Customers* (Topic 606). License revenues include the recognition of the portion of milestone payments allocated to the transfer of intellectual property licenses for which it had become probable in the current period that the milestone would be achieved and a significant reversal of revenues would not occur, as well as royalty revenues and our share of profits under our collaboration agreement with Genentech. Collaboration services revenues were recorded in accordance with ASU 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606* and by analogy to Topic 606. Collaboration services revenues include the recognition of deferred revenues for the portion of upfront and milestone payments allocated to our research and development services performance obligations, development cost reimbursements earned under our collaboration agreements, product supply revenues, net of product supply costs, and the royalties we paid on sales of products containing cabozantinib by our collaboration partners.

Net product revenues by product were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
CABOMETYX	$ 339,159	$ 275,614	$ 641,971	$ 499,209
COMETRIQ	7,885	8,634	15,371	12,251
Net product revenues	$ 347,044	$ 284,248	$ 657,342	$ 511,460

Product Sales Discounts and Allowances

The activities and ending reserve balances for each significant category of discounts and allowances, which constitute variable consideration, were as follows (in thousands):

	Chargebacks, Discounts for Prompt Payment and Other	Other Customer Credits/Fees and Co-pay Assistance	Rebates	Total
Balance at December 31, 2021	$ 14,625	$ 8,875	$ 24,825	$ 48,325
Provision related to sales made in:				
Current period	175,564	24,444	72,890	272,898
Prior periods	1,311	(168)	(73)	1,070
Payments and customer credits issued	(171,534)	(22,186)	(64,812)	(258,532)
Balance at June 30, 2022	$ 19,966	$ 10,965	$ 32,830	$ 63,761

The allowance for chargebacks, discounts for prompt payment and other are recorded as a reduction of trade receivables, net, and the remaining reserves are recorded as rebates and fees due to customers in the accompanying Condensed Consolidated Balance Sheets.

Contract Assets and Liabilities

We receive payments from our collaboration partners based on billing schedules established in each contract. Amounts are recorded as accounts receivable when our right to consideration is unconditional. We may also recognize revenue in advance of the contractual billing schedule, and such amounts are recorded as a contract asset when recognized. We may be required to defer recognition of revenue for upfront and milestone payments until we perform our obligations under these arrangements, and such amounts are recorded as deferred revenue upon receipt or when due. For those contracts that have multiple performance obligations, contract assets and liabilities are reported on a net basis at the contract level. Contract assets are primarily related to Ipsen Pharma SAS (Ipsen) and contract liabilities are primarily related to deferred revenues from Takeda Pharmaceutical Company Limited (Takeda).

Contract assets and liabilities were as follows (in thousands):

	June 30, 2022	December 31, 2021
Contract assets [1]	$ 394	$ 1,665
Contract liabilities:		
Current portion [2]	$ 7,513	$ 7,814
Long-term portion [3]	7,209	8,739
Total contract liabilities	$ 14,722	$ 16,553

[1] Presented in other long-term assets in the accompanying Condensed Consolidated Balance Sheets.
[2] Presented in other current liabilities in the accompanying Condensed Consolidated Balance Sheets.
[3] Presented in the long-term portion of deferred revenues in the accompanying Condensed Consolidated Balance Sheets

During the six months ended June 30, 2022 and 2021, we recognized $4.5 million and $4.8 million, respectively, in revenues that were included in the beginning deferred revenues balance for those periods.

During the three and six months ended June 30, 2022, we recognized $59.4 million and $91.1 million, respectively, in revenues for performance obligations satisfied in previous periods. Such revenues were primarily related to royalty payments allocated to the license performance obligations for our collaborations with Ipsen, Takeda, Daiichi Sankyo and Genentech and the recognition of license revenue for the achievement of milestones during the three months ended June 30, 2022, allocated to the license performance obligations for our collaboration with Ipsen.

As of June 30, 2022, $89.3 million of the combined transaction prices for our Ipsen and Takeda collaborations were allocated to our research and development services performance obligations that had not yet been satisfied. See “Note 3. Collaboration Agreements and Business Development Activities” of the “Notes to Consolidated Financial Statements”

included in Part II, Item 8 of our Fiscal 2021 Form 10-K for additional information about the expected timing to satisfy these performance obligations.

NOTE 3. COLLABORATION AGREEMENTS AND BUSINESS DEVELOPMENT ACTIVITIES

We have established multiple collaborations with leading pharmaceutical companies for the commercialization and further development of our cabozantinib franchise. Additionally, we have entered into several research collaborations, in-licensing arrangements and other strategic transactions to further enhance our early-stage pipeline and expand our ability to discover, develop and commercialize novel therapies with the goal of providing new treatment options for cancer patients and their physicians. Historically, we also entered into other collaborations with leading pharmaceutical companies pursuant to which we out-licensed other compounds and programs in our portfolio.

See “Note 3. Collaboration Agreements and Business Development Activities” of the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of our Fiscal 2021 Form 10-K, as further described below, for additional information on certain of our collaboration agreements and in-licensing arrangements.

Cabozantinib Commercial Collaborations

Ipsen Collaboration

In February 2016, we entered into a collaboration agreement with Ipsen for the commercialization and further development of cabozantinib. Under the terms of the collaboration agreement, as amended, Ipsen received exclusive commercialization rights for current and potential future cabozantinib indications outside of the U.S. and Japan. We have also agreed to collaborate with Ipsen on the development of cabozantinib for current and potential future indications. The parties’ efforts are governed through a joint steering committee and appropriate subcommittees established to guide and oversee the collaboration’s operation and strategic direction; provided, however, that we retain final decision-making authority with respect to cabozantinib’s ongoing development.

Revenues under the collaboration agreement with Ipsen were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
License revenues	$ 51,168	$ 33,656	$ 75,782	$ 56,107
Collaboration services revenues	11,072	57,265	20,985	68,620
Total	$ 62,240	$ 90,921	$ 96,767	$ 124,727

During the three months ended June 30, 2022, we recognized $25.7 million in revenues in connection with two regulatory milestones totaling $27.0 million upon approval by the European Commission and Health Canada of cabozantinib as monotherapy for the treatment of adult patients with locally advanced or metastatic differentiated thyroid carcinoma (DTC), refractory or not eligible to radioactive iodine (RAI) who have progressed during or after prior systemic therapy.

As of June 30, 2022, $51.9 million of the transaction price for this collaboration was allocated to our research and development services performance obligations that have not yet been satisfied.

Takeda Collaboration

In January 2017, we entered into a collaboration and license agreement with Takeda for the commercialization and further development of cabozantinib. Pursuant to this collaboration and license agreement, as amended, Takeda has exclusive commercialization rights for current and potential future cabozantinib indications in Japan, and the parties have agreed to collaborate on the clinical development of cabozantinib in Japan. The operation and strategic direction of the parties’ collaboration is governed through a joint executive committee and appropriate subcommittees.

Revenues under the collaboration agreement with Takeda were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
License revenues	$ 2,700	$ 2,097	$ 5,065	$ 3,398
Collaboration services revenues	3,785	4,024	7,487	8,159
Total	$ 6,485	$ 6,121	$ 12,552	$ 11,557

As of June 30, 2022, $37.5 million of the transaction price for this collaboration was allocated to our research and development services performance obligations that have not yet been satisfied.

Royalty Pharma

In October 2002, we established a product development and commercialization collaboration agreement with GlaxoSmithKline (GSK), that required us to pay a 3% royalty to GSK on the worldwide net sales of any product incorporating cabozantinib sold by us and our collaboration partners. Effective January 1, 2021, Royalty Pharma plc (Royalty Pharma) acquired from GSK all rights, title and interest in royalties on net product sales containing cabozantinib for non-U.S. markets for the full term of the royalty and for U.S. market through September 2026, after which time U.S. royalties will revert back to GSK. Royalties earned by Royalty Pharma in connection with our sales of cabozantinib are included in cost of goods sold and in connection with sales by our collaboration partners are included as a reduction of collaboration services revenues. Such royalties were $14.6 million and $27.7 million during the three and six months ended June 30, 2022, respectively, as compared to $12.1 million and $22.2 million in the corresponding periods in 2021.

Other Commercial Collaborations

Genentech Collaboration

In December 2006, we out-licensed the development and commercialization of cobimetinib to Genentech under a worldwide collaboration agreement. In November 2015, the FDA approved cobimetinib, under the brand name COTELLIC, in combination with Genentech's ZELBORAF® (vemurafenib) for the treatment of patients with BRAF V600E or V600K mutation-positive advanced melanoma. COTELLIC in combination with ZELBORAF has also been approved in the European Union and multiple additional countries for use in the same indication. In July 2020, the FDA also approved COTELLIC for use in combination with ZELBORAF and TECENTRIQ® (atezolizumab) for the treatment of patients with BRAF V600 mutation-positive advanced melanoma in previously untreated patients.

License revenues under the collaboration agreement with Genentech were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Profits on U.S. commercialization	$ 1,682	$ 2,160	$ 3,821	$ 3,954
Royalty revenues on ex-U.S. sales	$ 889	$ 782	$ 2,517	$ 1,733

Research Collaborations, In-Licensing Arrangements and Other Business Development Activities

Our research collaborations, in-licensing arrangements and other strategic transactions include upfront payments, development, regulatory, commercial milestone payments and royalty payments, contingent upon the occurrence of certain future events linked to the success of the asset in development. Certain of our research collaborations provide us exclusive options that give us the right to license programs developed under the research collaborations for further discovery and development. When we decide to exercise the options, we are required to pay an exercise fee and then, in most instances we will assume the responsibilities for all subsequent clinical development, manufacturing and commercialization. In conjunction with each of these collaborative in-licensing arrangements, we were subject to upfront payments and will make payments for potential future development, regulatory, and commercial milestones as well as royalties on future net product sales.

In June 2022, we entered into an exclusive option and license agreement with BioInvent International AB (BioInvent), upon which we paid BioInvent an upfront payment of $25.0 million. Upon option exercise, we will pay BioInvent an option exercise fee, and BioInvent will be eligible for additional payments from us for future development and commercial milestones, as well as royalties on future net product sales.

As of June 30, 2022, in conjunction with each of our collaborative in-licensing arrangements, and an asset purchase agreement entered in 2021, we will make payments for potential future development milestones of up to $321.8 million, regulatory milestones of up to $453.7 million and commercial milestones of up to $2,070.7 million, each in the aggregate per product or target, as well as royalties on future net product sales.

NOTE 4. CASH AND INVESTMENTS

Cash, Cash Equivalents and Restricted Cash Equivalents

A reconciliation of cash, cash equivalents, and restricted cash equivalents reported in the accompanying Condensed Consolidated Balance Sheets to the amount reported within the accompanying Condensed Consolidated Statements of Cash Flows was as follows (in thousands):

	June 30, 2022	December 31, 2021
Cash and cash equivalents	$ 627,000	$ 647,169
Restricted cash equivalents included in other long-term assets	10,686	16,722
Cash, cash equivalents, and restricted cash equivalents as reported in the accompanying Condensed Consolidated Statements of Cash Flows	$ 637,686	$ 663,891

Restricted cash equivalents are used to collateralize letters of credit and consist of money-market funds and certificates of deposit with original maturities of 90 days or less. The restricted cash equivalents are classified as other long-term assets based upon the remaining term of the underlying restriction. As of June 30, 2022, restricted cash equivalents included $9.2 million of short-term investments, which is collateral under our January 2021 standby letter of credit to guarantee our obligation to fund a portion of the total tenant improvements related to our build-to-suit lease at our corporate campus. As we fund these tenant improvements, our restricted cash becomes available for operations. Our January 2021 standby letter of credit will remain effective through August 31, 2022.

Cash, Cash Equivalents, Restricted Cash Equivalents and Investments

Cash, cash equivalents, restricted cash equivalents and investments consisted of the following (in thousands):

	June 30, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities available-for-sale:				
Commercial paper	$ 880,593	$ —	$ (107)	$ 880,486
Corporate bonds	573,343	117	(9,059)	564,401
U.S. Treasury and government-sponsored enterprises	255,407	58	(2,057)	253,408
Municipal bonds	12,350	—	(202)	12,148
Total debt securities available-for-sale	1,721,693	175	(11,425)	1,710,443
Cash	80,747	—	—	80,747
Money market funds	87,821	—	—	87,821
Certificates of deposit	130,502	—	—	130,502
Total cash, cash equivalents, restricted cash equivalents and investments	$ 2,020,763	$ 175	$ (11,425)	$ 2,009,513

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities available-for-sale:				
Commercial paper	$ 945,801	$ 42	$ (2)	$ 945,841
Corporate bonds	541,774	876	(1,672)	540,978
U.S. Treasury and government-sponsored enterprises	33,965	1	(21)	33,945
Municipal bonds	12,924	15	(35)	12,904
Total debt securities available-for-sale	1,534,464	934	(1,730)	1,533,668
Cash	135,653	—	—	135,653
Money market funds	66,531	—	—	66,531
Certificates of deposit	119,056	—	—	119,056
Total cash, cash equivalents, restricted cash equivalents and investments	$ 1,855,704	$ 934	$ (1,730)	$ 1,854,908

Interest receivable was $3.6 million and $2.9 million as of June 30, 2022 and December 31, 2021, respectively, and is included in prepaid expenses and other current assets in the accompanying Condensed Consolidated Balance Sheets.

Realized gains and losses on the sales of investments were insignificant during the three and six months ended June 30, 2022, and 2021.

We manage credit risk associated with our investment portfolio through our investment policy, which limits purchases to high-quality issuers and limits the amount of our portfolio that can be invested in a single issuer. The fair value and gross unrealized losses on debt securities available-for-sale in an unrealized loss position were as follows (in thousands):

	June 30, 2022	
	Fair Value	Gross Unrealized Losses
Corporate bonds	$ 540,226	$ (9,059)
U.S. Treasury and government-sponsored enterprises	237,680	(2,057)
Commercial paper	14,000	(107)
Municipal bonds	12,148	(202)
Total	$ 804,054	$ (11,425)

	December 31, 2021	
	Fair Value	Gross Unrealized Losses
Corporate bonds	$ 385,053	$ (1,672)
Commercial paper	43,290	(2)
U.S. Treasury and government-sponsored enterprises	18,962	(21)
Municipal bonds	7,475	(35)
Total	$ 454,780	$ (1,730)

There were 237 and 133 investments in an unrealized loss position as of June 30, 2022 and December 31, 2021, respectively. All securities presented above have been in an unrealized loss position for less than twelve months except for six corporate bond securities with an aggregate fair value of $18.1 million and an aggregate immaterial unrealized loss as of June 30, 2022. During the six months ended June 30, 2022, and 2021, we did not record an allowance for credit losses or other impairment charges on our investment securities. Based upon our quarterly impairment review, we determined that the unrealized losses were not attributed to credit risk but were primarily associated with changes in interest rates and

market liquidity. Based on the scheduled maturities of our investments, we determined that it was more likely than not that we will hold these investments for a period of time sufficient for a recovery of our cost basis.

The fair value of debt securities available-for-sale by contractual maturity was as follows (in thousands):

	June 30, 2022	December 31, 2021
Maturing in one year or less	$ 1,253,553	$ 1,168,256
Maturing after one year through five years	456,890	365,412
Total debt securities available-for-sale	$ 1,710,443	$ 1,533,668

NOTE 5. FAIR VALUE MEASUREMENTS

Fair value 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. The fair value hierarchy has the following three levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 - inputs other than level 1 that are observable either directly or indirectly, such as quoted prices in active markets for similar instruments or on industry models using data inputs, such as interest rates and prices that can be directly observed or corroborated in active markets; and
- Level 3 - unobservable inputs that are supported by little or no market activity that are significant to the fair value measurement.

The classifications within the fair value hierarchy of our financial assets that were measured and recorded at fair value on a recurring basis were as follows (in thousands):

	June 30, 2022		
	Level 1	Level 2	Total
Commercial paper	$ —	$ 880,486	$ 880,486
Corporate bonds	—	564,401	564,401
U.S. Treasury and government-sponsored enterprises	—	253,408	253,408
Municipal bonds	—	12,148	12,148
Total debt securities available-for-sale	—	1,710,443	1,710,443
Money market funds	87,821	—	87,821
Certificates of deposit	—	130,502	130,502
Total financial assets carried at fair value	$ 87,821	$ 1,840,945	$ 1,928,766

	December 31, 2021		
	Level 1	Level 2	Total
Commercial paper	$ —	$ 945,841	$ 945,841
Corporate bonds	—	540,978	540,978
U.S. Treasury and government-sponsored enterprises	—	33,945	33,945
Municipal bonds	—	12,904	12,904
Total debt securities available-for-sale	—	1,533,668	1,533,668
Money market funds	66,531	—	66,531
Certificates of deposit	—	119,056	119,056
Total financial assets carried at fair value	$ 66,531	$ 1,652,724	$ 1,719,255

When available, we value investments based on quoted prices for those financial instruments, which is a Level 1 input. Our remaining investments are valued using third-party pricing sources, which use observable market prices, interest

rates and yield curves observable at commonly quoted intervals for similar assets as observable inputs for pricing, which is a Level 2 input.

The carrying amount of our remaining financial assets and liabilities, which include cash, receivables and payables, approximate their fair values due to their short-term nature.

Forward Foreign Currency Contracts

We have entered into forward contracts to hedge certain operational exposures for the changes in foreign currency exchanges rates associated with assets or liabilities denominated in foreign currencies, primarily the Euro.

As of June 30, 2022, we had one forward contract outstanding to sell €9.3 million. The forward contract with a maturity of three months is recorded at fair value and is included in prepaid expenses and other current assets in the Condensed Consolidated Balance Sheets. The forward contract is considered a Level 2 in the fair value hierarchy of our fair value measurements. For the six months ended June 30, 2022, and 2021, we recognized $0.7 million and $0.3 million, respectively, of net gains on the maturity of our forward contracts, which is included in other income (expense), net on our Condensed Consolidated Statements of Income.

NOTE 6. INVENTORY

Inventory consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
Raw materials	$ 9,760	$ 8,867
Work in process	35,233	27,717
Finished goods	13,371	12,927
Total	$ 58,364	$ 49,511
Balance Sheet classification:		
Current portion included in inventory	$ 33,020	$ 27,493
Long-term portion included in other long-term assets	25,344	22,018
Total	$ 58,364	$ 49,511

NOTE 7. STOCK-BASED COMPENSATION

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Research and development	$ 9,549	$ 13,667	$ 18,448	$ 26,063
Selling, general and administrative	15,073	14,368	25,933	36,625
Total stock-based compensation expense	$ 24,622	$ 28,035	$ 44,381	$ 62,688

Stock-based compensation for each type of award under our equity incentive plans and ESPP were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Stock options	$ 3,493	$ 5,902	$ 7,171	$ 10,596
Restricted stock units	18,928	15,412	32,001	27,081
Performance stock units	1,581	4,698	3,290	22,645
ESPP	620	2,023	1,919	2,366
Total stock-based compensation expense	$ 24,622	$ 28,035	$ 44,381	$ 62,688

On May 25, 2022, at the 2022 Annual Meeting of Stockholders, our stockholders approved the amendment and restatement of Exelixis, Inc. 2017 Equity Incentive Plan (as amended and restated, the 2017 Plan). The amendment and restatement increased the share reserve under the 2017 Plan by 28,500,000 shares. As of June 30, 2022, 31,687,133 shares were available for grant under the Exelixis, Inc. 2017 Equity Incentive Plan. The share reserve is reduced by 1 share for each share issued pursuant to a stock option and 2 shares for full value awards, including restricted stock units (RSUs).

During the six months ended June 30, 2022, we granted 587,762 stock options with a weighted average exercise price of $19.99 per share and a weighted average grant date fair value of $8.36 per share. As of June 30, 2022, there were 12,307,775 stock options outstanding and $23.6 million of related unrecognized compensation expense.

In March 2022, we awarded to certain employees an aggregate of 1,003,482 (the target amount) RSUs that are subject to a total shareholder return (TSR) market condition (the TSR-based RSUs). The TSR market condition is based on our relative TSR percentile rank compared to companies in the NASDAQ Biotechnology Index during the performance period, which is January 1, 2022 through January 3, 2025. Depending on the results relative to the TSR market condition, the holders of the TSR-based RSUs may earn up to 175% of the target amount of shares. 50% of the shares earned pursuant to the TSR-based RSU awards will vest at the end of the performance period, and the remainder will vest approximately one year later, subject to employee's continuous service. These TSR-based RSUs will be forfeited if the market condition at or above a threshold level is not achieved at the end of the performance period on January 3, 2025.

We used a Monte Carlo simulation model and the following assumptions to determine the grant date fair value of $33.17 per share for the TSR-based RSUs:

Fair value of the Company's common stock on grant date	$ 20.70
Expected volatility	46.85 %
Risk-free interest rate	1.59 %
Dividend yield	— %

The Monte Carlo simulation model also assumed correlations of returns of the stock prices of the Company's common stock and the common stock of a peer group of companies and historical stock price volatility of the peer group of companies. The valuation model also used terms based on the length of the performance period and compound annual growth rate goals for total stockholder return based on the provisions of the award.

During the six months ended June 30, 2022, we granted 4,585,618 service-based RSUs with a weighted average grant date fair value of $20.64 per share. As of June 30, 2022, there were 11,496,162 RSUs outstanding, including the TSR-based RSUs, and $207.2 million of related unrecognized compensation expense.

Stock options and service-based RSUs granted to employees during the six months ended June 30, 2022 have vesting conditions and contractual lives of a similar nature to those described in "Note 8. Employee Benefit Plans" of the "Notes to Consolidated Financial Statements" included in Part II, Item 8 of our Fiscal 2021 Form 10-K.

As of June 30, 2022, there were 5,662,157 performance-based restricted stock units (PSUs) outstanding and $113.5 million of related unrecognized stock-based compensation expense. Expense recognition for PSUs commences when it is determined that achievement of the performance target is probable. For more information about our PSUs, see "Note 8. Employee Benefit Plans" of the "Notes to Consolidated Financial Statements" included in Part II, Item 8 of our Fiscal 2021 Form 10-K.

NOTE 8. PROVISION FOR INCOME TAXES

The effective tax rate for the three and six months ended June 30, 2022 were 20.2% and 19.9% respectively, as compared to 23.1% and 20.5% for the corresponding periods 2021. The effective tax rate for the three and six months ended June 30, 2022 and June 30, 2021 differed from the U.S. federal statutory tax rate of 21% primarily due to excess tax benefits related to the exercise of certain stock options during the periods and the generation of federal tax credits, which were partially offset by state taxes.

NOTE 9. NET INCOME PER SHARE

Net income per share - basic and diluted, were computed as follows (in thousands, except per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator:				
Net income	$ 70,672	$ 96,092	$ 139,245	$ 97,693
Denominator:				
Weighted-average common shares outstanding — basic	321,117	314,117	320,349	313,295
Dilutive securities	3,787	8,824	3,747	8,819
Weighted-average common shares outstanding — diluted	324,904	322,941	324,096	322,114
Net income per share — basic	$ 0.22	$ 0.31	$ 0.43	$ 0.31
Net income per share — diluted	$ 0.22	$ 0.30	$ 0.43	$ 0.30

Dilutive securities included outstanding stock options, unvested RSUs, including TSR-based RSUs, PSUs and ESPP contributions.

Certain potential common shares were excluded from our calculation of weighted-average common shares outstanding - diluted because either they would have had an anti-dilutive effect on net income per share or they were related to shares from PSUs that were contingently issuable and the contingency had not been satisfied at the end of the reporting period. The weighted-average potential common shares excluded from our calculation were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Anti-dilutive securities and contingently issuable shares excluded	14,350	12,285	15,436	11,146

NOTE 10. COMMITMENTS AND CONTINGENCIES

Build-to-Suit Lease and Headquarters Lease

In April 2022, the office building (New Premises) associated with our October 2019 build-to-suit lease agreement (Build-to-Suit Lease) was substantially completed. The New Premises is 220,517 square feet and is in Alameda, California, adjacent to our existing corporate headquarters. The Build-to-Suit Lease term is 242 months, includes two five-year options to extend the term of the lease and a one-time option to terminate the lease after 180 months. In addition to the monthly lease payments, currently estimated at $0.7 million, subject to an annual increase of 3% during the Term, we are also responsible for paying operating expenses related to the New Premises. On April 15, 2022, the lease commenced for the New Premises. We determined the classification of the lease was an operating lease. Upon commencement of the lease, we recognized a right-of-use asset of $160.9 million inclusive of $44.9 million for the cost of the tenant improvements in excess of the allowance provided by the lessor and an operating lease liability of $116.0 million discounted over 180 months using our estimated incremental borrowing rate of 4.9%.

In May 2022, we entered into the seventh amendment to the lease for our corporate headquarters located on Harbor Bay Parkway, Alameda, California (the Alameda Lease). The May 2022 amendment to the Alameda Lease (the Seventh Lease Amendment) provides, among other things, for the expansion of the premises under the Alameda Lease by 34,745 square feet of office facilities located at 1751 Harbor Bay Parkway, Alameda, California (the 1751 Expansion Space). The term for the 1751 Expansion Space will run coterminous with the term of the Alameda Lease for the existing space. In connection with the Seventh Lease Amendment, we remeasured our lease components under the Alameda Lease relating to the existing premises using an incremental borrowing rate of 5.0%. As of June 1, 2022, we have taken possession of the 1751 Expansion Space, and accordingly we have adjusted our right-of-use asset and liability by $4.3 million.

For more information about our Leases, see “Note 11. Commitments and Contingencies—Leases” of the “Notes to Consolidated Financial Statements” included in Part II, Item 8 of our Fiscal 2021 Form 10-K.

Legal Proceedings

In September 2019, we received a notice letter regarding an Abbreviated New Drug Application (ANDA) submitted to the FDA by MSN Pharmaceuticals, Inc. (MSN), requesting approval to market a generic version of CABOMETYX tablets. MSN’s initial notice letter included a Paragraph IV certification with respect to our U.S. Patents No. 8,877,776 (salt and polymorphic forms), 9,724,342 (formulations), 10,034,873 (methods of treatment) and 10,039,757 (methods of treatment), which are listed in the Approved Drug Products with Therapeutic Equivalence Evaluations, also referred to as the Orange Book, for CABOMETYX. MSN’s initial notice letter did not provide a Paragraph IV certification against U.S. Patents No. 7,579,473 (composition of matter) or 8,497,284 (methods of treatment), each of which is listed in the Orange Book. On October 29, 2019, we filed a complaint in the United States District Court for the District of Delaware (the Delaware District Court) for patent infringement against MSN asserting infringement of U.S. Patent No. 8,877,776 arising from MSN’s ANDA filing with the FDA. On November 20, 2019, MSN filed its response to the complaint, alleging that the asserted claims of U.S. Patent No. 8,877,776 are invalid and not infringed. On May 5, 2020, we received notice from MSN that it had amended its ANDA to include additional Paragraph IV certifications. In particular, the May 5, 2020 amended ANDA requested approval to market a generic version of CABOMETYX tablets prior to expiration of two previously unasserted CABOMETYX patents: U.S. Patents No. 7,579,473 and 8,497,284. On May 11, 2020, we filed a complaint in the Delaware District Court for patent infringement against MSN asserting infringement of U.S. Patents No. 7,579,473 and 8,497,284 arising from MSN’s amended ANDA filing with the FDA. Neither of our complaints have alleged infringement of U.S. Patents No. 9,724,342, 10,034,873 and 10,039,757. On May 22, 2020, MSN filed its response to the complaint, alleging that the asserted claims of U.S. Patents No. 7,579,473 and 8,497,284 are invalid and not infringed. On March 23, 2021, MSN filed its First Amended Answer and Counterclaims (amending its prior filing from May 22, 2020), seeking, among other things, a declaratory judgment that U.S. Patent No. 9,809,549 (salt and polymorphic forms) is invalid and would not be infringed by MSN if its generic version of CABOMETYX tablets were approved by the FDA. U.S. Patent No. 9,809,549 is not listed in the Orange Book. On April 7, 2021, we filed our response to MSN’s First Amended Answer and Counterclaims, denying, among other things, that U.S. Patent No. 9,809,549 is invalid or would not be infringed. These two lawsuits, numbered Civil Action Nos. 19-02017 and 20-00633, were consolidated in April 2021.

On October 1, 2021, pursuant to a stipulation between us and MSN, the Delaware District Court entered an order that (i) MSN’s submission of its ANDA constitutes infringement of certain claims relating to U.S. Patents No. 7,579,473 and 8,497,284, if those claims are not found to be invalid, and (ii) upon approval, MSN’s commercial manufacture, use, sale or offer for sale within the U.S., and importation into the U.S., of MSN’s ANDA product prior to the expiration of U.S. Patents No. 7,579,473 and 8,497,284 would also infringe certain claims of each patent, if those claims are not found to be invalid. Then, on October 12, 2021, pursuant to a separate stipulation between us and MSN, the Delaware District Court entered an order dismissing MSN’s counterclaims with respect to U.S. Patent No. 9,809,549. In our complaints, we are seeking, among other relief, an order that the effective date of any FDA approval of MSN’s ANDA be a date no earlier than the expiration of all of U.S. Patents No. 7,579,473, 8,497,284 and 8,877,776, the latest of which expires on October 8, 2030, and equitable relief enjoining MSN from infringing these patents. In an effort to streamline the case, the parties have narrowed their assertions. On April 8, 2022, MSN withdrew its validity challenge to U.S. Patent No. 8,877,776. On April 14, 2022, we agreed not to assert U.S. Patent No. 8,497,284 at trial and MSN has, correspondingly, agreed to withdraw its validity challenges to U.S. Patent No. 8,497,284, as well as claims 1-4 and 6-7 of U.S. Patent No. 7,579,473. As a result of this narrowing, the trial addressed two issues: (1) infringement of claims 1 and 2 of the U.S. Patent No. 8,877,776; and (2) validity of claim 5 of the U.S. Patent No. 7,579,473. A bench trial occurred in May 2022, and a judgment is expected during the third or fourth quarter of 2022.

On January 11, 2022, we received notice from MSN that it had further amended its ANDA to assert additional Paragraph IV certifications. In particular, the January 11, 2022 amended ANDA requested approval to market a generic

version of CABOMETYX tablets prior to expiration of three previously-unasserted CABOMETYX patents that are now listed in the Orange Book: U.S. Patents No. 11,091,439 (crystalline salt forms), 11,091,440 (pharmaceutical composition) and 11,098,015 (methods of treatment). On February 23, 2022, we filed a complaint in the Delaware District Court for patent infringement against MSN asserting infringement of U.S. Patents No. 11,091,439, 11,091,440 and 11,098,015 (the February 2022 MSN ANDA Complaint) arising from MSN's further amendment of its ANDA filing with the FDA. In the February 2022 MSN ANDA Complaint, we are seeking, among other remedies, equitable relief enjoining MSN from infringing these patents, as well as an order that the effective date of any FDA approval of MSN's ANDA would be a date no earlier than the expiration of the patents identified in the February 2022 MSN ANDA Complaint, the latest of which expires on January 15, 2030. The February 2022 MSN ANDA Complaint is a new case, numbered Civil Action No. 22-00228, against MSN involving Exelixis patents that are different from those asserted in the consolidated Civil Action Nos. 19-02017 and 20-00633 described above. On February 25, 2022, MSN filed its response to the complaint, alleging that the asserted claims of U.S. Patents No. 11,091,439, 11,091,440 and 11,098,015 are invalid and not infringed.

On June 21, 2022, pursuant to a stipulation between us and MSN, the Delaware District Court entered an order that (i) MSN's submission of its ANDA constitutes infringement of certain claims relating to U.S. Patents No. 11,091,439, 11,091,440 and 11,098,015, if those claims are not found to be invalid, and (ii) upon approval, MSN's commercial manufacture, use, sale or offer for sale within the U.S., and importation into the U.S., of MSN's ANDA product prior to the expiration of U.S. Patents No. 11,091,439, 11,091,440 and 11,098,015 would also infringe certain claims of each patent, if those claims are not found to be invalid. A bench trial in connection with the February 2022 MSN ANDA Complaint has been scheduled for May 2023.

On June 6, 2022, we received notice from MSN that it had further amended its ANDA to assert an additional Paragraph IV certification. As currently amended, MSN's ANDA now requests approval to market a generic version of CABOMETYX tablets prior to expiration of a previously-unasserted CABOMETYX patent that is now listed in the Orange Book: U.S. Patent No. 11,298,349 (pharmaceutical composition). On July 18, 2022, we filed a complaint in the Delaware District Court for patent infringement against MSN asserting infringement of U.S. Patent No. 11,298,349 (the July 2022 MSN ANDA Complaint) arising from MSN's further amendment of its ANDA Filing with the FDA. In the July 2022 MSN ANDA Complaint, we are seeking, among other remedies, equitable relief enjoining MSN from infringing this patent, as well as an order that the effective date of any FDA approval of MSN's ANDA would be a date no earlier than the expiration of the patent identified in the July 2022 MSN ANDA Complaint, which expires on February 10, 2032. The July 2022 MSN ANDA Complaint is a new case against MSN involving an Exelixis patent that is different from those asserted in the consolidated Civil Action Nos. 19-02017, 20-00633 and 22-00228 described above. MSN's response to the complaint is due on August 9, 2022. A trial has not yet been scheduled in connection with the July 2022 MSN ANDA Complaint.

In May 2021, we received notice letters from Teva Pharmaceuticals Development, Inc. and Teva Pharmaceuticals USA, Inc. (individually and collectively referred to as Teva) regarding an ANDA Teva submitted to the FDA, requesting approval to market a generic version of CABOMETYX tablets. Teva's notice letters included a Paragraph IV certification with respect to our U.S. Patents No. 9,724,342 (formulations), 10,034,873 (methods of treatment) and 10,039,757 (methods of treatment), which are listed in the Orange Book and expire in 2033, 2031 and 2031, respectively. Teva's notice letters did not provide a Paragraph IV certification against any additional CABOMETYX patents. On June 17, 2021, we filed a complaint in the Delaware District Court for patent infringement against Teva, along with Teva Pharmaceutical Industries Limited (Teva Parent), asserting infringement of U.S. Patents No. 9,724,342, 10,034,873 and 10,039,757 arising from Teva's ANDA filing with the FDA. On August 27, 2021, Teva filed its answer and counterclaims to the complaint, alleging that the asserted claims of U.S. Patents No. 9,724,342, 10,034,873 and 10,039,757 are invalid and not infringed, and on August 23, 2021, we and Teva entered into a stipulation wherein Teva Parent was dismissed without prejudice from this lawsuit and agreed to be bound by any stipulation, judgment, order or decision rendered as to Teva, including any appeals and any order granting preliminary or permanent injunctive relief against Teva. On September 17, 2021, we filed an answer to Teva's counterclaims. We are seeking, among other relief, an order that the effective date of any FDA approval of Teva's ANDA be a date no earlier than the expiration of all of U.S. Patents No. 9,724,342, 10,034,873 and 10,039,757, the latest of which expires on July 9, 2033, and equitable relief enjoining Teva from infringing these patents. On February 8, 2022, the parties filed a stipulation to stay all proceedings, which was granted by the Delaware District Court on February 9, 2022. On February 11, 2022, this case was administratively closed.

On July 29, 2022, we received notice from Teva that it had amended its ANDA to assert an additional Paragraph IV certification. As amended, Teva's ANDA now requests approval to market a generic version of CABOMETYX tablets prior to expiration of a previously-unasserted CABOMETYX patent that is now listed in the Orange Book: U.S. Patent No. 11,298,349 (pharmaceutical composition). We have 45 days from the receipt of the July 29, 2022 notice to file a patent infringement claim against Teva relating to the newly challenged patent.

The sale of any generic version of CABOMETYX earlier than its patent expiration could significantly decrease our revenues derived from the U.S. sales of CABOMETYX and thereby materially harm our business, financial condition and results of operations. It is not possible at this time to determine the likelihood of an unfavorable outcome or estimate of the amount or range of any potential loss.

We may also from time to time become a party or subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. Some of these proceedings have involved, and may involve in the future, claims that are subject to substantial uncertainties and unascertainable damages.

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

This Quarterly Report on Form 10-Q contains forward-looking statements. These statements are based on Exelixis, Inc.'s (Exelixis, we, our or us) current expectations, assumptions, estimates and projections about our business and our industry and involve known and unknown risks, uncertainties and other factors that may cause our company's 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. 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 "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q, as well as those discussed elsewhere in this report. These and many other factors could affect our future financial and operating results. We undertake no obligation to update any forward-looking statement to reflect events after the date of this report.

This discussion and analysis should be read in conjunction with our condensed consolidated financial statements and accompanying notes included in this report and the consolidated financial statements and accompanying notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021, filed with the Securities and Exchange Commission (SEC) on February 18, 2022 (Fiscal 2021 Form 10-K).

Overview

We are an oncology-focused biotechnology company that strives to accelerate the discovery, development and commercialization of new medicines for patients with difficult-to-treat cancers. Using our considerable drug discovery, development and commercialization resources and capabilities, we have invented and brought to market innovative therapies that appropriately balance patient benefits and risks; we will continue to build on this foundation as we strive to provide cancer patients with new treatment options that improve upon current standards of care.

Today, four products that originated in Exelixis laboratories are available to be prescribed to patients. Sales related to our flagship molecule, cabozantinib, account for the large majority of our revenues. Cabozantinib is an inhibitor of multiple tyrosine kinases including MET, AXL, VEGF receptors and RET and has been approved by the U.S. Food and Drug Administration (FDA) and in 62 other countries as: CABOMETYX® (cabozantinib) tablets approved for advanced renal cell carcinoma (RCC), both alone and in combination with Bristol-Myers Squibb Company's (BMS) OPDIVO® (nivolumab), for previously treated hepatocellular carcinoma (HCC) and, currently by the FDA and European Commission (EC), for previously treated, radioactive iodine (RAI)-refractory differentiated thyroid cancer (DTC); and COMETRIQ® (cabozantinib) capsules approved for progressive, metastatic medullary thyroid cancer (MTC). For physicians treating these types of cancer, cabozantinib has become or is becoming an important medicine in their selection of effective therapies.

The other two products resulting from our discovery efforts are: COTELLIC® (cobimetinib), an inhibitor of MEK, approved as part of multiple combination regimens to treat specific forms of advanced melanoma and marketed under a collaboration with Genentech, Inc., a member of the Roche Group (Genentech); and MINNEBRO® (esaxerenone), an oral, non-steroidal, selective blocker of the mineralocorticoid receptor, approved for the treatment of hypertension in Japan and licensed to Daiichi Sankyo, Company, Limited (Daiichi Sankyo).

Our plan is to utilize our operating cash flows and cash and investments to expand the cabozantinib franchise by potentially adding new indications in areas of unmet medical need. We will also leverage our operating cash flows to continue advancing our diverse small molecule and biotherapeutics programs, exploring multiple modalities and mechanisms of action to discover new oncology drugs. So far, these drug discovery and preclinical activities have resulted in four clinical-stage compounds: XL092, a next-generation oral tyrosine kinase inhibitor (TKI); XB002, an antibody drug

conjugate (ADC) that targets tissue factor (TF); XL102, a potent, selective and orally bioavailable covalent inhibitor of cyclin-dependent kinase 7 (CDK7); and XL114, a novel anti-cancer compound that inhibits the CARD11-BCL10-MALT1 (CBM) complex.

Cabozantinib Franchise

The FDA first approved CABOMETYX as a monotherapy for previously treated patients with advanced RCC in April 2016, and then for previously untreated patients with advanced RCC in December 2017. In January 2021, the CABOMETYX label was expanded to include first-line advanced RCC in combination with OPDIVO, which was the first CABOMETYX regimen approved for treatment in combination with an immune checkpoint inhibitor (ICI). In addition to RCC, in January 2019, the FDA approved CABOMETYX for the treatment of patients with HCC previously treated with sorafenib, and then in September 2021, the FDA approved CABOMETYX for the treatment of adult and pediatric patients 12 years of age and older with locally advanced or metastatic DTC that has progressed following prior VEGF receptor-targeted therapy and who are RAI-refractory or ineligible.

To develop and commercialize CABOMETYX and COMETRIQ outside the U.S., we have entered into license agreements with Ipsen and Takeda. We granted to Ipsen the rights to develop and commercialize cabozantinib outside of the U.S. and Japan, and to Takeda we granted the rights to develop and commercialize cabozantinib in Japan. Both Ipsen and Takeda also contribute financially and operationally to the further global development and commercialization of the cabozantinib franchise in other potential indications, and we work closely with them on these activities. Utilizing its regulatory expertise and established international oncology marketing network, Ipsen has continued to execute on its commercialization plans for CABOMETYX, having received regulatory approvals and launched in multiple territories outside of the U.S., including in the European Union (EU), the United Kingdom (U.K.) and Canada, as a treatment for advanced RCC and for HCC in adults who have previously been treated with sorafenib. In addition, in March 2021, Ipsen and BMS received regulatory approval from the EC for CABOMETYX in combination with OPDIVO as a first-line treatment for patients with advanced RCC, followed by additional regulatory approvals for the combination in other territories beyond the EU. Most recently, in May 2022, we announced that Ipsen received regulatory approval from the EC for CABOMETYX as a monotherapy for the treatment of adult patients with locally advanced or metastatic, RAI-refractory or ineligible DTC and who have progressed during or after prior systemic therapy. With respect to the Japanese market, Takeda received Manufacturing and Marketing Approvals in 2020 from the Japanese Ministry of Health, Labour and Welfare (MHLW) of CABOMETYX as a treatment of patients with curatively unresectable or metastatic RCC and as a treatment of patients with unresectable HCC who progressed after cancer chemotherapy. In August 2021, Takeda and Ono Pharmaceutical Co., Ltd. (Ono), BMS' development and commercialization partner in Japan, received Manufacturing and Marketing Approval from the Japanese MHLW of CABOMETYX in combination with OPDIVO as a treatment for unresectable or metastatic RCC.

In addition to our regulatory and commercialization efforts in the U.S. and the support provided to our collaboration partners for rest-of-world regulatory and commercialization activities, we are also pursuing other indications for cabozantinib that have the potential to increase the number of cancer patients who could potentially benefit from this medicine. We continue to evaluate cabozantinib, both as a single agent and in combination with ICIs, in a broad development program comprising over 100 ongoing or planned clinical trials across multiple tumor types. We, along with our collaboration partners, sponsor some of the trials, and independent investigators conduct the remaining trials through our Cooperative Research and Development Agreement (CRADA) with the National Cancer Institute's Cancer Therapy Evaluation Program (NCI-CTEP) or our investigator sponsored trial (IST) program. The data from these third-party clinical trials have helped advance our development program for the cabozantinib franchise by informing subsequent label-enabling trials, including COSMIC-311, our phase 3 pivotal trial evaluating cabozantinib in previously treated patients with RAI-refractory DTC, from which positive results served as the basis for the FDA's and EC's approvals of CABOMETYX for DTC.

Building on preclinical and clinical observations that cabozantinib in combination with ICIs may promote a more immune-permissive tumor environment, we initiated numerous pivotal studies to further explore these combination regimens. The first of these studies to deliver results was CheckMate -9ER, a phase 3 pivotal trial evaluating the combination of CABOMETYX and OPDIVO compared to sunitinib in previously untreated, advanced or metastatic RCC, and positive results from CheckMate -9ER served as the basis for the FDA's, EC's and MHLW's approvals of CABOMETYX in combination with OPDIVO as a first-line treatment of patients with advanced RCC in January 2021, March 2021 and August 2021, respectively. We are also collaborating with BMS on COSMIC-313, a phase 3 pivotal trial evaluating the triplet combination of cabozantinib, nivolumab and ipilimumab versus the combination of nivolumab and ipilimumab in patients with previously untreated advanced intermediate- or poor-risk RCC. In July 2022, we announced results from COSMIC-313. The trial met its primary endpoint, demonstrating significant improvement in blinded independent radiology committee (BIRC) assessed progression free survival (PFS) at the primary analysis for the triplet combination, reducing the risk of

disease progression or death compared with the doublet combination of nivolumab and ipilimumab (hazard ratio: 0.73; 95% confidence internal: 0.57-0.94; P=0.01). At a prespecified interim analysis for the secondary endpoint of overall survival (OS), the triplet combination did not demonstrate a significant benefit, and therefore, the trial will continue to the next analysis of OS. The safety profile observed in the trial was reflective of the known safety profiles for each single agent, as well as the combination regimens used in this study, and no new safety signals were identified. We intend to discuss the results with the FDA to determine next steps toward a potential regulatory submission for the combination regimen for patients with previously untreated, advanced intermediate- or poor-risk RCC, and detailed findings will be presented at a future medical meeting.

To expand our exploration of combinations with ICIs, we also initiated multiple trials evaluating cabozantinib in combination with F. Hoffmann-La Roche Ltd.'s (Roche) ICI, atezolizumab, beginning in 2017 with COSMIC-021, a broad phase 1b study evaluating the safety and tolerability of cabozantinib in combination with atezolizumab in patients with a wide variety of locally advanced or metastatic solid tumors. The data from COSMIC-021 have been instrumental in guiding our clinical development strategy for cabozantinib in combination with ICIs, including supporting the initiation of COSMIC-312, a phase 3 pivotal trial evaluating cabozantinib in combination with atezolizumab versus sorafenib in previously untreated advanced HCC, and three phase 3 pivotal trials in collaboration with Roche, CONTACT-01, CONTACT-02 and CONTACT-03, evaluating the combination of cabozantinib with atezolizumab in patients with metastatic non-small cell lung cancer (NSCLC), metastatic castration-resistant prostate cancer (mCRPC) and advanced RCC, respectively. CONTACT-01 and CONTACT-03 are sponsored by Roche and co-funded by us, and we announced the completion of enrollment for the two trials in November 2021 and January 2022, respectively, with results from both trials expected in the second half of 2022. CONTACT-02 is sponsored by us and co-funded by Roche, and we anticipate completing enrollment in the first half of 2023.

Pipeline Activities

Our small molecule discovery programs are supported by a robust and expanding infrastructure, including a library of 4.6 million compounds. We have extensive experience in the identification and optimization of drug candidates against multiple target classes for oncology, inflammation and metabolic diseases. The first compound to enter the clinic following our re-initiation of drug discovery activities in 2017 was XL092, a next-generation oral TKI that targets VEGF receptors, MET, AXL, MER and other kinases implicated in cancer's growth and spread. In designing XL092, we sought to build upon our experience with cabozantinib, retaining a similar target profile while improving key characteristics, including the pharmacokinetic half-life. To date, we have initiated two large phase 1b clinical trials studying XL092: STELLAR-001 and STELLAR-002. STELLAR-001 is a phase 1b clinical trial evaluating XL092, both as a monotherapy and in combination with either atezolizumab or avelumab, an ICI developed by Merck KGaA Damstadt, Germany and Pfizer Inc. We have established recommended doses for single-agent XL092 and XL092 in combination with atezolizumab and have begun enrolling expansion cohorts for patients with clear cell RCC, non-clear cell RCC, hormone-receptor positive breast cancer, mCRPC and colorectal cancer (CRC); the dose-escalation phase for XL092 in combination with avelumab is ongoing. STELLAR-002 is a phase 1b clinical trial evaluating XL092 in combination with either nivolumab or nivolumab and ipilimumab. We are enrolling patients with advanced solid tumors in dose-escalation cohorts, and depending on the dose-escalation results, STELLAR-002 may enroll expansion cohorts for patients with clear cell and non-clear cell RCC, mCRPC and urothelial carcinoma (UC). To better understand the individual contribution of the therapies, treatment arms in the expansion cohorts may include XL092 as a single-agent in addition to the ICI combination regimens. We also initiated STELLAR-303, the first global phase 3 pivotal trial for XL092, in June 2022, and other phase 3 pivotal trials may follow in late 2022 and early 2023. STELLAR-303 is evaluating XL092 in combination with atezolizumab versus regorafenib in patients with metastatic non-microsatellite instability-high or non-mismatch repair-deficient CRC who have progressed after or are intolerant to the current standard of care, and the trial aims to enroll approximately 600 patients worldwide with documented RAS status. The primary objective of STELLAR-303 is to evaluate the efficacy of the combination in patients with RAS wild-type disease, and outcomes in patients with RAS-mutated disease will also be evaluated. The primary endpoint of STELLAR-303 is OS, and additional efficacy endpoints include PFS, objective response rate (ORR) and duration response (DOR) per Response Evaluation Criteria in Solid Tumors (RECIST) v. 1.1. as assessed by the investigator.

We augment our small molecule discovery activities through research collaborations and in-licensing arrangements with other companies. The most advanced compounds to emerge from these arrangements are XL102 , the lead program targeting CDK7 under our collaboration with Aurigene Discovery Technologies Limited (Aurigene), and XL114, Aurigene's novel anti-cancer compound that inhibits the CBM complex. Based on encouraging preclinical data, we exercised our exclusive options to license XL102 and XL114 from Aurigene and initiated phase 1 clinical trials evaluating XL102 and XL114 in January 2021 and April 2022, respectively, and we expect to provide clinical updates from the phase 1 study of XL102 in the second half of 2022.

Beyond small molecules, we have also launched rigorous efforts to discover and advance various biotherapeutics that have the potential to become anti-cancer therapies, such as bispecific antibodies, ADCs and other innovative treatments. ADCs in particular present a unique opportunity for new cancer treatments, given their capabilities to deliver anti-cancer payload drugs to targets with increased precision while minimizing impact on healthy tissues, and this biotherapeutic approach has been validated by multiple regulatory approvals for the commercial sale of ADCs in the past several years. To facilitate the growth of these programs, we have established multiple research collaborations and in-licensing arrangements and entered into other strategic transactions that provide us with access to antibodies, binders, payloads and conjugation technologies, which are the components employed to generate next-generation ADCs or multispecific antibodies. We have already made significant progress under these arrangements and expect we will continue to advance our biotherapeutics programs throughout the remainder of 2022 and in future years:

- *Ryvu*. We entered into a collaboration with Ryvu Therapeutics S.A. (Ryvu) in July 2022, focused on the development of novel targeted therapies utilizing Ryvu's STING (STimulator of INterferon Genes) technology. The collaboration is intended to expand our portfolio of biotherapeutics by combining our tumor-specific targeting approaches with Ryvu's proprietary small molecule STING agonists and STING biology know-how.
- *BioInvent*. We entered into a collaboration with BioInvent International AB (BioInvent) in June 2022, focused on the identification and development of novel antibodies for use as oncology therapeutics. The collaboration is intended to expand our portfolio of antibody-based therapies and will utilize BioInvent's proprietary n-CoDeR® antibody library and patient-centric F.I.R.S.T™ screening platform, which together are designed to allow for parallel target and antibody discovery.
- *GamaMabs.* We completed an asset purchase from GamaMabs Pharma SA (GamaMabs) in May 2022. In the transaction, we acquired all rights, title and interest in GamaMabs' antibody program directed at anti-M✔llerian hormone receptor 2 (AMHR2), a novel oncology target with relevance in multiple forms of cancer.
- *Iconic.* We in-licensed XB002, our lead TF-targeting ADC program, from Iconic, Inc. (Iconic) in December 2020 and then initiated a phase 1 clinical trial in June 2021. We expect to provide clinical updates from the trial in the second half of 2022. In December 2021, we amended our exclusive option and license agreement with Iconic to acquire broad rights to use the anti-TF antibody used in XB002 for any application, including conjugated to other payloads, as well as rights within oncology to a number of other anti-TF antibodies developed by Iconic, including for use in ADCs and multispecific biotherapeutics.
- *Invenra*. We have expanded our collaboration with Invenra, Inc. (Invenra) several times since our first engagement in 2018, most recently in August 2021 to include an additional 20 oncology targets.
- *WuXi Bio.* We expanded our access to antibodies through arrangements with WuXi Biologics Ireland Limited, a wholly owned subsidiary of WuXi Biologics (Cayman) Inc. (individually and collectively referred to as WuXi Bio) in March 2021. We are focused on leveraging WuXi Bio's panel of monoclonal antibodies (mAbs) against an undisclosed target for the development of ADC, bispecific and certain other novel tumor-targeting biotherapeutics.
- *Adagene*. We entered into a collaboration with Adagene Inc. (Adagene) in February 2021, focused on using Adagene's SAFEbody® technology to develop novel masked ADCs or other innovative biotherapeutics, with the potential to develop ADCs or other biotherapeutics with improved therapeutic index.
- *NBE and Catalent*. We entered into collaborations with NBE-Therapeutics AG (NBE) and Catalent, Inc.'s wholly owned subsidiaries Redwood Bioscience, Inc., R.P. Scherer Technologies, LLC and Catalent Pharma Solutions, Inc. (individually and collectively referred to as Catalent) in September 2020. These platform collaborations allow us to utilize their site-specific conjugation technologies and payloads to construct ADCs using the antibodies we have sourced from our arrangements with WuXi Bio, GamaMabs and Invenra.

These arrangements have led directly to the advancement of two biotherapeutics development candidates, XB010 and XB014. XB010, our first ADC advanced internally, targets the tumor antigen 5T4 and incorporates antibodies sourced from Invenra. It was constructed using Catalent's SMARTag® site-specific bioconjugation platform. XB014 is our first bispecific antibody, which combines a PD-L1 targeting arm with a CD47 targeting arm to block a macrophage checkpoint, and was developed through our collaboration with Invenra.

As of the date of this Quarterly Report, we are currently advancing more than 10 discovery programs and expect to progress up to five new development candidates into preclinical development during 2022. We will continue to engage in business development initiatives with the goal of acquiring and in-licensing promising oncology platforms and assets and then further characterize and develop them utilizing our established preclinical and clinical development infrastructure.

COVID-19 Update

As of the date of this Quarterly Report on Form 10-Q, the COVID-19 pandemic continues to have a modest impact on our business operations. While the pandemic has created operational difficulties and complexities, we have thus far been successful at devising solutions designed to mitigate its impact. We will continue to monitor new developments that could pose additional risks for us, including the spread of the Omicron variant and its subvariants in the U.S. and other countries, and the potential emergence of new SARS-CoV-2 variants that may prove especially contagious or virulent. Despite our COVID-19 pandemic mitigation efforts, we may experience delays or an inability to execute on our clinical and preclinical development plans, reduced revenues or other adverse impacts to our business as described in more detail in "Risk Factors" in Part II, Item 1A of this Quarterly Report on Form 10-Q. We recognize that this pandemic will continue to present unique challenges for us throughout 2022, and potentially into 2023.

Second Quarter 2022 Business Updates and Financial Highlights

During the second quarter of 2022**,** we continued to execute on our business objectives, generating significant revenues from operations and enabling us to continue to seek to maximize the clinical and commercial potential of our products and expand our product pipeline. Significant business updates and financial highlights for the quarter and subsequent to quarter-end include:

Business Updates

- In April 2022, we announced the initiation of a phase 1 clinical trial evaluating XL114 as a monotherapy in patients with non-Hodgkin's Lymphoma.
- In May 2022, we announced that Ipsen received regulatory approvals from the EC and Health Canada for CABOMETYX as a monotherapy for patients with previously treated, RAI-refractory DTC.
- In June 2022, cabozantinib was the subject of multiple data presentations in NSCLC, UC, RCC, head and neck squamous cell carcinoma, and DTC at the 2022 American Society of Clinical Oncology (ASCO) Annual Meeting.
- In June 2022, we announced an exclusive option and license agreement with BioInvent to identify and develop novel antibodies for use in immuno-oncology therapeutics utilizing BioInvent's n-CoDeR antibody library and patient-centric F.I.R.S.T screening platform.
- In June 2022, we announced the initiation of STELLAR-303, a global phase 3 pivotal trial evaluating XL092 in combination with atezolizumab in patients with metastatic non-microsatellite instability-high or non-mismatch repair-deficient CRC who have progressed after or are intolerant to the current standard of care. The primary endpoint of the trial is OS, and additional efficacy endpoints include PFS, ORR and DOR per RECIST v. 1.1.
- In July 2022, we announced an exclusive license agreement with Ryvu to develop novel targeted therapies utilizing Ryvu's STING technology.
- In July 2022, we announced results from the phase 3 COSMIC-313 trial, in which the triplet combination of cabozantinib, nivolumab and ipilimumab met its primary endpoint, demonstrating significant improvement in PFS versus the doublet combination of nivolumab and ipilimumab at the primary analysis. At a prespecified interim analysis for the secondary endpoint of OS, the triplet combination did not demonstrate a significant benefit, and therefore the trial will continue to the next analysis of OS. We intend to discuss the results with the FDA to determine next steps toward a potential regulatory submission for the combination regimen for patients with previously untreated, advanced intermediate- or poor-risk RCC, and detailed findings will be presented at a future medical meeting.
- In July 2022, we filed a patent lawsuit in the United States District Court for the District of Delaware (the Delaware District Court) against MSN Pharmaceuticals, Inc. (MSN) asserting infringement of U.S. Patent No. 11,298,349 arising from MSN's further amendment of its Abbreviated New Drug Application (ANDA), originally filed with the FDA in September 2019. We are seeking, among other relief, an order that the effective date of any FDA approval of MSN's ANDA would be a date no earlier than the expiration of U.S. Patent No. 11,298,349 on February 10, 2032. This is our fourth case against MSN and involves an Exelixis patent that is different from those asserted previously in consolidated patent lawsuits that we filed in 2019 and 2020 and the separate lawsuit filed in February 2022. For a more detailed discussion of this litigation matter, see "Legal Proceedings" in Part II, Item 1 of this Quarterly Report on Form 10-Q.

Financial Highlights

- Net product revenues for the second quarter of 2022 were $347.0 million, compared to $284.2 million for the second quarter of 2021.
- Total revenues for the second quarter of 2022 were $419.4 million, compared to $385.2 million for the second quarter of 2021.
- Research and development expenses for the second quarter of 2022 were $199.5 million, compared to $148.8 million for the second quarter of 2021.
- Selling, general and administrative expenses for the second quarter of 2022 were $122.8 million, compared to $98.5 million for the second quarter of 2021.
- Provision for income taxes for the second quarter of 2022 was $17.8 million, compared to $28.8 million for the second quarter of 2021.
- Net income for the second quarter of 2022 was $70.7 million, or $0.22 per share, basic and diluted, compared to net income of $96.1 million, or $0.31 per share, basic and $0.30 per share, diluted, for the second quarter of 2021.

See *"Results of Operations"* below for a discussion of the detailed components and analysis of the amounts above.

Outlook, Challenges and Risks

We will continue to face numerous challenges and risks that may impact our ability to execute on our 2022 business objectives. In particular, for the foreseeable future, we expect our ability to generate sufficient cash flow to fund our business operations and growth will depend upon the continued commercial success of CABOMETYX, both alone and in combination with other therapies, as a treatment for the highly competitive indications for which it is approved, and possibly for other indications for which cabozantinib is currently being evaluated in potentially label-enabling clinical trials, if warranted by the data generated from these trials. However, we cannot be certain that the clinical trials we and our collaboration partners are conducting will demonstrate adequate safety and efficacy in these additional indications to receive regulatory approval in the major commercial markets where CABOMETYX is approved. Even if the required regulatory approvals to market cabozantinib for additional indications are achieved, we and our collaboration partners may not be able to commercialize CABOMETYX effectively and successfully in these additional indications. In addition, CABOMETYX will only continue to be commercially successful if private third-party and government payers continue to provide coverage and reimbursement. As is the case for all innovative pharmaceutical therapies, obtaining and maintaining coverage and reimbursement for CABOMETYX is becoming increasingly difficult, both within the U.S. and in foreign markets. In addition, healthcare policymakers in the U.S. are increasingly expressing concern over healthcare costs, and corresponding legislative and policy initiatives and activities have been launched, aimed at increasing the healthcare cost burdens borne by pharmaceutical manufacturers, as well as expanding access to, and restricting the prices and growth in prices of, pharmaceuticals.

Achievement of our 2022 business objectives will also depend on our ability to maintain a competitive position in the shifting landscape of therapeutic strategies for the treatment of cancer, which we may not be able to do. On an ongoing basis, we assess the constantly evolving landscape of other approved and investigational cancer therapies that could be competitive, or complementary in combination, with our products, and then we adapt our development strategies for the cabozantinib franchise and our pipeline product candidates accordingly, such as by modifying our clinical trials to include evaluation of our therapies with ICIs and other targeted agents. Even if our current and future clinical trials, including those evaluating cabozantinib in combination with an ICI in NSCLC and mCRPC or evaluating XL092 in combination with an ICI in CRC, produce positive results sufficient to obtain marketing approval by the FDA and other global regulatory authorities, it is uncertain whether physicians will choose to prescribe regimens containing our products instead of competing products and product combinations in approved indications.

In the longer term, we may eventually face competition from potential manufacturers of generic versions of our marketed products, including the proposed generic versions of CABOMETYX tablets that are the subject of ANDAs submitted to the FDA by MSN and Teva Pharmaceuticals Development, Inc. and Teva Pharmaceuticals USA, Inc. (individually and collectively referred to as Teva). The approval of either MSN's or Teva's ANDA and subsequent launch of any generic version of CABOMETYX could significantly decrease our revenues derived from the U.S. sales of CABOMETYX and thereby materially harm our business, financial condition and results of operations.

Separately, our research and development objectives may be impeded by the challenges of scaling our organization to meet the demands of expanded drug development, unanticipated delays in clinical testing and the inherent

risks and uncertainties associated with drug discovery operations, especially on the global level. In connection with efforts to expand our product pipeline, we may be unsuccessful in discovering new drug candidates or identifying appropriate candidates for in-licensing or acquisition.

Some of these challenges and risks are specific to our business, others are common to companies in the biopharmaceutical industry with development and commercial operations, and an additional category are macroeconomic, affecting all companies. For a more detailed discussion of challenges and risks we face, see “Risk Factors” in Part II, Item 1A of this Quarterly Report on Form 10-Q.

Fiscal Year Convention

We have adopted a 52- or 53-week fiscal year policy that generally ends on the Friday closest to December 31st. Fiscal year 2022, which is a 52-week fiscal year, will end on December 30, 2022 and fiscal year 2021, which was a 52-week fiscal year, ended on December 31, 2021. For convenience, references in this report as of and for the fiscal periods ended July 1, 2022 and July 2, 2021, and as of and for the fiscal year ending December 30, 2022 are indicated as being as of and for the fiscal periods ended June 30, 2022 and June 30, 2021, and the year ending December 31, 2022, respectively.

Results of Operations

Revenues

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

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
Net product revenues	$ 347,044	$ 284,248	22 %	$ 657,342	$ 511,460	29 %
License revenues	57,526	39,640	45 %	89,593	67,168	33 %
Collaboration services revenues	14,857	61,289	-76 %	28,472	76,779	-63 %
Total revenues	$ 419,427	$ 385,177	9 %	$ 775,407	$ 655,407	18 %

Net Product Revenues

Gross product revenues, discounts and allowances, and net product revenues were as follows (dollars in thousands):

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
Gross product revenues	$ 483,073	$ 380,204	27 %	$ 931,310	$ 694,409	34 %
Discounts and allowances	(136,029)	(95,956)	42 %	(273,968)	(182,949)	50 %
Net product revenues	$ 347,044	$ 284,248	22 %	$ 657,342	$ 511,460	29 %

Net product revenues by product were as follows (dollars in thousands):

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
CABOMETYX	$ 339,159	$ 275,614	23 %	$ 641,971	$ 499,209	29 %
COMETRIQ	7,885	8,634	-9 %	15,371	12,251	25 %
Net product revenues	$ 347,044	$ 284,248	22 %	$ 657,342	$ 511,460	29 %

The increases in net product revenues for the three and six months ended June 30, 2022, as compared to the corresponding prior year periods, were primarily related to increases of 19% and 25%, respectively, in the number of units sold, and to a lesser extent a 3% increase in the average net selling price of CABOMETYX for both the three and six months ended June 30, 2022, as compared to the corresponding prior year periods.

We project that our net product revenues for the remainder of 2022 may increase, as compared to the corresponding prior year period, for similar reasons noted above.

We recognize product revenues net of discounts and allowances that are described in “Note 1. Organization and Summary of Significant Accounting Policies” to our “Notes to Consolidated Financial Statements” included in Part II, Item 8 of our Fiscal 2021 Form 10-K.

The increases in discounts and allowances for the three and six months ended June 30, 2022, as compared to the corresponding prior year periods, were primarily from higher utilization in the 340B Drug Pricing Program.

Discounts and allowances as a percentage of gross revenues have increased over time as the number of patients participating in government programs, as well as the discounts given and rebates paid to government payers, has also increased. We project this trend will continue and that our discounts and allowances as a percentage of gross revenues may increase during the remainder of 2022, as compared to the corresponding prior year period.

License Revenues

License revenues generally include: (a) the recognition of the portion of milestone payments allocated to the transfer of intellectual property licenses for which it had become probable in the related period that the milestone would be achieved and a significant reversal of revenues would not occur; (b) royalty revenues; and (c) the profit on the U.S. commercialization of COTELLIC from Genentech.

Milestone revenues, which are allocated between license revenues and collaboration services revenues, were $26.2 million and $26.9 million for the three and six months ended June 30, 2022, respectively, as compared to $12.9 million and $13.5 million for the corresponding prior year periods. Milestone revenues by period included the following:

- For the three and six months ended June 30, 2022, $25.7 million in revenues recognized in connection with two regulatory milestones totaling $27.0 million upon the approval by the European Commission and Health Canada of cabozantinib as a monotherapy for the treatment of adult patients with locally advanced or metastatic DTC, refractory or not eligible to radioactive iodine who have progressed during or after prior systemic therapy.
- For the three and six months ended June 30, 2021, $11.8 million in revenues recognized in connection with a $12.5 million regulatory milestone we determined was probable of achievement.

Royalty revenues increased primarily as a result of increases in Ipsen’s net sales of cabozantinib outside of the U.S. and Japan. Ipsen royalties were $27.5 million and $52.1 million for the three and six months ended June 30, 2022, respectively, as compared to $22.8 million and $45.3 million for the corresponding prior year period. Ipsen’s net sales of cabozantinib have continued to grow since Ipsen’s commercial sale of CABOMETYX in the fourth quarter of 2016, primarily due to regulatory approval in new territories, including regulatory approval in the EU for the combination therapy of CABOMETYX and OPDIVO received in March 2021. Royalty revenues for the three and six months ended June 30, 2022 also included $2.7 million and $5.1 million, respectively, related to Takeda’s net sales of CABOMETYX, as compared to $2.1 million and $3.4 million for the corresponding prior year periods. Takeda royalty revenues have continued to grow since Takeda’s first commercial sale of CABOMETYX in Japan in 2020. As of June 30, 2022, CABOMETYX is approved and is commercially available in 62 countries outside the U.S.

Our share of profits on the U.S. commercialization of COTELLIC under our collaboration agreement with Genentech was $1.7 million and $3.8 million for the three and six months ended June 30, 2022, respectively, as compared to $2.2 million and $4.0 million for the corresponding prior year periods. We also earned royalties on ex-U.S. net sales of COTELLIC by Genentech of $0.9 million and $2.5 million for the three and six months ended June 30, 2022, respectively, as compared to $0.8 million and $1.7 million for the corresponding prior year periods.

Due to uncertainties surrounding the timing and achievement of regulatory and development milestones, it is difficult to predict future milestone revenues and milestones can vary significantly from period to period.

Collaboration Services Revenues

Collaboration services revenues include the recognition of deferred revenues for the portion of upfront and milestone payments that have been allocated to research and development services performance obligations, development cost reimbursements earned under our collaboration agreements, and product supply revenues, which are net of product supply costs and the royalties we pay on sales by Ipsen and Takeda of products containing cabozantinib.

Development cost reimbursements of $17.3 million and $34.5 million for the three and six months ended June 30, 2022, respectively, as compared to $62.5 million and $80.9 million for the corresponding prior year periods decreased primarily due to Ipsen's decision to opt in and co-fund COSMIC-311 development costs in the second quarter of 2021, which included a cumulative catch up for Ipsen's share of global development costs incurred since the beginning of the study and through the end of the period.

Collaboration services revenues, for the 3% royalty we are required to pay on the net sales by Ipsen and Takeda of any product incorporating cabozantinib, were reduced by $4.2 million and $8.0 million for the three and six months ended June 30, 2022, respectively, as compared to $3.5 million and $6.9 million for the corresponding prior year periods. As royalty generating sales of cabozantinib by Ipsen and Takeda have increased as described above, our royalty payments have also increased.

We project our collaboration services revenues may decrease for the remainder of 2022, as compared to the corresponding prior year period, primarily as a result of decreased development cost reimbursements related to Ipsen's opt-in and co-funding of COSMIC-311 and the related cumulative catch-up in development cost reimbursements recognized in 2021 for which no similar event is projected to occur in 2022.

Cost of Goods Sold

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

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
Cost of goods sold	$ 13,481	$ 14,884	-9 %	$ 26,684	$ 28,082	-5 %
Gross margin	96 %	95 %		96 %	95 %	

Cost of goods sold is related to our product revenues and consists primarily of a 3% royalty payable on U.S. net sales of any product incorporating cabozantinib, as well as the cost of inventory sold, indirect labor costs, write-downs related to expiring, excess and obsolete inventory, and other third-party logistics costs. Cost of goods sold for the three and six months ended June 30, 2022, as compared to the corresponding prior year periods, decreased, primarily due to lower period costs, partially offset by an increase in royalties as a result of increased U.S. CABOMETYX sales. We project our gross margin will not change significantly during the remainder of 2022.

Research and Development Expenses

We do not track fully burdened research and development expenses on a project-by-project basis. We group our research and development expenses into three categories: (1) development; (2) drug discovery; and (3) other. Our development group leads the development and implementation of our clinical and regulatory strategies and prioritizes disease indications in which our compounds are being or may be studied in clinical trials. Our drug discovery group utilizes a variety of technologies, including in-licensed technologies, to enable the rapid discovery, optimization and extensive characterization of lead compounds and biologics in order to select development candidates with the best potential for further evaluation and advancement into clinical development.

Research and development expenses by category were as follows (in thousands):

	Three Months Ended June 30,		Percent	Six Months Ended June 30,		Percent
	2022	2021	Change	2022	2021	Change
Research and development expenses:						
Development:						
Clinical trial costs	$ 59,788	$ 49,568	21 %	$ 119,786	$ 110,259	9 %
Personnel expenses	37,313	29,175	28 %	71,579	58,059	23 %
Consulting and outside services	8,910	6,646	34 %	15,346	11,935	29 %
Other development costs	11,703	7,534	55 %	21,072	14,818	42 %
Total development	117,714	92,923	27 %	227,783	195,071	17 %
Drug discovery:						
License and other collaboration costs[1]	33,158	23,466	41 %	42,809	51,904	-18 %
Other drug discovery [2]	21,609	11,724	84 %	39,440	23,011	71 %
Total drug discovery	54,767	35,190	56 %	82,249	74,915	10 %
Stock-based compensation	9,549	13,667	-30 %	18,448	26,063	-29 %
Other research and development[3]	17,451	7,010	149 %	27,672	12,029	130 %
Total research and development expenses	$ 199,481	$ 148,790	34 %	$ 356,152	$ 308,078	16 %

(1) Primarily includes upfront license fees, development milestone payments, program initiation fees, and research funding commitments associated with programs in preclinical development stage.
(2) Primarily includes personnel expenses, consulting and outside services and laboratory supplies.
(3) Includes the allocation of general corporate costs to research and development services, and development cost reimbursements in connection with our collaboration arrangement with Roche executed in December 2019.

The increases in research and development expenses for the three and six months ended June 30, 2022, as compared to the corresponding prior year periods, were primarily related to increases in personnel expenses, clinical trial costs, and consulting and outside services, which were partially offset by decreases in stock-based compensation. Personnel expenses increased primarily due to increases in headcount to support our expanding discovery and development organization. Clinical trial costs, which include services performed by third-party contract research organizations and other vendors who support our clinical trials, increased as compared to the corresponding prior year periods primarily due to higher costs associated with the XL092, CONTACT-02 and CONTACT-03 studies which were partially offset by decreases in costs associated with COSMIC-313, COSMIC-021, and COSMIC-312 studies. Consulting and outside services expenses increased primarily as a result of the continued growth in our discovery and research activities. Stock-based compensation expense decreased as compared to the corresponding prior year periods, primarily due to lower compensation expense associated with the completion of expense amortization for certain performance-based restricted stock units (PSUs) granted in prior years, fewer stock options granted and higher forfeiture amounts. License and other collaboration costs increased for the three months ended June 30, 2022 as compared to the corresponding prior year period, primarily due to an increase in upfront license fees related to a new in-licensing collaboration arrangement in the second quarter of 2022. License and other collaboration costs decreased during the six months ended June 30, 2022, as compared to the corresponding prior period, primarily due to lower upfront license fees from business development activities.

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. These factors include enrollment in clinical trials for our drug candidates, preliminary data and final results from clinical trials, the potential indications, and clinical 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.

We are focusing a significant amount of our development efforts on cabozantinib to maximize the therapeutic and commercial potential of this compound and, as a result, we project that a substantial portion of our research and development expenses will relate to the continuing clinical development program of cabozantinib, which includes over 100 ongoing or planned clinical trials across multiple indications. Notable ongoing company-sponsored studies resulting from

this program include: COSMIC-313, for which BMS is providing nivolumab and ipilimumab free of charge; and CONTACT-02, for which Roche is sharing the development costs and providing atezolizumab free of charge.

We are expanding our oncology product pipeline through drug discovery efforts, which encompass both small molecule and biologics programs with multiple modalities and mechanisms of action, with the goal of identifying new product candidates to advance into clinical trials. We also continue to engage in business development initiatives aimed at acquiring and in-licensing promising oncology platforms and assets, with the goal of utilizing our established preclinical and clinical development infrastructure to further characterize and develop such acquisitions.

We project our research and development expenses may increase for the remainder of 2022, as compared to the corresponding prior year period, primarily driven by our ongoing clinical evaluation of cabozantinib, the initiation of new clinical trials and expansion of ongoing clinical trials evaluating other product candidates in our pipeline including the June 2022 initiation of STELLAR-303, our first global phase 3 pivotal trial for XL092 and current early-stage trials evaluating XL092, XB002, XL102 and XL114, as well as anticipated business development activities.

A discussion of the risks and uncertainties with respect to our research and development activities and the consequences to our business, financial position and growth prospects can be found in “Risk Factors” in Part II, Item 1A of this Quarterly Report on Form 10-Q.

Selling, General and Administrative Expenses

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

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
Selling, general and administrative expenses	$ 107,686	$ 84,127	28 %	$ 199,689	$ 164,221	22 %
Stock-based compensation	15,073	14,368	5 %	25,933	$ 36,625	-29 %
Total selling, general and administrative expenses	$ 122,759	$ 98,495	25 %	$ 225,622	$ 200,846	12 %

Selling, general and administrative expenses consist primarily of personnel expenses, stock-based compensation, marketing costs and certain other administrative costs.

The increases in selling, general and administrative expenses for the three and six months ended June 30, 2022, as compared to the corresponding prior year periods, were primarily related to increases in personnel expenses, marketing costs, business technology initiatives and legal costs. Personnel expenses increased as compared to the corresponding prior year periods, primarily due to increases in administrative headcount to support our commercial and research and development organizations. Marketing costs increased as compared to the corresponding prior year periods, primarily due to increased spending in support of the commercialization of the combination therapy of CABOMETYX and OPDIVO for the treatment of advanced RCC. The decrease in stock-based compensation expense for the six months ended June 30, 2022, as compared to the corresponding prior year period, was primarily due to lower compensation expense associated with the completion of expense amortization for certain PSUs granted in prior years, fewer stock options granted and higher forfeiture amounts.

We project our selling, general and administrative expenses may continue to increase for the remainder of 2022, as compared to the corresponding prior year period primarily driven by our continuing commercial investment in CABOMETYX and the growth of the broader organization.

Non-operating Income

Non-operating income was as follows (dollars in thousands):

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
Interest income	$ 4,757	$ 1,891	152 %	$ 6,579	$ 4,573	44 %
Other income (expense), net	45	(11)	n/a	209	(101)	n/a
Non-operating income	$ 4,802	$ 1,880	155 %	$ 6,788	$ 4,472	52 %

The increases in non-operating income for the three and six months ended June 30, 2022, as compared to the corresponding prior year periods, were primarily the result of increases in interest income due to higher interest rates and higher investment balances.

Provision for Income Taxes

The provision for income taxes were as follows (dollars in thousands):

	Three Months Ended June 30,		Percent Change	Six Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
Provision for income taxes	$ 17,836	$ 28,796	-38 %	$ 34,492	$ 25,180	37 %
Effective tax rate	20.2 %	23.1 %		19.9 %	20.5 %	

The effective tax rates for the three and six months ended June 30, 2022, differed from the U.S. federal statutory rate of 21% primarily due to excess tax benefits related to the exercise of certain stock options during the periods and the generation of federal tax credits, which were partially offset by state taxes.

Liquidity and Capital Resources

As of June 30, 2022, we had $2.0 billion in cash, cash equivalents, restricted cash equivalents and investments, compared to $1.9 billion as of December 31, 2021. We anticipate that the aggregate of our current cash and cash equivalents, short-term investments available for operations, net product revenues and collaboration revenues will enable us to maintain our operations for a period of at least 12 months following the filing date of this report.

Our primary cash requirements for operating activities, which we project will increase for the remainder of 2022, as compared to the corresponding period in 2021, are for: employee related expenditures; costs related to our development and discovery programs; income tax payments; cash payments for inventory; royalty payments on our net product sales; and our leased facilities. Our primary sources of operating cash are: cash collections from customers related to net product sales, which we project will increase for the remainder of 2022, as compared to the corresponding period in 2021; cash collections related to royalties earned from our commercial collaboration arrangements with Ipsen, Takeda and others and the achievement of certain development, regulatory and commercial milestones; and cash collections for cost reimbursements under certain of our development programs. The timing of cash generated from commercial collaborations and cash payments required for in-licensing collaborations relative to upfront payments, initiation fees, milestone payments and cost reimbursements may vary from period to period.

We also have cash requirements related to capital expenditures to support the planned growth of our business including investments in laboratory facilities and equipment. We project that we may continue to spend significant amounts of cash to fund the continued development and commercialization of cabozantinib. In addition, we intend to continue to expand our oncology product pipeline through our drug discovery efforts, including additional research collaborations, in-licensing arrangements and other strategic transactions that align with our oncology drug development, regulatory and commercial expertise. Financing these activities could materially impact our liquidity and capital resources and may require us to incur debt or raise additional funds through the issuance of equity. Furthermore, even though we believe we have sufficient funds for our current and future operating plans, we may choose to incur debt or raise additional funds through the issuance of equity based on market conditions or strategic considerations.

Letters of Credit

We have obtained standby letters of credit related to our lease obligations and certain other obligations with combined credit limits of $10.7 million and $16.7 million as of June 30, 2022 and December 31, 2021, respectively.

In January 2021, we entered into a standby letter of credit as a guarantee of our obligation to fund our portion of the tenant improvements related to our build-to-suit lease at our corporate campus. The letter of credit is secured by our short-term investments, which are recorded as restricted cash equivalents and presented in other long-term assets in our Condensed Consolidated Balance Sheets and will be reduced as we fund our portion of the tenant improvements. As of June 30, 2022, restricted cash equivalents included $9.2 million of short-term investments as collateral under our standby letter of credit for our portion of the tenant improvements.

Sources and Uses of Cash

	June 30, 2022	December 31, 2021	Percent Change
Working capital	$ 1,547,118	$ 1,497,157	3 %
Cash, cash equivalents, restricted cash equivalents, and investments	$ 2,009,513	$ 1,854,908	8 %

Working capital: The increase in working capital as of June 30, 2022, as compared to December 31, 2021, was primarily due to the favorable impacts to our net current assets resulting from our net income during the six months ended June 30, 2022, which was partially offset by purchases of long-term investments and estimated tax payments made that are classified as long-term. In the future, our working capital may be impacted by one of these factors or other factors, the amounts and timing of which are variable.

Cash, cash equivalents, restricted cash equivalents and investments: Cash and cash equivalents primarily consist of cash deposits held at major banks, commercial paper and other securities with original maturities 90 days or less. Restricted cash equivalents and investments relate to our letter of credit agreements and are invested in short-term marketable securities. For additional information regarding our cash, cash equivalents, restricted cash equivalents and investments, see “Note 4. Cash and Investments,” in our “Notes to Condensed Consolidated Financial Statements” included in Part I, Item 1 of this Quarterly Report on Form 10-Q. The increase in cash, cash equivalents, restricted cash equivalent and investments at June 30, 2022, as compared to December 31, 2021, was primarily due to cash inflows generated by our operations, including collections of amounts due from customers, and collection of a $100.0 million milestone payment from Ipsen, partially offset by operating cash payments for employee-related expenditures, our development and discovery programs, and capital expenditures.

Cash flow activities were as follows (in thousands):

	Six Months Ended June 30,	
	2022	2021
Net cash provided by operating activities	$ 178,849	$ 221,045
Net cash used in investing activities	$ (209,681)	$ (8,590)
Net cash provided by financing activities	$ 4,627	$ 6,074

Operating Activities

Cash provided by operating activities is derived by adjusting our net income for non-cash operating items such as deferred taxes, stock-based compensation, depreciation, non-cash lease expense and changes in operating assets and liabilities, which reflect timing differences between the receipt and payment of cash associated with transactions and when they are recognized in our Condensed Consolidated Statements of Income.

Net cash provided by operating activities for the six months ended June 30, 2022 decreased as compared to the corresponding prior year period, primarily due to an increase in cash paid for certain operating expenses resulting in net unfavorable changes in operating assets and liabilities, which was partially offset by an increase in cash received on sales of our products and from our commercial collaboration arrangements, including collection of a $100.0 million milestone payment from Ipsen.

Investing Activities

The changes in cash flows from investing activities primarily relates to the timing of marketable securities investment activity and capital expenditures. Our capital expenditures primarily consist of investments to expand our operations and acquire assets that further our research and development.

Net cash used in investing activities for the six months ended June 30, 2022 increased as compared to the corresponding prior year period, primarily due to a decrease in cash proceeds from maturities and sales of investments, and an increase in purchases of investments, which was partially offset by a decrease in capital expenditures.

Financing Activities

The changes in cash flows from financing activities primarily relate to proceeds from employee stock programs and taxes paid related to net share settlement of equity awards.

Net cash provided by financing activities for the six months ended June 30, 2022 decreased as compared to the corresponding prior year period, primarily due to an increase in withholding taxes remitted to the government related to net share settlements of equity awards, which was partially offset by an increase in proceeds received from the issuance of common stock under our equity incentive plans.

Contractual Obligations

During the three months ended June 30, 2022, we entered into the seventh amendment to the lease for our corporate headquarters located on Harbor Bay Parkway, Alameda, California (the Alameda Lease) for the expansion of the premises by 34,745 square feet of office facilities located at 1751 Harbor Bay Parkway, Alameda, California (the 1751 Expansion Space). The term of the 1751 Expansion Space is coterminous with the term of the Alameda Lease for the existing space.

In April 2022, the office building (New Premises) associated with our October 2019 build-to-suit lease agreement (Build-to-Suit Lease) was substantially completed. The New Premises is 220,517 square feet and is in Alameda, California, adjacent to our existing corporate headquarters. The Build-to-Suit Lease term is 242 months, includes two five-year options to extend the term of the lease and a one-time option to terminate the lease after 180 months. In addition to the lease payments, we are also responsible for paying operating expenses related to the New Premises.

There were no material changes outside of the ordinary course of business in our contractual obligations as of June 30, 2022 from those disclosed in our Fiscal 2021 Form 10-K. For more information about our Build-to-Suit Lease, and our other contractual obligations see “Note 10. Commitments and contingencies” in “Notes to Condensed Consolidated Financial Statements” included in Part I, Item I of this Quarterly Report on Form 10-Q and see “Note 11. Commitments and contingencies” of the “Notes to Consolidated Financial Statements included in Part II, Item 8 of our Fiscal 2021 Form 10-K.

Critical Accounting Policies and Estimates

The preparation of our Condensed Consolidated Financial Statements conforms to accounting principles generally accepted in the U.S. which requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, equity, revenues and expenses, and related disclosures. 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 our Condensed Consolidated Financial Statements. On an ongoing basis, management evaluates its estimates including, but not limited to: those related to revenue recognition, including determining the nature and timing of satisfaction of performance obligations, and determining the standalone selling price of performance obligations, and variable consideration such as rebates, chargebacks, sales returns and sales allowances as well as milestones included in collaboration arrangements; the amounts of revenues and expenses under our profit and loss sharing agreement; recoverability of inventory; the accrual for certain liabilities including accrued clinical trial liabilities; valuations of equity awards used to determine stock-based compensation, including certain awards with vesting subject to market and/or performance conditions; and the amounts of deferred tax assets and liabilities including the related valuation allowance. We base our estimates on historical experience and on various other market-specific and relevant assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily

apparent from other sources. Our senior management has discussed the development, selection and disclosure of these estimates with the Audit Committee of our Board of Directors. Actual results could differ materially from those estimates.

We believe our critical accounting policies relating to revenue recognition, inventory, clinical trial accruals, stock-based compensation and income taxes reflect the most significant estimates and assumptions used in the preparation of our Condensed Consolidated Financial Statements.

There have been no significant changes in our critical accounting policies and estimates during the six months ended June 30, 2022, compared to the critical accounting policies and estimates disclosed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in Part II, Item 7 of our Fiscal 2021 Form 10-K.

Recent Accounting Pronouncements

For a description of the expected impact of recent accounting pronouncements, see “Note 1. Organization and Summary of Significant Accounting Policies” in the “Notes to Condensed Consolidated Financial Statements” included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our market risks as of June 30, 2022 have not changed significantly from those described in Item 7A of our Fiscal 2021 Form 10-K.

Item 4. Controls and Procedures

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

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

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In September 2019, we received a notice letter regarding an ANDA submitted to the FDA by MSN, requesting approval to market a generic version of CABOMETYX tablets. MSN's initial notice letter included a Paragraph IV certification with respect to our U.S. Patents No. 8,877,776 (salt and polymorphic forms), 9,724,342 (formulations), 10,034,873 (methods of treatment) and 10,039,757 (methods of treatment), which are listed in the Approved Drug Products with Therapeutic Equivalence Evaluations, also referred to as the Orange Book, for CABOMETYX. MSN's initial notice letter did not provide a Paragraph IV certification against U.S. Patents No. 7,579,473 (composition of matter) or 8,497,284 (methods of treatment), each of which is listed in the Orange Book. On October 29, 2019, we filed a complaint in the Delaware District Court for patent infringement against MSN asserting infringement of U.S. Patent No. 8,877,776 arising from MSN's ANDA filing with the FDA. On November 20, 2019, MSN filed its response to the complaint, alleging that the asserted claims of U.S. Patent No. 8,877,776 are invalid and not infringed. On May 5, 2020, we received notice from MSN that it had amended its ANDA to include additional Paragraph IV certifications. In particular, the May 5, 2020 amended ANDA requested approval to market a generic version of CABOMETYX tablets prior to expiration of two previously unasserted CABOMETYX patents: U.S. Patents No. 7,579,473 and 8,497,284. On May 11, 2020, we filed a complaint in the Delaware District Court for patent infringement against MSN asserting infringement of U.S. Patents No. 7,579,473 and 8,497,284 arising from MSN's amended ANDA filing with the FDA. Neither of our complaints have alleged infringement of U.S. Patents No. 9,724,342, 10,034,873 and 10,039,757. On May 22, 2020, MSN filed its response to the complaint, alleging that the asserted claims of U.S. Patents No. 7,579,473 and 8,497,284 are invalid and not infringed. On March 23, 2021, MSN filed its First Amended Answer and Counterclaims (amending its prior filing from May 22, 2020), seeking, among other things, a declaratory judgment that U.S. Patent No. 9,809,549 (salt and polymorphic forms) is invalid and would not be infringed by MSN if its generic version of CABOMETYX tablets were approved by the FDA. U.S. Patent No. 9,809,549 is not listed in the Orange Book. On April 7, 2021, we filed our response to MSN's First Amended Answer and Counterclaims, denying, among other things, that U.S. Patent No. 9,809,549 is invalid or would not be infringed. These two lawsuits, numbered Civil Action Nos. 19-02017 and 20-00633, were consolidated in April 2021.

On October 1, 2021, pursuant to a stipulation between us and MSN, the Delaware District Court entered an order that (i) MSN's submission of its ANDA constitutes infringement of certain claims relating to U.S. Patents No. 7,579,473 and 8,497,284, if those claims are not found to be invalid, and (ii) upon approval, MSN's commercial manufacture, use, sale or offer for sale within the U.S., and importation into the U.S., of MSN's ANDA product prior to the expiration of U.S. Patents No. 7,579,473 and 8,497,284 would also infringe certain claims of each patent, if those claims are not found to be invalid. Then, on October 12, 2021, pursuant to a separate stipulation between us and MSN, the Delaware District Court entered an order dismissing MSN's counterclaims with respect to U.S. Patent No. 9,809,549. In our complaints, we are seeking, among other relief, an order that the effective date of any FDA approval of MSN's ANDA be a date no earlier than the expiration of all of U.S. Patents No. 7,579,473, 8,497,284 and 8,877,776, the latest of which expires on October 8, 2030, and equitable relief enjoining MSN from infringing these patents. In an effort to streamline the case, the parties have narrowed their assertions. On April 8, 2022, MSN withdrew its validity challenge to U.S. Patent No. 8,877,776. On April 14, 2022, we agreed not to assert U.S. Patent No. 8,497,284 at trial and MSN has, correspondingly, agreed to withdraw its validity challenges to U.S. Patent No. 8,497,284, as well as claims 1-4 and 6-7 of U.S. Patent No. 7,579,473. As a result of this narrowing, the trial addressed two issues: (1) infringement of claims 1 and 2 of the U.S. Patent No. 8,877,776; and (2) validity of claim 5 of the U.S. Patent No. 7,579,473. A bench trial occurred in May 2022, and a judgment is expected during the third or fourth quarter of 2022.

On January 11, 2022, we received notice from MSN that it had further amended its ANDA to assert additional Paragraph IV certifications. In particular, the January 11, 2022 amended ANDA requested approval to market a generic version of CABOMETYX tablets prior to expiration of three previously-unasserted CABOMETYX patents that are now listed in the Orange Book: U.S. Patents No. 11,091,439 (crystalline salt forms), 11,091,440 (pharmaceutical composition) and 11,098,015 (methods of treatment). On February 23, 2022, we filed a complaint in the Delaware District Court for patent infringement against MSN asserting infringement of U.S. Patents No. 11,091,439, 11,091,440 and 11,098,015 (the February 2022 MSN ANDA Complaint) arising from MSN's further amendment of its ANDA filing with the FDA. In the February 2022 MSN ANDA Complaint, we are seeking, among other remedies, equitable relief enjoining MSN from infringing these patents, as well as an order that the effective date of any FDA approval of MSN's ANDA would be a date no earlier than the expiration of the patents identified in the February 2022 MSN ANDA Complaint, the latest of which expires on January 15, 2030. The February 2022 MSN ANDA Complaint is a new case, numbered Civil Action No. 22-00228, against MSN involving Exelixis patents that are different from those asserted in the consolidated Civil Action Nos. 19-02017 and 20-00633

described above. On February 25, 2022, MSN filed its response to the complaint, alleging that the asserted claims of U.S. Patents No. 11,091,439, 11,091,440 and 11,098,015 are invalid and not infringed.

On June 21, 2022, pursuant to a stipulation between us and MSN, the Delaware District Court entered an order that (i) MSN's submission of its ANDA constitutes infringement of certain claims relating to U.S. Patents No. 11,091,439, 11,091,440 and 11,098,015, if those claims are not found to be invalid, and (ii) upon approval, MSN's commercial manufacture, use, sale or offer for sale within the U.S., and importation into the U.S., of MSN's ANDA product prior to the expiration of U.S. Patents No. 11,091,439, 11,091,440 and 11,098,015 would also infringe certain claims of each patent, if those claims are not found to be invalid. A bench trial in connection with the February 2022 MSN ANDA Complaint has been scheduled for May 2023.

On June 6, 2022, we received notice from MSN that it had further amended its ANDA to assert an additional Paragraph IV certification. As currently amended, MSN's ANDA now requests approval to market a generic version of CABOMETYX tablets prior to expiration of a previously-unasserted CABOMETYX patent that is now listed in the Orange Book: U.S. Patent No. 11,298,349 (pharmaceutical composition). On July 18, 2022, we filed a complaint in the Delaware District Court for patent infringement against MSN asserting infringement of U.S. Patent No. 11,298,349 (the July 2022 MSN ANDA Complaint) arising from MSN's further amendment of its ANDA Filing with the FDA. In the July 2022 MSN ANDA Complaint, we are seeking, among other remedies, equitable relief enjoining MSN from infringing this patent, as well as an order that the effective date of any FDA approval of MSN's ANDA would be a date no earlier than the expiration of the patent identified in the July 2022 MSN ANDA Complaint, which expires on February 10, 2032. The July 2022 MSN ANDA Complaint is a new case against MSN involving an Exelixis patent that is different from those asserted in the consolidated Civil Action Nos. 19-02017, 20-00633 and 22-00228 described above. MSN's response to the complaint is due on August 9, 2022. A trial has not yet been scheduled in connection with the July 2022 MSN ANDA Complaint.

In May 2021, we received notice letters from Teva regarding an ANDA Teva submitted to the FDA, requesting approval to market a generic version of CABOMETYX tablets. Teva's notice letters included a Paragraph IV certification with respect to our U.S. Patents No. 9,724,342 (formulations), 10,034,873 (methods of treatment) and 10,039,757 (methods of treatment), which are listed in the Orange Book and expire in 2033, 2031 and 2031, respectively. Teva's notice letters did not provide a Paragraph IV certification against any additional CABOMETYX patents. On June 17, 2021, we filed a complaint in the Delaware District Court for patent infringement against Teva, along with Teva Pharmaceutical Industries Limited (Teva Parent), asserting infringement of U.S. Patents No. 9,724,342, 10,034,873 and 10,039,757 arising from Teva's ANDA filing with the FDA. On August 27, 2021, Teva filed its answer and counterclaims to the complaint, alleging that the asserted claims of U.S. Patents No. 9,724,342, 10,034,873 and 10,039,757 are invalid and not infringed, and on August 23, 2021, we and Teva entered into a stipulation wherein Teva Parent was dismissed without prejudice from this lawsuit and agreed to be bound by any stipulation, judgment, order or decision rendered as to Teva, including any appeals and any order granting preliminary or permanent injunctive relief against Teva. On September 17, 2021, we filed an answer to Teva's counterclaims. We are seeking, among other relief, an order that the effective date of any FDA approval of Teva's ANDA be a date no earlier than the expiration of all of U.S. Patents No. 9,724,342, 10,034,873 and 10,039,757, the latest of which expires on July 9, 2033, and equitable relief enjoining Teva from infringing these patents. On February 8, 2022, the parties filed a stipulation to stay all proceedings, which was granted by the Delaware District Court on February 9, 2022. On February 11, 2022, this case was administratively closed.

On July 29, 2022, we received notice from Teva that it had amended its ANDA to assert an additional Paragraph IV certification. As amended, Teva's ANDA now requests approval to market a generic version of CABOMETYX tablets prior to expiration of a previously-unasserted CABOMETYX patent that is now listed in the Orange Book: U.S. Patent No. 11,298,349 (pharmaceutical composition). We have 45 days from the receipt of the July 29, 2022 notice to file a patent infringement claim against Teva relating to the newly challenged patent.

We may also from time to time become a party or subject to various other legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. Some of these proceedings have involved, and may involve in the future, claims that are subject to substantial uncertainties and unascertainable damages.

Item 1A. Risk Factors

In addition to the risks discussed elsewhere in this report, the following are important factors that make an investment in our securities speculative or risky, and that could cause actual results or events to differ materially from those contained in any forward-looking statements made by us or on our behalf. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not currently known to us or that we deem immaterial also may

impair our business operations. If any of the following risks or such other risks actually occur, our business and the value of your investment in our company could be harmed.

Risk Factor Summary

- *Our ability to grow our company is dependent upon the commercial success of CABOMETYX in its approved indications and the continued clinical development, regulatory approval, clinical acceptance and commercial success of the cabozantinib franchise in additional indications.*
- *If we are unable to obtain or maintain coverage and reimbursement for our products from third-party payers, our business will suffer.*
- *Pricing for pharmaceutical products, both in the U.S. and in foreign countries, has come under increasing attention and scrutiny by federal, state and foreign national governments, legislative bodies and enforcement agencies. Initiatives arising from this scrutiny may result in changes that have the effect of reducing our revenue or harming our business or reputation.*
- *The timing of the entrance of generic competitors to CABOMETYX and legislative and regulatory action designed to reduce the barriers to the development, approval and adoption of generic drugs in the U.S. could limit the revenue we derive from our products, most notably CABOMETYX, which could have a material adverse impact on our business, financial condition and results of operations.*
- *We are subject to healthcare laws, regulations and enforcement, as well as laws and regulations relating to privacy, data collection and processing of personal data; our failure to comply with those laws could have a material adverse impact on our business, financial condition and results of operations.*
- *Clinical testing of cabozantinib for new indications, or of new product candidates, is a lengthy, costly, complex and uncertain process that may fail ultimately to demonstrate safety and efficacy data for those products sufficiently differentiated to compete in our highly competitive market environment.*
- *The regulatory approval processes of the U.S. Food and Drug Administration and comparable foreign regulatory authorities are lengthy, uncertain and subject to change, and may not result in regulatory approvals for additional cabozantinib indications or for our other product candidates, which could have a material adverse impact on our business, financial condition and results of operations.*
- *We may be unable to expand our discovery and development pipeline, which could limit our growth and revenue potential.*
- *Our profitability could be negatively impacted if expenses associated with our extensive clinical development, business development and commercialization activities, both for the cabozantinib franchise and our other product candidates, grow more quickly than the revenues we generate.*
- *Our clinical, regulatory and commercial collaborations with major companies make us reliant on those companies for their continued performance and investments, which subjects us to a number of risks. For example, we rely on Ipsen and Takeda for the commercial success of CABOMETYX in its approved indications outside of the U.S., and we are unable to control the amount or timing of resources expended by these collaboration partners in the commercialization of CABOMETYX in its approved indications outside of the U.S. In addition, our growth potential is dependent in part upon companies with which we have entered into research collaborations, in-licensing arrangements and similar business development relationships.*
- *Data breaches, cyber attacks and other failures in our information technology operations and infrastructure could compromise our intellectual property or other sensitive information, damage our operations and cause significant harm to our business and reputation.*
- *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.*
- *If the COVID-19 pandemic is further prolonged or becomes more severe, our business operations and corresponding financial results could suffer, which could have a material adverse impact on our financial condition and prospects for growth.*
- *The loss of key personnel or the inability to retain and, where necessary, attract additional personnel could impair our ability to operate and expand our operations.*

Risks Related to the Commercialization of Our Products

Our ability to grow our company is dependent upon the commercial success of CABOMETYX in its approved indications and the continued clinical development, regulatory approval, clinical acceptance and commercial success of the cabozantinib franchise in additional indications.

We anticipate that for the foreseeable future, our ability to maintain or meaningfully increase cash flow to fund our business operations and growth will depend upon the continued commercial success of CABOMETYX, both alone and in combination with other therapies, as a treatment for the highly competitive indications for which it is approved, and possibly for other indications for which cabozantinib is currently being evaluated in potentially label-enabling clinical trials, if warranted by the data generated from these trials. In this regard, part of our strategy is to pursue additional indications for CABOMETYX and increase the number of cancer patients who could potentially benefit from this medicine. However, we cannot be certain that the clinical trials we and our collaboration partners are conducting will demonstrate adequate safety and efficacy in these additional indications to receive regulatory approval in the major commercial markets where CABOMETYX is approved. Even if the required regulatory approvals to market cabozantinib for additional indications are achieved, we and our collaboration partners may not be able to commercialize CABOMETYX effectively and successfully in these additional indications. If revenue from CABOMETYX decreases or remains flat, or if we are unable to expand the number of labeled indications for which CABOMETYX is approved, or if we or our collaboration partners fail to achieve anticipated product royalties and collaboration milestones, we may need to reduce our operating expenses, access other sources of cash or otherwise modify our business plans, which could have a material adverse impact on our business, financial condition and results of operations.

Our ability to grow revenues from sales of CABOMETYX depends upon the degree of market acceptance among physicians, patients, healthcare payers, and the medical community.

Our ability to increase or maintain revenues from sales of CABOMETYX for its approved indications is, and if approved for additional indications will be, highly dependent upon the extent of market acceptance of CABOMETYX among physicians, patients, foreign and U.S. government healthcare payers such as Medicare and Medicaid, commercial healthcare plans and the medical community. Market acceptance for CABOMETYX could be impacted by numerous factors, including the effectiveness and safety profile, or the perceived effectiveness and safety profile, of CABOMETYX compared to competing products, the strength of CABOMETYX sales and marketing efforts and changes in pricing and reimbursement for CABOMETYX. If CABOMETYX does not continue to be prescribed broadly for the treatment of patients in its approved indications, our product revenues could flatten or decrease, which could have a material adverse impact on our business, financial condition and results of operations.

Our competitors may develop products and technologies that impair the relative value of our marketed products and any current and future product candidates.

The biopharmaceutical industry is competitive and characterized by constant technological change and diverse offerings of products, particularly in the area of oncology therapies. Many of our competitors have greater capital resources, larger research and development staff and facilities, deeper regulatory expertise and more extensive product manufacturing and commercial capabilities than we do, which may afford them a competitive advantage. Further, our competitors may be more effective at in-licensing and developing new commercial products that could render our products, and those of our collaboration partners, obsolete and noncompetitive. We face, and will continue to face, intense competition from biopharmaceutical companies, as well as academic research institutions, clinical reference laboratories and government agencies that are pursuing scientific and clinical research activities similar to ours.

Furthermore, the specific indications for which CABOMETYX is currently or may be approved, based on the results from clinical trials currently evaluating cabozantinib, are highly competitive. Several novel therapies and combinations of therapies have been approved, are in advanced stages of clinical development or are under expedited regulatory review in these indications, and these other therapies are currently competing or are expected to compete with CABOMETYX. Even if our current and future clinical trials, including those evaluating cabozantinib in combination with an ICI in NSCLC and mCRPC or evaluating XL092 in combination with an ICI in CRC, produce positive results sufficient to obtain marketing approval by the FDA and other global regulatory authorities, it is uncertain whether physicians will choose to prescribe regimens containing our products instead of competing products and product combinations in approved indications.

If we are unable to maintain or increase our sales, marketing, market access and product distribution capabilities for our products, we may be unable to maximize product revenues, which could have a material adverse impact on our business, financial condition and results of operations.

Maintaining our sales, marketing, market access and product distribution capabilities requires significant resources, and there are numerous risks involved with maintaining and continuously improving our commercial organization, including our potential inability to successfully recruit, train, retain and incentivize adequate numbers of qualified and effective sales and marketing personnel. We are competing for talent with numerous commercial- and precommercial-stage, oncology-focused biopharmaceutical companies seeking to build out and maintain their commercial organizations, as well as larger biopharmaceutical organizations that have extensive, well-funded and more experienced sales and marketing operations, and we may be unable to maintain or adequately scale our commercial organization as a result of such competition. Also, to the extent that the commercial opportunities for CABOMETYX grow over time, we may not properly scale the size and experience of our commercialization teams to market and sell CABOMETYX successfully in an expanded number of indications. If we are unable to maintain or scale our commercial function appropriately, we may not be able to maximize product revenues, which could have a material adverse impact on our business, financial condition and results of operations.

If we are unable to obtain or maintain coverage and reimbursement for our products from third-party payers, our business will suffer.

Our ability to commercialize our products successfully is highly dependent on the extent to which health insurance coverage and reimbursement is, and will be, available from third-party payers, including foreign and U.S. governmental payers, such as Medicare and Medicaid, and private health insurers. Third-party payers continue to scrutinize and manage access to pharmaceutical products and services and may limit reimbursement for newly approved products and indications. Patients are generally not capable of paying for CABOMETYX or COMETRIQ themselves and rely on third-party payers to pay for, or subsidize, the costs of their medications, among other medical costs. Accordingly, market acceptance of CABOMETYX and COMETRIQ is dependent on the extent to which coverage and reimbursement is available from third-party payers. These entities could refuse, limit or condition coverage for our products, such as by using tiered reimbursement or pressing for new forms of contracting, or alternatively for patients who rely on our co-pay assistance program, implement co-pay accumulators or maximizers that exempt such co-pay assistance from patient deductibles, which has increased and could further increase the costs of our co-pay assistance program or cause patients to abandon CABOMETYX or COMETRIQ therapy due to higher out-of-pocket costs. If third-party payers do not provide or increase limitations on coverage or reimbursement for CABOMETYX or COMETRIQ, our revenues and results of operations may suffer. In addition, even if third-party payers provide some coverage or reimbursement for CABOMETYX or COMETRIQ, the availability of such coverage or reimbursement for prescription drugs under private health insurance and managed care plans, which often varies based on the type of contract or plan purchased, may not be sufficient for patients to afford CABOMETYX or COMETRIQ.

Current healthcare laws and regulations in the U.S. and future legislative or regulatory reforms to the U.S. healthcare system may affect our ability to commercialize our marketed products profitably.

Federal and state governments in the U.S. are considering legislative and regulatory proposals to change the U.S. healthcare system in ways that could affect our ability to continue to commercialize CABOMETYX and COMETRIQ profitably. Similarly, among policy makers and payers, there is significant interest in promoting such changes with the stated goals of containing healthcare costs and expanding patient access. The life sciences industry and specifically the market for the sale, insurance coverage and distribution of pharmaceuticals has been a particular focus of these efforts and would likely be significantly affected by any major legislative or regulatory initiatives.

For instance, efforts to repeal, substantially modify or invalidate some or all of the provisions of the Patient Protection and Affordable Care Act of 2010, as amended (PPACA), some of which have been successful, create considerable uncertainties for all businesses involved in healthcare, including our own. Although such efforts have not significantly impacted our business to date, it is possible that the PPACA will be subject to additional judicial or legislative challenges in the future, which may have a material adverse impact on our business, financial condition and results of operations, and we cannot predict how future healthcare reform measures of the Biden Administration and federal or state legislative or administrative changes relating to healthcare reform will affect our business.

In addition, there are pending federal and state-level legislative proposals that would significantly expand government-provided health insurance coverage, ranging from establishing a single-payer, national health insurance system to more limited “buy-in” options to existing public health insurance programs, each of which could have a significant impact

on the healthcare industry. It is also possible that additional governmental actions will be taken in response to the ongoing COVID-19 pandemic, and that such actions would have a significant impact on these public health insurance programs. While we cannot predict how future legislation (or enacted legislation that has yet to be implemented) will affect our business, such proposals could have the potential to impact access to and sales of our products. Furthermore, the expansion of the 340B Drug Pricing Program through the PPACA (the 340B Program) has increased the number of purchasers who are eligible for significant discounts on branded drugs, including our marketed products. Because we participate in the 340B Program to sell a portion of our marketed products, changes in the administration of the program could have a material adverse impact on our revenues, including the implementation or revision of the program's Administrative Dispute Resolution Process, which is in part intended to resolve claims by covered entities that manufacturers have overcharged them for covered outpatient drugs. A federal court has preliminarily enjoined the 340B Administrative Dispute Resolution Process with respect to the plaintiff manufacturer in that specific challenge, and other legal challenges are ongoing. The Office of Management and Budget initiated review of a new proposed rule titled "340B Drug Pricing Program; Administrative Dispute Resolution" in November 2021.

Some manufacturers are currently involved in ongoing litigation regarding the legality of contract pharmacy arrangements under the 340B Program, which may affect the way in which manufacturers are required to extend discounts to covered entities through contract pharmacies. Effective July 2022, we implemented a 340B Program "integrity initiative," pursuant to which we will request all hospital covered entities (i.e., hospitals that participate in the 340B Program) to provide claims-level data for CABOMETYX and COMETRIQ dispensed by contract pharmacies. A covered entity that elects not to provide this limited claims data and that does not have an in-house pharmacy may designate a single contract pharmacy location within our authorized specialty pharmacy network. We believe this initiative will provide much-needed transparency and promote compliance with program requirements, and at the same time, should not restrict patient access to our medicines. The U.S. Department of Health and Human Services (HHS) has notified us that it is reviewing our policy, and we have responded to HHS' request for information. Since 2021, at least nine manufacturers that previously implemented similar contract pharmacy integrity programs have received enforcement letters from HHS stating that those manufacturers' actions restricted contract pharmacy transactions in violation of the 340B Program statute, which may subject them to repayment of overcharges and civil monetary penalties. As mentioned above, certain of these manufacturers are now in litigation with the government over the legality of these programs, and depending on the outcome of such litigation, we may be required to modify or suspend our 340B Program integrity initiative program. Further, it is possible that HHS could seek to implement administrative proceedings to recover overcharges and/or impose civil monetary penalties against us regarding our 340B Program integrity initiative. If such proceedings were implemented against us, a negative ruling could have a material adverse effect on our business, financial condition and results of operations. Due to general uncertainty with respect to this litigation and in the current regulatory and healthcare policy environment, and specifically regarding positions that the Biden Administration may take with respect to these issues, we are unable to predict the impact of any legislative, regulatory, third-party payer or policy actions, including potential cost containment and healthcare reform measures. If enacted, we and any third parties we may engage may be unable to adapt to any changes implemented as a result of such measures, and we may have difficulties in sustaining profitability or otherwise experience a material adverse impact on our business, financial condition and results of operations.

Pricing for pharmaceutical products in the U.S. has come under increasing attention and scrutiny by federal and state governments, legislative bodies and enforcement agencies. Initiatives arising from this scrutiny may result in changes that have the effect of reducing our revenue or harming our business or reputation.

There continue to be U.S. Congressional inquiries, hearings and proposed and enacted federal legislation and rules, as well as executive orders, designed to, among other things: reduce or limit the prices of drugs and make them more affordable for patients (including, for example, by tying drug prices to the prices of drugs in other countries); reform the structure and financing of Medicare Part D pharmaceutical benefits; implement additional data collection and transparency reporting regarding drug pricing, rebates, fees and other remuneration provided by drug manufacturers; enable the government to negotiate prices under Medicare; revise rules associated with the calculation of average manufacturer price and best price under Medicaid; eliminate the Anti-Kickback Statute (AKS) discount safe harbor protection for manufacturer rebate arrangements with Medicare Part D plan sponsors; create new AKS safe harbors applicable to certain point-of-sale discounts to patients and fixed fee administrative fee payment arrangements with pharmacy benefit managers; and revise the rebate methodology under the Medicaid Drug Rebate Program. For instance, President Biden issued an executive order in July 2021 supporting legislation to enact some of these drug pricing reforms, and in response, HHS released a Comprehensive Plan for Addressing High Drug Prices in September 2021 with specific legislative and administrative policies that Congress could enact to help improve affordability of and access to prescription drugs. While we cannot know the final form or timing of any such legislative, regulatory and/or administrative measures, some of the pending and enacted

legislative proposals or executive rulemaking if implemented without successful legal challenges, would likely have a significant and far-reaching impact on the biopharmaceutical industry and therefore also likely have a material adverse impact on our business, financial condition and results of operations.

At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical and biotherapeutic product pricing, including restrictions on pricing or reimbursement at the state government level, limitations on discounts to patients, marketing cost disclosure and transparency measures, and, in some cases, policies to encourage importation from other countries (subject to federal approval) and bulk purchasing, including the National Medicaid Pooling Initiative. In particular, the obligation to provide notices of price increases to purchasers under laws such as California's SB-17 may influence customer ordering patterns for CABOMETYX and COMETRIQ, which in turn may increase the volatility of our revenues as a reflection of changes in inventory volumes. Furthermore, adoption of these drug pricing transparency regulations, and our associated compliance obligations, may increase our general and administrative costs and/or diminish our revenues. Implementation of these federal and/or state cost-containment measures or other healthcare reforms may limit our ability to generate product revenue or commercialize our products, and in the case of drug pricing transparency regulations, may result in fluctuations in our results of operations.

Lengthy regulatory pricing and reimbursement procedures and cost control initiatives imposed by governments outside the U.S. could delay the marketing of and/or result in downward pressure on the price of our approved products, resulting in a decrease in revenue.

Outside the U.S., including major markets in the EU and Japan, the pricing and reimbursement of prescription pharmaceuticals is generally subject to governmental control. In these countries, pricing and reimbursement negotiations with governmental authorities or payers can take six to 12 months or longer after the initial marketing authorization is granted for a product, or after the marketing authorization for a new indication is granted. This can substantially delay broad availability of the product. To obtain reimbursement and/or pricing approval in some countries, our collaboration partners Ipsen and Takeda may also be required to conduct a study or otherwise provide data that seeks to establish the cost effectiveness of CABOMETYX compared with other available established therapies. The conduct of such a study could also result in delays in the commercialization of CABOMETYX.

Additionally, cost-control initiatives, increasingly based on affordability and accessibility, as well as post-marketing assessments of the added value of CABOMETYX and COMETRIQ as compared to existing treatments, could influence the prices paid for and net revenues we realize from CABOMETYX and COMETRIQ, or the indications for which we are able to obtain reimbursement, which would result in lower license revenues to us. Upcoming legislative and policy changes in the EU are aimed at increasing cooperation between the EU Member States. Such initiatives, particularly the Regulation on Health Technology Assessment adopted in December 2021, may further impact the price and reimbursement status of CABOMETYX and COMETRIQ in the future.

The timing of the entrance of generic competitors to CABOMETYX and legislative and regulatory action designed to reduce barriers to the development, approval and adoption of generic drugs in the U.S. could limit the revenue we derive from our products, most notably CABOMETYX, which could have a material adverse impact on our business, financial condition and results of operations.

Under the Federal Food, Drug and Cosmetic Act (FDCA), the FDA can approve an ANDA for a generic version of a branded drug without the applicant undertaking the human clinical testing necessary to obtain approval to market a new drug. The FDA can also approve a New Drug Application (NDA) under section 505(b)(2) of the FDCA that relies in part on the agency's findings of safety and/or effectiveness for a previously approved drug, where at least some of the information required for approval comes from studies not conducted by or for the applicant and for which the applicant has not obtained a right of reference or use. Both the ANDA and 505(b)(2) NDA processes are discussed in more detail in "Item 1. Business—Government Regulation—FDA Review and Approval—Abbreviated FDA Approval Pathways and Generic Products" in our Fiscal 2021 Form 10-K. In either case, if an ANDA or 505(b)(2) NDA applicant submits an application referencing one of our marketed products prior to the expiry of one or more our Orange Book-listed patents for the applicable product, we may litigate with the potential generic competitor to protect our patent rights, which would result in substantial costs, divert the attention of management, and could have an adverse impact on our stock price. For example, MSN and Teva have separately submitted ANDAs to the FDA requesting approval to market their respective generic versions of CABOMETYX tablets, and we have subsequently filed patent lawsuits against both companies. For a more detailed discussion of these litigation matters, see "Legal Proceedings" in Part II, Item 1 of this Quarterly Report on Form 10-Q. It is possible that MSN, Teva or other companies, following FDA approval of an ANDA or 505(b)(2) NDA, could introduce generic or otherwise competitor versions of our marketed products before our patents expire if they do not infringe our

patents or if it is determined that our patents are invalid or unenforceable, and we expect that generic cabozantinib products would be offered at a significantly lower price compared to our marketed cabozantinib products. Therefore, regardless of the regulatory approach, the introduction of a generic version of cabozantinib would likely decrease our revenues derived from the U.S. sales of CABOMETYX and thereby materially harm our business, financial condition and results of operations. There are also equivalent procedures in the EU permitting authorization of generic versions and biosimilars of medicinal products authorized in the EU once related data and market exclusivity periods have expired.

The U.S. federal government has also taken numerous legislative and regulatory actions to expedite the development and approval of generic drugs and biosimilars. Both Congress and the FDA are considering, and have enacted, various legislative and regulatory proposals focused on drug competition, including legislation focused on drug patenting and provision of drug to generic applicants for testing. For example, the Ensuring Innovation Act, enacted in April 2021, amended the FDA's statutory authority for granting new chemical entity (NCE) exclusivity to reflect the agency's existing regulations and longstanding interpretation that award NCE exclusivity based on a drug's active moiety, as opposed to its active ingredient, which is intended to limit the applicability of NCE exclusivity, thereby potentially facilitating generic competition. The FDA has also released a Drug Competition Action Plan, which proposes actions to broaden access to generic drugs and lower consumers' healthcare costs by, among other things, improving the efficiency of the generic drug approval process and supporting the development of complex generic drugs. In addition, the Further Consolidated Appropriations Act, 2020, which incorporated the framework from the Creating and Restoring Equal Access To Equivalent Samples (CREATES) legislation, purports to promote competition in the market for drugs and biotherapeutic products by facilitating the timely entry of lower-cost generic and biosimilar versions of those drugs and biotherapeutic products, including by allowing ANDA, 505(b)(2) NDA or biosimilar developers to obtain access to branded drug and biotherapeutic product samples. While the full impact of these provisions is unclear at this time, its provisions do have the potential to facilitate the development and future approval of generic versions of our products, introducing generic competition that could have a material adverse impact on our business, financial condition and results of operations.

Risks Related to Healthcare Regulatory and Other Legal Compliance Matters

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

We are subject to federal and state healthcare laws and regulations, which laws and regulations are enforced by the federal government and the states in which we conduct our business. Should our compliance controls prove ineffective at preventing or mitigating the risk and impact of improper business conduct or inaccurate reporting, we could be subject to enforcement of the following, including, without limitation:

- the federal AKS;
- the FDCA and its implementing regulations;
- federal civil and criminal false claims laws, including the civil False Claims Act, and the Civil Monetary Penalties Law;
- federal criminal laws that prohibit executing a scheme to defraud any healthcare benefit program or making false statements relating to healthcare matters;
- the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and its implementing regulations, as amended;
- state law equivalents of each of the above federal laws;
- the Open Payments program of the PPACA;
- state and local laws and regulations that require drug manufacturers to file reports relating to marketing activities, payments and other remuneration and items of value provided to healthcare professionals and entities; and
- state and federal pharmaceutical price and price reporting laws and regulations.

In addition, we may be subject to the Foreign Corrupt Practices Act, a U.S. law which regulates certain financial relationships with foreign government officials (which could include, for example, medical professionals employed by national healthcare programs) and its foreign equivalents, as well as federal and state consumer protection and unfair competition laws.

These federal and state healthcare laws and regulations govern drug marketing practices, including off-label promotion, and also impact our current and future business arrangements with third parties, including various healthcare entities. If our operations are found, or even alleged, to be in violation of the laws described above or other governmental

regulations that apply to us, we, or our officers or employees, may be subject to significant penalties, including administrative civil and criminal penalties, damages, fines, regulatory penalties, the curtailment or restructuring of our operations, exclusion from participation in Medicare, Medicaid and other federal and state healthcare programs, imprisonment, reputational harm, additional reporting requirements and oversight through a Corporate Integrity Agreement or other monitoring agreement, any of which would adversely affect our ability to sell our products and operate our business and also adversely affect our financial results. Furthermore, responding to any such allegation or investigation and/or defending against any such enforcement actions can be time-consuming and would require significant financial and personnel resources. Therefore, if any state or the federal government initiates an enforcement action against us, our business may be impaired, and even if we are ultimately successful in our defense, litigating these actions could result in substantial costs and divert the attention of management.

Enhanced governmental and private scrutiny over, or investigations or litigation involving, pharmaceutical manufacturer patient assistance programs and donations to patient assistance foundations created by charitable organizations could negatively impact our business practices, harm our reputation, divert the attention of management and increase our expenses.

To help patients afford our products, we have a patient assistance program and also occasionally make donations to independent charitable foundations that help financially needy patients. These types of programs designed to assist patients with affording pharmaceuticals have become the subject of Congressional interest and enhanced government scrutiny. The HHS Office of Inspector General established guidelines permitting pharmaceutical manufacturers to make donations to charitable organizations that provide co-pay assistance to Medicare patients, provided that manufacturers meet certain specified compliance requirements. In the event we make such donations but are found not to have complied with these guidelines and other laws or regulations respecting the operation of these programs, we could be subject to significant damages, fines, penalties or other criminal, civil or administrative sanctions or enforcement actions. Moreover, in December 2020, the Centers for Medicare and Medicaid Services (CMS) finalized changes to Medicaid Drug Rebate Program pricing calculations regarding the provision of co-payment assistance to patients that may be impacted by private insurer accumulator programs. Although the portion of this rule dealing with manufacturer co-payment assistance (and related support programs) was struck down by the U.S. District Court for the District of Columbia in May 2022, this ruling is subject to appeal, and it also is possible that CMS could issue new rulemaking or guidance that would affect the amount of rebates owed under the Medicaid program or otherwise limit our ability to support our patient co-pay assistance program. We also rely on a third-party hub provider and exercise oversight to monitor patient assistance program activities. Hub providers are generally hired by manufacturers to assist patients with insurance coverage, financial assistance and treatment support after the patients receive a prescription from their healthcare professional. For manufacturers of specialty pharmaceuticals (including our marketed products), the ability to have a single point of contact for their therapies helps ensure efficient medication distribution to patients. Accordingly, our hub activities are also subject to scrutiny and may create risk for us if not conducted appropriately. A variety of entities, including independent charitable foundations and pharmaceutical manufacturers, but not including our company, have received subpoenas from the U.S. Department of Justice (DOJ) and other enforcement authorities seeking information related to their patient assistance programs and support, and certain of these entities have entered into costly civil settlement agreements with DOJ and other enforcement authorities that include requirements to maintain complex corporate integrity agreements that impose significant reporting and other requirements. Should we or our hub providers receive a subpoena or other process, regardless of whether we are ultimately found to have complied with the regulations governing patient assistance programs, this type of government investigation could negatively impact our business practices, harm our reputation, divert the attention of management and increase our expenses.

We are subject to laws and regulations relating to privacy, data protection and the collection and processing of personal data. Failure to maintain compliance with these regulations could create additional liabilities for us.

The legislative and regulatory landscape for privacy and data protection continues to evolve in the U.S. and other jurisdictions around the world. For example, the California Consumer Privacy Act of 2018 (CCPA) went into operation in 2020 and affords California residents expanded privacy rights and protections, including civil penalties for violations and statutory damages under a private right of action for data security breaches. These protections will be expanded by the California Privacy Rights Act (CPRA), which will be operational in most key respects on January 1, 2023. Similar legislative proposals have passed or are being advanced in other states, and Congress is also considering additional federal privacy legislation. In addition, most healthcare professionals and facilities are subject to privacy and security requirements under HIPAA with respect to our clinical and commercial activities. Although we are not considered to be a covered entity or business associate under HIPAA, we could be subject to penalties if we use or disclose individually identifiable health information in a manner not authorized or permitted by HIPAA. Other countries also have, or are developing, laws

governing the collection, use and transmission of personal information. For example, in the EU, the EU General Data Protection Regulation 2016/679 (GDPR) regulates the processing of personal data of individuals within the EU, even if, under certain circumstances, that processing occurs outside the EU, and also places restrictions on transfers of such data to countries outside of the EU, including the U.S. Should we fail to provide adequate privacy or data security protections or maintain compliance with these laws and regulations, including the CCPA, CPRA and GDPR, we could be subject to sanctions or other penalties, litigation, an increase in our cost of doing business and questions concerning the validity of our data processing activities, including clinical trials.

Risks Related to Growth of Our Product Portfolio and Research and Development

Clinical testing of cabozantinib for new indications, or of new product candidates, is a lengthy, costly, complex and uncertain process that may fail ultimately to demonstrate safety and efficacy data for those products sufficiently differentiated to compete in our highly competitive market environment.

Clinical trials are inherently risky and may reveal that cabozantinib, despite its approval for certain indications, or a new product candidate, is ineffective or has an unacceptable safety profile with respect to an intended use. Such results may significantly decrease the likelihood of regulatory approval of a product candidate or of an approved product for a new indication. Moreover, the results of preliminary studies do not necessarily predict clinical or commercial success, and late-stage or other potentially label-enabling clinical trials may fail to confirm the results observed in early-stage trials or preliminary studies. Although we have established timelines for manufacturing and clinical development of cabozantinib and our other product candidates 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 investigations, that could delay or prevent commercialization of cabozantinib in new indications or of XL092 or other new product candidates. These events may include:

- lack of acceptable efficacy or a tolerable safety profile;
- negative or inconclusive clinical trial results that require us to conduct further testing or to abandon projects;
- discovery or commercialization by our competitors of other compounds or therapies that show significantly improved safety or efficacy compared to cabozantinib or our other product candidates;
- our inability to identify and maintain a sufficient number of clinical trial sites;
- lower-than-anticipated patient registration or enrollment in our clinical testing;
- additional complexities posed by clinical trials evaluating cabozantinib, XL092 or our other product candidates in combination with other therapies, including extended timelines to provide for collaboration on clinical development planning, the failure by our collaboration partners to provide us with an adequate and timely supply of product that complies with the applicable quality and regulatory requirements for a combination trial
- reduced staffing or shortages in laboratory supplies and other resources necessary to complete the trials;
- failure of our third-party contract research organizations or investigators to satisfy their contractual obligations, including deviating from any trial protocols; and
- withholding of authorization from regulators or institutional review boards to commence or conduct clinical trials or delays, variations, suspensions or terminations of clinical research for various reasons, including noncompliance with regulatory requirements or a determination by these regulators and institutional review boards that participating patients are being exposed to unacceptable health risks.

The ongoing Russo-Ukrainian War has had a modest impact on our clinical development operations, particularly with respect to patient recruitment, potentially delaying our ability to complete enrollment in a timely manner. In addition, this conflict has had and may continue to have an adverse impact on the ability of clinical sites and their patients to adhere to trial protocols for in-office clinical visits and other procedures, our ability to supply clinical sites with cabozantinib or other study drugs and to pay clinical sites and investigators for work performed, as well as our ability to collect data and conduct site monitoring visits, all of which could undermine the data quality for patients enrolled at these clinical sites. The need to shift enrollment of patients away from these clinical sites or close certain sites entirely, or to replace patients in affected territories should investigators be unable to continue treating and monitoring them, could further impact our anticipated timelines for completing the trials and achieving clinical endpoints, as well as increase our clinical development expenses.

If there are further delays in or termination of the clinical testing of cabozantinib, XL092 or our other product candidates due to any of the events described above or otherwise, our expenses could increase and our ability to generate revenues could be impaired, either of which could adversely impact our financial results. Furthermore, we rely on our collaboration partners to fund a significant portion of our clinical development programs. Should one or all of our collaboration partners decline to support future planned clinical trials, we will be entirely responsible for financing the further development of the cabozantinib franchise, XL092 or our other product candidates and, as a result, we may be unable to execute our current business plans, which could have a material adverse impact on our business, financial condition and results of operations.

We may not be able to pursue the further development of the cabozantinib franchise, XL092 or our other product candidates or meet current or future requirements of the FDA or regulatory authorities in other jurisdictions in accordance with our stated timelines or at all. 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 our product candidates or otherwise may not result in an approvable product. The duration and the cost of clinical trials vary significantly as a result of factors relating to a particular clinical trial, including, among others: the characteristics of the product candidate under investigation; the number of patients who ultimately participate in the clinical trial; the duration of patient follow-up; the number of clinical sites included in the trial; and the length of time required to enroll eligible patients. 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.

The regulatory approval processes of the FDA and comparable foreign regulatory authorities are lengthy, uncertain and subject to change, and may not result in regulatory approvals for additional cabozantinib indications or for our other product candidates, which could have a material adverse impact on our business, financial condition and results of operations.

The activities associated with the research, development and commercialization of the cabozantinib franchise, XL092 and our other product candidates are subject to extensive regulation by the FDA and other regulatory agencies in the U.S., as well as by comparable regulatory authorities in other territories. The processes of obtaining regulatory approvals in the U.S. and other foreign jurisdictions is expensive and often takes many years, if approval is obtained at all, and they can vary substantially based upon the type, complexity and novelty of the product candidates involved. For example, before an NDA or supplemental New Drug Application (sNDA) can be submitted to the FDA, or a marketing authorization application to the EMA or any application or submission to comparable regulatory authorities in other jurisdictions, the product candidate must undergo extensive clinical trials, which can take many years and require substantial expenditures.

Any clinical trial may fail to produce results satisfactory to the FDA or regulatory authorities in other jurisdictions. The FDA has substantial discretion in the approval process and may refuse to approve any NDA or sNDA or decide that our data is insufficient for approval and require additional preclinical, clinical or other studies. In addition, we may encounter delays or rejections based upon changes in policy, which could cause delays in the approval or rejection of an application for cabozantinib or for XL092 or our other product candidates. For example, the FDA launched Project Optimus in 2021 as an initiative to reform the dose optimization and dose selection paradigm in oncology drug development, which was driven by the FDA's concerns that the current paradigm for dose selection may result in doses and schedules of molecularly targeted therapies that are inadequately characterized before initiating pivotal trials. Through collaboration with the biopharmaceutical industry, academia and other stakeholders, the FDA's goal for this initiative is to advance an oncology dose-finding and dose optimization paradigm that emphasizes dose selections that maximize efficacy as well as safety and tolerability. In support of this initiative, the FDA may request sponsors of oncology product candidates to conduct dose optimization studies pre- or post-approval, and the FDA also continues to develop and finalize guidance documents and implement initiatives regarding the development and clinical research of oncology product candidates. Recently, in part due to questions raised by the process underlying the approval of the Alzheimer's disease drug Aduhelm®, government authorities and other stakeholders have been scrutinizing the accelerated approval pathway, with some stakeholders advocating for reforms. Even prior to the Aduhelm approval, FDA has held Oncologic Drugs Advisory Committee meetings to discuss accelerated approvals for which confirmatory trials have not verified clinical benefit. Such scrutiny, among other factors, has resulted in voluntary withdrawals of certain products and indications approved on an accelerated basis. Moreover, also spurred by the Aduhelm controversy, the HHS Office of Inspector General has initiated an assessment of how the FDA implements the accelerated approval pathway. In addition, members of Congress have introduced proposed legislation to revise the statutory accelerated approval pathway, including with respect to the FDA's ability to rapidly withdraw products and indications for which effectiveness is not confirmed in post-marketing studies. At this time, it is not clear what impact, if any, these developments may have on the statutory accelerated approval pathway or our business, financial condition and results of operations.

Even if the FDA or a comparable authority in another jurisdiction approves cabozantinib for one or more new indications or approves one of our other product candidates, including XL092, for use, such approval may be limited, imposing significant restrictions on the indicated uses, conditions for use, labeling, distribution, and/or production of the product and could impose requirements for post-marketing studies, including additional research and clinical trials, all of which may result in significant expense and limit our and our collaboration partners' ability to commercialize cabozantinib, XL092 or our other product candidates in any new indications. Failure to complete post-marketing requirements of the FDA in connection with a specific approval in accordance with the timelines and conditions set forth by the FDA could significantly increase costs or delay, limit or ultimately restrict the commercialization of cabozantinib, XL092 or another product candidate in the approved indication. Regulatory agencies could also impose various administrative, civil or criminal sanctions for failure to comply with regulatory requirements, including withdrawal of product approval. Further, current or any future laws or executive orders governing FDA or foreign regulatory approval processes that may be enacted or executed could have a material adverse impact on our business, financial condition and results of operations.

We may be unable to expand our discovery and development pipeline, which could limit our growth and revenue potential.

Our business is focused on the discovery, development and commercialization of new medicines for difficult-to-treat cancers. In this regard, we have invested in substantial technical, financial and human resources toward drug discovery activities with the goal of identifying new product candidates to advance into clinical trials. Notwithstanding this investment, many programs that initially show promise will ultimately fail to yield product candidates for multiple reasons. For example, product candidates may, on further study, be shown to have inadequate efficacy, harmful side effects, suboptimal pharmaceutical profiles or other characteristics suggesting that they are unlikely to be commercially viable products.

Apart from our drug discovery efforts, our strategy to expand our development pipeline is also dependent on our ability to successfully identify and acquire or in-license relevant product candidates and technologies. However, the in-licensing and acquisition of product candidates and technologies is a highly competitive area, and many other companies are pursuing the same or similar product candidates and technologies to those that we may consider attractive. In particular, larger companies with more capital resources and more extensive clinical development and commercialization capabilities may have a competitive advantage over us. Furthermore, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We may also be unable to in-license or acquire additional product candidates and technologies on acceptable terms that would allow us to realize an appropriate return on our investment. Even if we succeed in our efforts to obtain rights to suitable product candidates and technologies, the competitive business environment may result in higher acquisition or licensing costs, and our investment in these potential products and technologies will remain subject to the inherent risks associated with the development and commercialization of new medicines. In certain circumstances, we may also be reliant on the licensor for the continued development of the in-licensed technology and their efforts to safeguard their underlying intellectual property.

With respect to acquisitions, we may not be able to integrate the target company successfully into our existing business, maintain the key business relationships of the target company, or retain key personnel of the acquired business. Furthermore, we could assume unknown or contingent liabilities or otherwise incur unanticipated expenses. Any acquisitions or investments made by us also could result in our spending significant amounts, issuing dilutive securities, assuming or incurring significant debt obligations and contingent liabilities, incurring large one-time expenses and acquiring intangible assets that could result in significant future amortization expense and significant write-offs, any of which could harm our financial condition and results of operations. If our drug discovery efforts, including research collaborations, in-licensing arrangements and other business development activities, do not result in suitable product candidates, our business and prospects for growth could suffer.

Risks Related to Financial Matters and Capital Requirements

Our profitability could be negatively impacted if expenses associated with our extensive clinical development, business development and commercialization activities, both for the cabozantinib franchise and our other product candidates, grow more quickly than the revenues we generate.

Although we reported net income of $70.7 million and $139.2 million for the three and six months ended June 30, 2022 and $231.1 million for the fiscal year ended December 31, 2021, we may not be able to maintain or increase profitability on a quarterly or annual basis, and we are unable to predict the extent of future profits or losses. The amount of our net profits or losses will depend, in part, on: the level of sales of CABOMETYX and COMETRIQ in the U.S.; our

achievement of development, regulatory and commercial milestones, if any, under our collaboration agreements; the amount of royalties from sales of CABOMETYX and COMETRIQ outside of the U.S. under our collaboration agreements; other collaboration revenues; and the level of our expenses, including those associated with our extensive drug discovery, clinical development and business development activities, both for the cabozantinib franchise and our other product candidates, as well as our general business expansion plans. Our expected future expenses in particular may also be increased by inflationary pressures, whether resulting from the effects of the ongoing Russo-Ukrainian War or the COVID-19 pandemic or otherwise, which could increase the costs of outside services, labor, raw materials and finished drug product. We expect to continue to spend substantial amounts to fund the continued development of the cabozantinib franchise for additional indications and of our other product candidates, as well as the commercialization of our approved products. In addition, we intend to continue to expand our oncology product pipeline through our drug discovery efforts, including research collaborations, in-licensing arrangements and other strategic transactions that align with our oncology drug development, regulatory and commercial expertise, which efforts could involve substantial costs. To offset these costs in the future, we will need to generate substantial revenues. If these costs exceed our current expectations, or we fail to achieve anticipated revenue targets, the market value of our common stock may decline.

If additional capital is not available to us when we need it, we may be unable to expand our product offerings and maintain business growth.

Our commitment of cash resources to CABOMETYX and the reinvestment in our product pipeline through the continued development of the cabozantinib franchise and our other product candidates, and increasing drug discovery activities, as well as through the execution of business development transactions, could require us to obtain additional capital. We may seek such additional capital through some or all of the following methods: corporate collaborations; licensing arrangements; and public or private debt or equity financings. Our ability to obtain additional capital may depend on prevailing macroeconomic conditions and financial, business and other factors beyond our control. We do not know whether additional capital will be available when needed, or that, if available, we will obtain additional capital on terms favorable to us or our stockholders. If we are unable to raise additional funds when we need them, we may be unable to expand our product offerings and maintain business growth, which could have a material adverse impact on our business, financial condition and results of operations.

Risks Related to Our Relationships with Third Parties

We rely on Ipsen and Takeda for the commercial success of CABOMETYX in its approved indications outside of the U.S., and we are unable to control the amount or timing of resources expended by these collaboration partners in the commercialization of CABOMETYX in its approved indications outside of the U.S.

We rely upon the regulatory, commercial, medical affairs, market access and other expertise and resources of our collaboration partners, Ipsen and Takeda, for commercialization of CABOMETYX in their respective territories outside of the U.S. We cannot control the amount and timing of resources that our collaboration partners dedicate to the commercialization of CABOMETYX, or to its marketing and distribution, and our ability to generate revenues from the commercialization of CABOMETYX by our collaboration partners depends on their ability to obtain and maintain regulatory approvals for, achieve market acceptance of, and to otherwise effectively market, CABOMETYX in its approved indications in their respective territories. Further, the operations of our collaboration partners, and ultimately their sales of CABOMETYX in their respective territories outside of the U.S., could be adversely affected by the degree and effectiveness of their respective corporate responses to the COVID-19 pandemic, as well as by the imposition of governmental price or other controls, political and macroeconomic instability, trade restrictions or barriers and changes in tariffs, escalating global trade and political tensions, or other factors. If our collaboration partners are unable or unwilling to invest the resources necessary to commercialize CABOMETYX successfully in the EU, Japan and other international territories where it has been approved, this could reduce the amount of revenue we are due to receive under these collaboration agreements, thus resulting in harm to our business and operations.

Our clinical, regulatory and commercial collaborations with major companies make us reliant on those companies for their continued performance and investments, which subjects us to a number of risks.

We have established clinical and commercial collaborations with leading biopharmaceutical companies for the development and commercialization of our products, and our dependence on these collaboration partners subjects us to a number of risks, including, but not limited to:

- our collaboration partners' decision to terminate our collaboration, or their failure to comply with the terms of our collaboration agreements and related ancillary agreements, either intentionally or as a result of negligence or other insufficient performance;
- our inability to control the amount and timing of resources that our collaboration partners devote to the development or commercialization of our products;
- the possibility that our collaboration partners may stop or delay clinical trials, fail to supply us on a timely basis with product required for a combination trial, or deliver product that fails to meet appropriate quality and regulatory standards;
- disputes that may arise between us and our collaboration partners that result in the delay or termination of the development or commercialization of our drug candidates, or that diminish or delay receipt of the economic benefits we are entitled to receive under the collaboration, or that result in costly litigation or arbitration;
- the possibility that our collaboration partners may experience financial difficulties that prevent them from fulfilling their obligations under our agreements;
- our collaboration partners' inability to obtain regulatory approvals in a timely manner, or at all;
- our collaboration partners' failure to comply with legal and regulatory requirements relevant to the authorization, marketing, distribution and supply of our marketed products in the territories outside the U.S. where they are approved; and
- our collaboration partners' failure to properly maintain or defend our intellectual property rights or their use of our intellectual property rights or proprietary information in such a way as to invite litigation that could jeopardize or invalidate our intellectual property rights or expose us to potential litigation.

If any of these risks materialize, we may not receive collaboration revenues or otherwise realize anticipated benefits from such collaborations, and our product development efforts and prospects for growth could be delayed or disrupted, all of which could have a material adverse impact on our business, financial condition and results of operations.

Our growth potential is dependent in part upon companies with which we have entered into research collaborations, in-licensing arrangements and similar business development relationships.

To expand our early-stage product pipeline, we have augmented our drug discovery activities with multiple research collaborations and in-licensing arrangements with other companies. Our dependence on our relationships with these research and in-licensing partners subjects us to numerous risks, including, but not limited to:

- our research and in-licensing partners' decision to terminate our relationship, or their failure to comply with the terms of our agreements, either intentionally or as a result of negligent performance;
- disputes that may arise between us and our research and in-licensing partners that result in the delay or termination of research activities with respect to any in-licensed assets or supporting technology platforms;
- the possibility that our research and in-licensing partners may experience financial difficulties that prevent them from fulfilling their obligations under our agreements;
- our research and in-licensing partners' failure to properly maintain or defend their intellectual property rights or their use of third-party intellectual property rights or proprietary information in such a way as to invite litigation that could jeopardize or invalidate our license to develop these assets or utilize technology platforms;
- laws, regulations or practices imposed by countries outside the U.S. that could impact or inhibit scientific research or the development of healthcare products by foreign competitors or otherwise disadvantage healthcare products made by foreign competitors, as well as general political or economic instability in those countries, any of which could complicate, interfere with or impede our relationships with our ex-U.S. research, development and in-licensing partners; and
- our research and in-licensing partners' failure to comply with applicable healthcare laws, as well as established guidelines, laws and regulations related to Good Manufacturing Practice and Good Laboratory Practice.

If any of these risks materialize, we may not be able to expand our product pipeline or otherwise realize a return on the resources we will have invested to develop these early-stage assets, which could have a material adverse impact on our financial condition and prospects for growth.

If third parties upon which we rely to perform clinical trials for cabozantinib in new indications or for new product candidates do not perform as contractually required or expected, we may not be able to obtain regulatory approval for or commercialize cabozantinib or other product candidates beyond currently approved indications.

We do not have the ability to conduct clinical trials for cabozantinib or for new potential product candidates independently, so we rely on independent third parties for the performance of these trials, such as the U.S. federal government, third-party contract research organizations, medical institutions, clinical investigators and contract laboratories to conduct our clinical trials. If these third parties do not successfully carry out their contractual duties or regulatory obligations or meet expected deadlines, or if the third parties must be replaced or if the quality or accuracy of the data they generate or provide is compromised due to their failure to adhere to our clinical trial or data security protocols or regulatory requirements or for other reasons, our preclinical development activities or clinical trials may be extended, delayed, suspended or terminated, and we may not be able to obtain regulatory approval for or commercialize cabozantinib beyond currently approved indications or obtain regulatory approval for XL092 or our other product candidates. In addition, due to the complexity of our research initiatives, we may be unable to engage with third-party contract research organizations that have the necessary experience and sophistication to help advance our drug discovery efforts, which would impede our ability to identify, develop and commercialize our potential product candidates.

We lack our own manufacturing and distribution capabilities necessary for us to produce materials required for certain preclinical activities and to produce and distribute our products for clinical development or for commercial sale, and our reliance on third parties for these services subjects us to various risks.

We do not own or operate manufacturing or distribution facilities for chemistry, manufacturing and control development activities, preclinical, clinical or commercial production and distribution for our current products and new product candidates. Instead, we rely on various third-party contract manufacturing organizations to conduct these operations on our behalf. As our operations continue to grow in these areas, we continue to expand our supply chain through secondary third-party contract manufacturers, distributors and suppliers. To establish and manage our supply chain requires a significant financial commitment, the creation of numerous third-party contractual relationships and continued oversight of these third parties to fulfill compliance with applicable regulatory requirements. Although we maintain significant resources to directly and effectively oversee the activities and relationships with the companies in our supply chain, we do not have direct control over their operations.

Our third-party contract manufacturers may not be able to produce or deliver material on a timely basis or manufacture material with the required quality standards, or in the quantity required to meet our preclinical, clinical development and commercial needs and applicable regulatory requirements. Although we have not yet experienced significant production delays or seen significant impairment to our supply chain as a result of the COVID-19 pandemic or the ongoing Russo-Ukrainian War, our third-party contract manufacturers, distributors and suppliers could experience operational delays due to lack of capacity or resources, facility closures and other hardships as a result of these types of global events, which could impact our supply chain by potentially causing delays to or disruptions in the supply of our preclinical, clinical or commercial products. If our third-party contract manufacturers, distributors and suppliers do not continue to supply us with our products or product candidates in a timely fashion and in compliance with applicable quality and regulatory requirements, or if they otherwise fail or refuse to comply with their obligations to us under our manufacturing, distribution and supply arrangements, we may not have adequate remedies for any breach. Furthermore, their failure to supply us could impair or preclude meeting commercial or clinical product supply requirements for us or our partners, which could delay product development and future commercialization efforts and have a material adverse impact on our business, financial condition and results of operations. In addition, through our third-party contract manufacturers and data service providers, we continue to provide serialized commercial products as required to comply with the Drug Supply Chain Security Act (DSCSA). If our third-party contract manufacturers or data service providers fail to support our efforts to continue to comply with DSCSA and any future federal or state electronic pedigree requirements, we may face legal penalties or be restricted from selling our products.

If third-party scientific advisors and contractors we rely on to assist with our drug discovery efforts do not perform as expected, the expansion of our product pipeline may be delayed.

We work with scientific advisors at academic and other institutions, as well as third-party contractors in various locations throughout the world, that assist us in our research and development efforts, including in drug discovery and preclinical development strategy. These third parties are not our employees and may have other commitments or contractual obligations that limit their availability to us. Although these third-party scientific advisors and contractors 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. There has also been increased scrutiny surrounding the disclosures of payments made to medical researchers from companies in the pharmaceutical industry, and it is possible that the academic and other institutions that employ these medical researchers may prevent us from engaging them as scientific advisors and contractors or otherwise limit our access to these experts, or that the scientific advisors themselves may now be more reluctant to work with industry partners. Even if these scientific advisors and contractors with whom we have engaged intend to meet their contractual obligations, their ability to perform services may be impacted by increased demand for such services from other companies or by other external factors, such as reduced capacity to perform services, as we experienced in the early stages of the COVID-19 pandemic. If we experience additional delays in the receipt of services, lose work performed by these scientific advisors and contractors or are unable to engage them in the first place, our discovery and development efforts with respect to the matters on which they were working or would work in the future may be significantly delayed or otherwise adversely affected.

Risks Related to Our Information Technology and Intellectual Property

Data breaches, cyber-attacks and other failures in our information technology operations and infrastructure could compromise our intellectual property or other sensitive information, damage our operations and cause significant harm to our business and reputation.

In the ordinary course of our business, we and our third-party service providers, such as contract research organizations, collect, maintain and transmit sensitive data on our networks and systems, including our intellectual property and proprietary or confidential business information (such as research data and personal information) and confidential information with respect to our customers, clinical trial patients and our collaboration partners. We have also outsourced significant elements of our information technology infrastructure to third parties and, as a result, such third parties may or could have access to our confidential information. The secure maintenance of this information is critical to our business and reputation, and while we have enhanced and are continuing to enhance our cybersecurity efforts commensurate with the growth and complexity of our business, our systems and those of third-party service providers may be vulnerable to a cyber-attack. In addition, we are heavily dependent on the functioning of our information technology infrastructure to carry out our business processes, such as external and internal communications or access to clinical data and other key business information. Accordingly, both inadvertent disruptions to this infrastructure and cyber-attacks could cause us to incur significant remediation or litigation costs, result in product development delays, disrupt critical business operations, expend key information technology resources and divert the attention of management.

Although the aggregate impact of cyber-attacks on our operations and financial condition has not been material to date, we and our third-party service providers have frequently been the target of threats of this nature and expect them to continue. Any future data breach and/or unauthorized access or disclosure of our information or intellectual property could compromise our intellectual property and expose our sensitive business information or sensitive business information of our collaboration partners, which may lead to significant liability for us. A data security breach could also lead to public exposure of personal information of our clinical trial patients, employees or others and result in harm to our reputation and business, compel us to comply with federal and/or state breach notification laws and foreign law equivalents including the GDPR, subject us to investigations and mandatory corrective action, or otherwise subject us to liability under laws and regulations that protect the privacy and security of personal information, which could disrupt our business, result in increased costs or loss of revenue, and/or result in significant financial exposure. Furthermore, the costs of maintaining or upgrading our cybersecurity systems (including the recruitment and retention of experienced information technology professionals, who are in high demand) at the level necessary to keep up with our expanding operations and prevent against potential attacks are increasing, and despite our best efforts, our network security and data recovery measures and those of our third-party service providers may still not be adequate to protect against such security breaches and disruptions, which could cause material harm to our business, financial condition and results of operations.

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

Our success will depend in part upon our ability to obtain patents and maintain adequate protection of the intellectual property related to our technologies and products. The patent positions of biopharmaceutical companies, including our patent position, are generally uncertain and involve complex legal and factual questions. We will be able to protect our intellectual property rights from unauthorized use by third parties only to the extent that our technologies are covered by valid and enforceable patents or are effectively maintained as trade secrets. We will continue to apply for patents covering our technologies and products as, where and when we deem lawful and appropriate. However, these applications may be challenged or may fail to result in issued patents. Our issued patents have been and may in the future be challenged by third parties as invalid or unenforceable under U.S. or foreign laws, or they may be infringed by third parties, and we are from time to time involved in the defense and enforcement of our patents or other intellectual property rights in a court of law, U.S. Patent and Trademark Office *inter partes* review or reexamination proceeding, foreign opposition proceeding or related legal and administrative proceeding in the U.S. and elsewhere. The costs of defending our patents or enforcing our proprietary rights in post-issuance administrative proceedings and litigation can be substantial and the outcome can be uncertain. An adverse outcome may allow third parties to use our intellectual property without a license and/or allow third parties to introduce generic and other competing products, any of which would negatively impact our business. Third parties may also attempt to invalidate or design around our patents, or assert that they are invalid or otherwise unenforceable, and seek to introduce generic versions of cabozantinib. For example, we received Paragraph IV certification notice letters from MSN and Teva concerning the respective ANDAs that each had filed with the FDA seeking approval to market their respective generic versions of CABOMETYX tablets. Should MSN, Teva or any other third parties receive FDA approval of an ANDA or a 505(b)(2) NDA with respect to cabozantinib, it is possible that such company or companies could introduce generic versions of our marketed products before our patents expire if they do not infringe our patents or if it is determined that our patents are invalid or unenforceable, and the resulting generic competition could have a material adverse impact on our business, financial condition and results of operations.

In addition, because patent applications can take many years to issue, third parties may have pending applications, unknown to us, which may later result in issued patents that cover the production, manufacture, commercialization or use of our product candidates. Our existing patents and any future patents we obtain may not be sufficiently broad to prevent others from practicing our technologies or from developing competing products. They may also be negatively impacted by the decisions of foreign courts, which could limit the protection contemplated by the original regulatory approval and our ability to thwart the development of competing products that might otherwise have been determined to infringe our intellectual property rights. Furthermore, others may independently develop similar or alternative technologies or design around our patents. In addition, our patents may be challenged or invalidated or may fail to provide us with any competitive advantages, if, for example, others were the first to invent or to file patent applications for closely related inventions.

The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the U.S., and many companies have encountered significant problems in protecting and defending such rights in foreign jurisdictions. Many countries, including certain countries in the EU, have compulsory licensing laws based on related EU rules, 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. Initiatives seeking compulsory licensing of life-saving drugs are also becoming increasingly prevalent in developing countries either through direct legislation or international initiatives. Governments in those developing countries could require that we grant compulsory licenses to allow competitors to manufacture and sell their own versions of our products or product candidates, thereby reducing our product sales. Moreover, the Russian Federation has and may further limit protections on patents originating from “unfriendly countries” (including the U.S.) in response to sanctions relating to the ongoing Russo-Ukrainian War, and in general, 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 also rely on trade secret protection for some of our confidential and proprietary information, and we are taking security measures to protect our proprietary information and trade secrets, particularly in light of recent instances of data loss and misappropriation of intellectual property in the biopharmaceutical industry. However, these measures may not provide adequate protection, and while we seek to protect our proprietary information by entering into confidentiality agreements with employees, partners and consultants, as well as maintain cybersecurity protocols within our information technology infrastructure, we cannot provide assurance that our proprietary information will not be disclosed, or that we can

meaningfully protect our trade secrets. In addition, our competitors may independently develop substantially equivalent proprietary information or may otherwise gain access to our trade secrets.

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

Our commercial success depends in part upon our ability to avoid infringing patents and proprietary rights of third parties and not to breach any licenses that we have entered into with regard to our technologies and the technologies of third parties. Other parties have filed, and in the future are likely to file, patent applications covering 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 accomplish or could require substantial time and expense. In addition, we may be subject to claims that our employees or independent contractors have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers, or that they used or sought to use patent inventions belonging to their former employers. Furthermore, third parties may obtain patents that relate to our technologies and claim that use of such technologies infringes on their patents or otherwise employs their proprietary technology without authorization. Regardless of their merit, such claims could require us to incur substantial costs and divert the attention of management and key technical personnel in defending ourselves against any such claims or enforcing our own patents. In the event of any third party's successful claim of patent infringement or misappropriation of trade secrets, we may lose valuable intellectual property rights or personnel, which could impede or prevent the achievement of our product development goals, or we may be required to pay damages and obtain one or more licenses from these third parties, subjecting us to substantial royalty payment obligations. We may not be able to obtain these licenses on commercially reasonable terms, 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.

Risks Related to Our Operations, Managing Our Growth and Employee Matters

If the COVID-19 pandemic is further prolonged or becomes more severe, our business operations and corresponding financial results could suffer, which could have a material adverse impact on our financial condition and prospects for growth.

To date, the COVID-19 pandemic has had a modest impact on our business operations, in particular with respect to our clinical trial, drug discovery and commercial activities. For example, to varying degrees and at different rates across our clinical trials, we experienced declines in screening and enrollment activity during the early days of the COVID-19 pandemic, as well as delays in new site activations and restrictions on the access to treatment sites that is necessary to monitor clinical study progress and administration. As the COVID-19 pandemic continues to have a significant presence in various parts of the world, particularly with the potential emergence of new variants that may prove especially contagious or virulent, the impact on our clinical development operations could continue or grow more severe. We anticipate that a further prolonged, or more severe, global public health crisis could limit our ability to identify and work with clinical investigators at clinical trial sites globally to enroll, initiate and maintain treatment per protocol of patients for our ongoing clinical trials. Disruptions to medical and administrative operations at clinical trial sites, including staffing and materials shortages and the implementation of crisis management initiatives, have and may continue to reduce personnel and other resources necessary to conduct our clinical trials, which could further delay some of our clinical trial plans or may require certain trials to be temporarily suspended. In addition, increased costs connected with our efforts to mitigate the adverse impacts resulting from the COVID-19 pandemic on our clinical trials could cause the expenses we incur in conducting those clinical trials to increase considerably. Depending upon the duration and severity of the COVID-19 pandemic, we could also experience delays in planning and conducting new clinical trials of the investigative product candidates entering and advancing through our development pipeline, which could increase the operating expenses associated with these trials and adversely affect their timelines for completion and ultimately our ability to obtain regulatory approvals.

Both drug discovery work in our laboratories and outsourced drug discovery activities have fully resumed following temporary suspensions during the early days of the COVID-19 pandemic; however, we may be unable to maximize the potential of these programs due to the imposition of increased safety protocols, and should the effects of the COVID-19 pandemic become more severe, we may have to again scale back or suspend activities in the future. We are also reliant on laboratory materials manufactured and distributed from areas impacted by both the COVID-19 pandemic and other natural disasters, for which supply has become limited. If we are unable to obtain the requisite materials to conduct our planned

drug discovery activities, we may be required to redirect the focus of, or even suspend, such activities. Should the COVID-19 pandemic be further prolonged or grow in severity, we may ultimately be unable to achieve our drug discovery and preclinical development objectives within the previously disclosed timelines, which could have a material adverse impact on our prospects for growth.

In addition, it remains possible that the evolving dynamics of the COVID-19 pandemic may require further modifications to our standard sales and marketing practices, including shifts from in-person back to primarily telephonic and virtual interactions with healthcare professionals. Such changes in our commercial operations could negatively impact the flow of important information regarding our medicines, which along with obstacles to patient access to healthcare professionals, could diminish sales of our marketed products.

These continuing or future effects of the COVID-19 pandemic could materially and adversely affect our business, financial condition, results of operations and growth prospects, and exacerbate the other risks and uncertainties described elsewhere in this ‘‘Risk Factors’’ section.

If we are unable to manage our growth, there could be a material adverse impact on our business, financial condition and results of operations, and our prospects may be adversely affected.

We have experienced and expect to continue to experience growth in the number of our employees and in the scope of our operations, in particular as we continue to expand the cabozantinib franchise into new indications and grow our pipeline of product candidates. This growth places significant demands on our management and resources, and our current and planned personnel and operating practices may not be adequate to support our growth. To effectively manage our growth, we must continue to improve existing, and implement new, facilities, operational and financial systems, and procedures and controls, as well as expand, train and manage our growing employee base, and there can be no assurance that we will effectively manage our growth without experiencing operating inefficiencies or control deficiencies. We continue to increase our management personnel to oversee our expanding operations, and recruiting and retaining qualified individuals is difficult. If we are unable to manage our growth effectively, including as a result of the COVID-19 pandemic or otherwise, or we are unsuccessful in recruiting qualified management personnel, there could be a material adverse impact on our business, financial condition and results of operations.

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

We are highly dependent upon the principal members of our management, as well as clinical, commercial and scientific staff, the loss of whose services might adversely impact the achievement of our objectives. Also, we may not have sufficient personnel to execute our business plans. Retaining and, where necessary, recruiting qualified clinical, commercial, scientific and pharmaceutical operations personnel will be critical to support activities related to advancing the development programs for the cabozantinib franchise and our other product candidates, successfully executing upon our commercialization plan for the cabozantinib franchise and our proprietary research and development efforts. Competition is intense for experienced clinical, commercial, scientific and pharmaceutical operations personnel, and we may be unable to retain or recruit such personnel with the expertise or experience necessary to allow us to successfully develop and commercialize our products. Further, all of our employees are employed “at will” and, therefore, may leave our employment at any time.

Risks Related to Environmental and Product Liability

We use hazardous chemicals 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 biological materials, and our operations can produce hazardous waste products. We cannot eliminate the risk of accidental contamination or discharge, or any resultant injury from these materials, and we may face liability under applicable laws for any injury or contamination that results from our use or the use by our collaboration partners or other third parties of these materials. Such liability may exceed our insurance coverage and our total assets, and in addition, we may be required to indemnify our collaboration partners against all damages and other liabilities arising out of our development activities or products produced in connection with our collaborations with them. Moreover, our continued compliance with environmental laws and regulations may be expensive, and current or future environmental regulations may impair our research, development and production efforts.

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 collaboration partners develop or commercialize causes injury or is found otherwise unsuitable during product testing, manufacturing, marketing or sale. Regardless of merit or eventual outcome, product liability claims could result in decreased demand for our products and product candidates, injury to our reputation, withdrawal of patients from our clinical trials, product recall, substantial monetary awards to third parties and the inability to commercialize any products that we may develop in the future. We maintain limited product liability insurance coverage for our clinical trials and commercial activities for cabozantinib. However, our insurance 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.

Risks Related to Our Common Stock

Our stock price has been and may in the future be highly volatile.

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

- the announcement of FDA or other regulatory approval or non-approval, or delays in the FDA or other regulatory review process with respect to cabozantinib, XL092 or our other product candidates, our collaboration partners' product candidates being developed in combination with either cabozantinib, XL092 or our other product candidates, or our competitors' product candidates;
- the commercial performance of both CABOMETYX and COMETRIQ and the revenues we generate from those approved products, including royalties paid under our collaboration and license agreements;
- adverse or inconclusive results or announcements related to our or our collaboration partners' clinical trials or delays in those clinical trials;
- the timing of achievement of our clinical, regulatory, partnering, commercial and other milestones for the cabozantinib franchise, XL092 or any of our other product candidates or programs;
- our ability to make future investments in the expansion of our pipeline through drug discovery, including future research collaborations, in-licensing arrangements and other strategic transactions;
- our ability to obtain the materials and services, including an adequate product supply for any approved drug product, from our third-party vendors or do so at acceptable prices;
- the timing and amount of expenses incurred for clinical development and manufacturing of cabozantinib, XL092 and our other product candidates;
- actions taken by regulatory agencies, both in the U.S. and abroad, with respect to cabozantinib or our clinical trials for cabozantinib, XL092 or our other product candidates;
- unanticipated regulatory actions taken by the FDA as a result of changing FDA standards and practices concerning the review of product candidates, including approvals at earlier stages of clinical development or with lesser developed data sets and expedited reviews;
- the announcement of new products or clinical trial data by our competitors;
- the announcement of regulatory applications, such as MSN's and Teva's respective ANDAs, seeking approval of generic versions of our marketed products;
- quarterly variations in our or our competitors' results of operations;
- changes in our relationships with our collaboration partners, including the termination or modification of our agreements, or other events or conflicts that may affect our collaboration partners' timing and willingness to develop, or if approved, commercialize our products and product candidates out-licensed to them;
- the announcement of an in-licensed product candidate or strategic acquisition;
- litigation, including intellectual property infringement and product liability lawsuits, involving us;
- changes in earnings estimates or recommendations by securities analysts, or financial guidance from our management team, and any failure to achieve the operating results projected by securities analysts or by our management team;
- the entry into new financing arrangements;
- developments in the biopharmaceutical industry;

- sales of large blocks of our common stock or sales of our common stock by our executive officers, directors and significant stockholders;
- additions and departures of key personnel or board members;
- the disposition of any of our technologies or compounds; and
- general market, macroeconomic and political conditions and other factors, including factors unrelated to our operating performance or the operating performance of our competitors.

These and other factors could have material adverse impact on the market price of our common stock. In addition, the stock markets in general, and the markets for biotechnology and pharmaceutical stocks in particular, have historically experienced significant volatility that has often been unrelated or disproportionate to the operating performance of particular companies. Likewise, as a result of significant changes in U.S. or global political and macroeconomic conditions, including historically high inflation, as well as policies governing foreign trade and healthcare spending and delivery, or the ongoing Russo-Ukrainian War, the financial markets could continue to experience significant volatility that could also continue to negatively impact the markets for biotechnology and pharmaceutical stocks. These broad market fluctuations have adversely affected and may in the future adversely affect the trading price of our common stock. Excessive volatility may continue for an extended period of time following the date of this report.

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

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

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

- a prohibition on actions by our stockholders by written consent;
- 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; 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 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/ Appendix Reference	Filing Date	
3.1	Restated Certificate of Incorporation of Exelixis, Inc.	10-Q	000-30235	3.1	8/5/2021	
3.2	Amended and Restated Bylaws of Exelixis, Inc.	8-K	000-30235	3.1	3/3/2021	
10.1	Exelixis, Inc. 2017 Equity Incentive Plan					X
10.2	Cash Compensation Information for Non-Employee Directors					X
10.3	Seventh Amendment dated May 16, 2022, to Lease Agreement dated May 2, 2017, between SCG Harbor Bay Parkway Phase I, LLC and Exelixis, Inc.					X
31.1	Certification of Principal Executive Officer Pursuant to Exchange Act Rules 13a-14(a) and Rule 15d-14(a)					X
31.2	Certification of Principal Financial Officer Pursuant to Exchange Act Rules 13a-14(a) and Rule 15d-14(a)					X
32.1‡	Certifications of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350					X
101.INS	XBRL Instance Document	The XBRL instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X

‡ 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.

SIGNATURES

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

EXELIXIS, INC.

August 9, 2022
Date

By: /s/ Christopher J. Senner
Christopher J. Senner
Executive Vice President and Chief Financial Officer
(Duly Authorized Officer and Principal Financial and Accounting Officer)

Exelixis, Inc.

2017 Equity Incentive Plan

Adopted by the Board of Directors: February 23, 2017
Amended by the Compensation Committee: March 22, 2017
Approved by the Stockholders: May 24, 2017
Amended by the Company: December 18, 2017
Amended by the Compensation Committee: March 18, 2020
Approved by the Stockholders: May 20, 2020
Amended by the Board of Directors: April 1, 2022
Approved by the Stockholders: May 25, 2022

1. General.

(a) Successor to and Continuation of 2014 Plan. The Plan is intended as the successor to and continuation of the Exelixis, Inc. 2014 Equity Incentive Plan (the "***2014 Plan***"). Following the Effective Date, no additional stock awards may be granted under the 2014 Plan. Any unallocated shares remaining available for grant under the 2014 Plan as of 12:01 a.m. Pacific time on the Effective Date (the "***2014 Plan's Available Reserve***") will cease to be available under the 2014 Plan at such time and will be added to the Share Reserve (as further described in Section 3(a) below) and be then immediately available for grant and issuance pursuant to Stock Awards granted under the Plan. In addition, from and after 12:01 a.m. Pacific time on the Effective Date, all outstanding stock awards granted under the 2014 Plan, the Exelixis, Inc. 2000 Equity Incentive Plan, as amended and restated (the "***2000 Plan***"), the Exelixis, Inc. 2000 Non-Employee Directors' Stock Option Plan (the "***2000 Non-Employee Directors' Plan***"), the Exelixis, Inc. 2011 Equity Incentive Plan (the "***2011 Plan***"), and the Exelixis, Inc. 2016 Inducement Award Plan (the "***2016 Inducement Plan***") will remain subject to the terms of the 2014 Plan, the 2000 Plan, the 2000 Non-Employee Directors' Plan, the 2011 Plan or the 2016 Inducement Plan, as applicable; *provided, however*, that any shares subject to outstanding stock awards granted under the 2014 Plan, the 2000 Plan, the 2000 Non-Employee Directors' Plan, the 2011 Plan or the 2016 Inducement Plan that (i) expire or terminate for any reason prior to exercise or settlement, (ii) are forfeited, cancelled or otherwise returned to the Company because of the failure to meet a contingency or condition required for the vesting of such shares, or (iii) other than with respect to outstanding options and stock appreciation rights granted under the 2014 Plan, the 2000 Plan, the 2000 Nonemployee Directors' Plan, the 2011 Plan or the 2016 Inducement Plan with respect to which the exercise or strike price is at least one hundred percent (100%) of the Fair Market Value of the Common Stock subject to the option or stock appreciation right on the date of grant (the "***Prior Plans' Appreciation Awards***"), are reacquired or withheld (or not issued) by the Company to satisfy a tax withholding obligation in connection with a stock award (collectively, the "***Prior Plans' Returning Shares***") will immediately be added to the Share Reserve (as further described in Section 3(a) below) as and when such shares become Prior Plans' Returning Shares and become available for issuance pursuant to Awards granted hereunder. All Awards granted on or after 12:01 a.m. Pacific time on the Effective Date will be subject to the terms of this Plan, as amended from time to time.

(b) Eligible Award Recipients. Subject to Section 4, Employees, Directors and Consultants are eligible to receive Awards.

(c) Available Awards. The Plan provides for the grant of the following types of Awards: (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) Stock Appreciation

Rights, (iv) Restricted Stock Awards, (v) Restricted Stock Unit Awards, (vi) Performance Stock Awards, (vii) Performance Cash Awards, and (viii) Other Stock Awards.

(d) Purpose. The Plan, through the granting of Awards, is intended to help the Company and any Affiliate secure and retain the services of eligible award recipients, provide incentives for such persons to exert maximum efforts for the success of the Company and any Affiliate and provide a means by which the eligible recipients may benefit from increases in value of the Common Stock.

2. Administration.

(a) Administration by Board. The Board will administer the Plan. The Board may delegate administration of the Plan to a Committee or Committees, as provided in Section 2(c).

(b) Powers of Board. The Board will have the power, subject to, and within the limitations of, the express provisions of the Plan:

(i) To determine (A) who will be granted Awards; (B) when and how each Award will be granted; (C) what type of Award will be granted; (D) the provisions of each Award (which need not be identical), including when a person will be permitted to exercise or otherwise receive cash or Common Stock under the Award; (E) the number of shares of Common Stock subject to, or the cash value of, an Award; and (F) the Fair Market Value applicable to a Stock Award.

(ii) To construe and interpret the Plan and Awards granted under it, and to establish, amend and revoke rules and regulations for administration of the Plan and Awards. The Board, in the exercise of these powers, may correct any defect, omission or inconsistency in the Plan or in any Award Agreement, in a manner and to the extent it will deem necessary or expedient to make the Plan or Award fully effective.

(iii) To settle all controversies regarding the Plan and Awards granted under it.

(iv) To accelerate, in whole or in part, the time at which an Award may be exercised or vest (or the time at which cash or shares of Common Stock may be issued in settlement thereof).

(v) To suspend or terminate the Plan at any time. Except as otherwise provided in the Plan or an Award Agreement, suspension or termination of the Plan will not materially impair a Participant's rights under his or her then-outstanding Award without his or her written consent except as provided in subsection (viii) below.

(vi) To amend the Plan in any respect the Board deems necessary or advisable, including, without limitation, by adopting amendments relating to Incentive Stock Options and certain nonqualified deferred compensation under Section 409A of the Code and/or to make the Plan or Awards granted under the Plan compliant with the requirements for Incentive Stock Options or exempt from or compliant with the requirements for nonqualified deferred compensation under Section 409A of the Code, subject to the limitations, if any, of applicable law. However, if required by applicable law or listing requirements, and except as provided in Section 9(a) relating to Capitalization Adjustments, the Company will seek stockholder approval of any amendment of the Plan that (A) materially increases the number of shares of Common Stock available for issuance under the Plan, (B) materially expands the class of individuals eligible to receive Awards under the Plan, (C) materially increases the benefits accruing to Participants under the Plan, (D) materially reduces the price at which shares of

Common Stock may be issued or purchased under the Plan, or (E) materially expands the types of Awards available for issuance under the Plan. Except as otherwise provided in the Plan (including Section 2(b)(viii)) or an Award Agreement, no amendment of the Plan will materially impair a Participant's rights under an outstanding Award without the Participant's written consent.

(vii) To submit any amendment to the Plan for stockholder approval, including, but not limited to, amendments to the Plan intended to satisfy the requirements of (A) Section 162(m) of the Code regarding the exclusion of performance-based compensation from the limit on corporate deductibility of compensation paid to Covered Employees, (B) Section 422 of the Code regarding incentive stock options or (C) Rule 16b-3.

(viii) To approve forms of Award Agreements for use under the Plan and to amend the terms of any one or more Awards, including, but not limited to, amendments to provide terms more favorable to the Participant than previously provided in the Award Agreement, subject to any specified limits in the Plan that are not subject to Board discretion; *provided, however,* that a Participant's rights under any Award will not be impaired by any such amendment unless (A) the Company requests the consent of the affected Participant, and (B) such Participant consents in writing. Notwithstanding the foregoing, (1) a Participant's rights will not be deemed to have been impaired by any such amendment if the Board, in its sole discretion, determines that the amendment, taken as a whole, does not materially impair the Participant's rights, and (2) subject to the limitations of applicable law, if any, the Board may amend the terms of any one or more Awards without the affected Participant's consent (A) to maintain the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (B) to change the terms of an Incentive Stock Option, if such change results in impairment of the Award solely because it impairs the qualified status of the Award as an Incentive Stock Option under Section 422 of the Code; (C) to clarify the manner of exemption from, or to bring the Award into compliance with, Section 409A of the Code; or (D) to comply with other applicable laws or listing requirements.

(ix) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and that are not in conflict with the provisions of the Plan or Awards.

(x) To adopt such procedures and sub-plans as are necessary or appropriate to permit participation in the Plan by Employees, Directors or Consultants who are foreign nationals or employed outside the United States (provided that Board approval will not be necessary for immaterial modifications to the Plan or any Award Agreement that are required for compliance with the laws of the relevant foreign jurisdiction).

(c) Delegation to Committee.

(i) General. The Board may delegate some or all of the administration of the Plan to a Committee or Committees. If administration of the Plan is delegated to a Committee, the Committee will have, in connection with the administration of the Plan, the powers theretofore possessed by the Board that have been delegated to the Committee, including the power to delegate to a subcommittee of the Committee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board will thereafter be to the Committee or subcommittee, as applicable). Any delegation of administrative powers will be reflected in resolutions, not inconsistent with the provisions of the Plan, adopted from time to time by the Board or Committee (as applicable). The Committee may, at any time, abolish the subcommittee and/or revest in the Committee any powers delegated to the subcommittee. The Board may retain the authority to concurrently

administer the Plan with the Committee and may, at any time, revest in the Board some or all of the powers previously delegated.

(ii) Section 162(m) and Rule 16b-3 Compliance. The Committee may consist solely of two or more Outside Directors, in accordance with Section 162(m) of the Code, or solely of two or more Non-Employee Directors, in accordance with Rule 16b-3.

(d) Delegation to an Officer. The Board may delegate to one or more Officers the authority to do one or both of the following: (i) designate Employees who are not Officers to be recipients of Options and SARs (and, to the extent permitted by applicable law, other Stock Awards) and, to the extent permitted by applicable law, the terms of such Awards, and (ii) determine the number of shares of Common Stock to be subject to such Stock Awards granted to such Employees; *provided, however*, that the Board resolutions regarding such delegation will specify the total number of shares of Common Stock that may be subject to the Stock Awards granted by such Officer and that such Officer may not grant a Stock Award to himself or herself. Any such Stock Awards will be granted on the form of Award Agreement most recently approved for use by the Committee or the Board, unless otherwise provided in the resolutions approving the delegation of authority. The Board may not delegate authority to an Officer who is acting solely in the capacity of an Officer (and not also as a Director) to determine the Fair Market Value pursuant to Section 13(w)(iii) below.

(e) Effect of Board's Decision. All determinations, interpretations and constructions made by the Board in good faith will not be subject to review by any person and will be final, binding and conclusive on all persons.

(f) Repricing; Cancellation and Re-Grant of Awards. Neither the Board nor any Committee will have the authority to (i) reduce the exercise, purchase or strike price of any outstanding Option or SAR under the Plan, or (ii) cancel any outstanding Option or SAR that has an exercise price or strike price greater than the then-current Fair Market Value of the Common Stock in exchange for cash or other Awards under the Plan, unless the stockholders of the Company have approved such an action within 12 months prior to such an event.

(g) Minimum Vesting Requirements. No Award may vest until at least twelve (12) months following the date of grant of the Award; *provided, however*, that shares of Common Stock up to five percent (5%) of the Share Reserve (as defined in Section 3(a)) may be issued pursuant to Awards which do not meet such vesting requirement.

(h) Dividends and Dividend Equivalents. Dividends or dividend equivalents may be paid or credited, as applicable, with respect to any shares of Common Stock subject to an Award, as determined by the Board and contained in the applicable Award Agreement; *provided, however*, that (i) no dividends or dividend equivalents may be paid with respect to any such shares before the date such shares have vested under the terms of such Award Agreement, (ii) any dividends or dividend equivalents that are credited with respect to any such shares will be subject to all of the terms and conditions applicable to such shares under the terms of such Award Agreement (including, but not limited to, any vesting conditions), and (iii) any dividends or dividend equivalents that are credited with respect to any such shares will be forfeited to the Company on the date, if any, such shares are forfeited to or repurchased by the Company due to a failure to meet any vesting conditions under the terms of such Award Agreement.

3. Shares Subject to the Plan.

(a) Share Reserve.

(iii) Subject to Sections 3(b)(i) and 9(a) relating to Capitalization Adjustments, the aggregate number of shares of Common Stock that may be issued pursuant to Stock Awards from and after the Effective Date will not exceed (A) 73,953,064 shares (which number is the sum of (i) the number of shares (453,064) subject to the 2014 Plan's Available Reserve, (ii) an additional 24,000,000 shares that were approved at the annual meeting of stockholders of the Company held in 2017, (iii) an additional 21,000,000 shares that were approved at the annual meeting of stockholders of the Company held in 2020, and (iv) an additional 28,500,000 shares that were approved at the annual meeting of stockholders of the Company held in 2022), *plus* (B) the Prior Plans' Returning Shares, if any, which become available for issuance under this Plan from time to time (such aggregate number of shares described in (A) and (B) above, the "***Share Reserve***").

(iv) For clarity, the Share Reserve in this Section 3(a) is a limitation on the number of shares of Common Stock that may be issued pursuant to the Plan. Accordingly, this Section 3(a) does not limit the granting of Stock Awards except as provided in Section 7(a). Shares may be issued in connection with a merger or acquisition as permitted by Nasdaq Listing Rule 5635(c) or, if applicable, NYSE Listed Company Manual Section 303A.08, AMEX Company Guide Section 711 or other applicable rule, and such issuance will not reduce the number of shares available for issuance under the Plan.

(v) Subject to Section 3(b), the number of shares of Common Stock available for issuance under the Plan will be reduced by: (A) one share for each share of Common Stock issued pursuant to an Option or SAR with respect to which the exercise or strike price is at least 100% of the Fair Market Value of the Common Stock subject to the Option or SAR on the date of grant; (B) 1.5 shares for each share of Common Stock issued pursuant to a Full Value Award granted under the Plan prior to May 25, 2022; and (C) two shares for each share of Common Stock issued pursuant to a Full Value Award granted under the Plan on or after May 25, 2022.

(b) Reversion of Shares to the Share Reserve.

(i) Shares Available For Subsequent Issuance. If (A) any shares of Common Stock subject to a Stock Award are not issued because such Stock Award or any portion thereof expires or otherwise terminates without all of the shares covered by such Stock Award having been issued or is settled in cash (*i.e.*, the Participant receives cash rather than stock), (B) any shares of Common Stock issued pursuant to a Stock Award are forfeited back to or repurchased by the Company because of the failure to meet a contingency or condition required for the vesting of such shares, or (C) with respect to a Full Value Award, any shares of Common Stock are reacquired or withheld (or not issued) by the Company to satisfy a tax withholding obligation in connection with such Full Value Award, such shares will again become available for issuance under the Plan (collectively, the "***2017 Plan Returning Shares***"). For each (1) 2017 Plan Returning Share subject to a Full Value Award or (2) Prior Plans' Returning Share subject to a stock award other than a Prior Plans' Appreciation Award, the number of shares of Common Stock available for issuance under the Plan will increase by (x) 1.5 shares for each such 2017 Plan Returning Share or Prior Plans' Returning Share that returns to the Plan prior to May 25, 2022 and (y) two shares for each such 2017 Plan Returning Share or Prior Plans' Returning Share that returns to the Plan on or after May 25, 2022.

(ii) Shares Not Available For Subsequent Issuance. Any shares of Common Stock reacquired or withheld (or not issued) by the Company to satisfy the exercise or purchase price of a Stock Award or a Prior Plans' Award will no longer be available for issuance under the

Plan, including any shares subject to a Stock Award or a Prior Plans' Award that are not delivered to a Participant because such Stock Award or Prior Plans' Award is exercised through a reduction of shares subject to such Stock Award or Prior Plans' Award (*i.e.*, "net exercised"). In addition, any shares reacquired or withheld (or not issued) by the Company to satisfy a tax withholding obligation in connection with an Option or Stock Appreciation Right or a Prior Plans' Appreciation Award, or any shares repurchased by the Company on the open market with the proceeds of the exercise or strike price of an Option or Stock Appreciation Right or a Prior Plans' Appreciation Award will no longer be available for issuance under the Plan. In the event that a Stock Appreciation Right or a Prior Plans' Award that is a stock appreciation right is settled in shares of Common Stock, the gross number of shares of Common Stock subject to such award will no longer be available for issuance under the Plan.

(c) Incentive Stock Option Limit. Subject to the Share Reserve and Section 9(a) relating to Capitalization Adjustments, the aggregate maximum number of shares of Common Stock that may be issued pursuant to the exercise of Incentive Stock Options will be 50,000,000 shares of Common Stock.

(d) Individual Award Limitations. Subject to the Share Reserve and Section 9(a) relating to Capitalization Adjustments:

(i) A maximum of 5,000,000 shares of Common Stock subject to Options, SARs and Other Stock Awards whose value is determined by reference to an increase over an exercise or strike price of at least 100% of the Fair Market Value on the date any such Stock Award is granted may be granted to any one Participant during any one calendar year.

(ii) A maximum of 5,000,000 shares of Common Stock subject to Performance Stock Awards may be granted to any one Participant during any one calendar year (whether the grant, vesting or exercise is contingent upon the attainment during the Performance Period of the Performance Goals).

(iii) A maximum of $10,000,000 subject to Performance Cash Awards may be granted to any one Participant during any one calendar year.

(e) Limitation on Grants to Non-Employee Directors. The (i) maximum number of shares of Common Stock subject to Stock Awards granted under the Plan or otherwise during any one calendar year (beginning with the 2017 calendar year) to any Non-Employee Director, taken together with the (ii) cash fees paid by the Company to such Non-Employee Director during such calendar year, and in both cases for service on the Board, will not exceed $750,000 in total value (calculating the value of any such Stock Awards based on the grant date fair value of such Stock Awards for financial reporting purposes), or, with respect to the calendar year in which a Non-Employee Director is first appointed or elected to the Board, $1,500,000.

(f) Source of Shares. The stock issuable under the Plan will be shares of authorized but unissued or reacquired Common Stock, including shares repurchased by the Company on the open market or otherwise.

4. Eligibility.

(a) Eligibility for Specific Stock Awards. Incentive Stock Options may be granted only to employees of the Company or a "parent corporation" or "subsidiary corporation" thereof (as such terms are defined in Sections 424(e) and 424(f) of the Code). Stock Awards other than Incentive Stock Options may be granted to Employees, Directors and Consultants; *provided, however*, that Stock Awards may not be granted to Employees, Directors and Consultants who are providing Continuous Service only to any "parent" of the Company, as

such term is defined in Rule 405, unless (i) the stock underlying such Stock Awards is treated as "service recipient stock" under Section 409A of the Code (for example, because the Stock Awards are granted pursuant to a corporate transaction such as a spin off transaction) or (ii) the Company, in consultation with its legal counsel, has determined that such Stock Awards are otherwise exempt from or alternatively comply with the requirements of Section 409A of the Code.

(b) Ten Percent Stockholders. A Ten Percent Stockholder will not be granted an Incentive Stock Option unless the exercise price of such Option is at least 110% of the Fair Market Value on the date of grant and the Option is not exercisable after the expiration of five years from the date of grant.

5. Provisions Relating to Options and Stock Appreciation Rights.

Each Option or Stock Appreciation Right Agreement will be in such form and will contain such terms and conditions as the Board deems appropriate. All Options will be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and, if certificates are issued, a separate certificate or certificates will be issued for shares of Common Stock purchased on exercise of each type of Option. If an Option is not specifically designated as an Incentive Stock Option, or if an Option is designated as an Incentive Stock Option but some portion or all of the Option fails to qualify as an Incentive Stock Option under the applicable rules, then the Option (or portion thereof) will be a Nonstatutory Stock Option. The provisions of separate Option or Stock Appreciation Right Agreements need not be identical; *provided, however*, that each Award Agreement will conform to (through incorporation of provisions hereof by reference in the applicable Award Agreement or otherwise) the substance of each of the following provisions:

(a) Term. Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, no Option or SAR will be exercisable after the expiration of seven years from the date of its grant or such shorter period specified in the Award Agreement.

(b) Exercise Price. Subject to the provisions of Section 4(b) regarding Ten Percent Stockholders, the exercise or strike price of each Option or SAR will be not less than 100% of the Fair Market Value of the Common Stock subject to the Option or SAR on the date the Award is granted. Notwithstanding the foregoing, an Option or SAR may be granted with an exercise or strike price lower than 100% of the Fair Market Value of the Common Stock subject to the Award on the date the Award is granted if such Award is granted pursuant to an assumption of or substitution for another option or stock appreciation right pursuant to a Transaction and in a manner consistent with the provisions of Section 409A of the Code and, if applicable, Section 424(a) of the Code. Each SAR will be denominated in shares of Common Stock equivalents.

(c) Purchase Price for Options. The purchase price of Common Stock acquired pursuant to the exercise of an Option may be paid, to the extent permitted by applicable law and as determined by the Board in its sole discretion, by any combination of the methods of payment set forth below. The Board will have the authority to grant Options that do not permit all of the following methods of payment (or that otherwise restrict the ability to use certain methods) and to grant Options that require the consent of the Company to use a particular method of payment. The permitted methods of payment are as follows:

(i) by cash, check, bank draft or money order payable to the Company;

(ii) pursuant to a program developed under Regulation T as promulgated by the Federal Reserve Board that, prior to the issuance of the Common Stock subject to the Option, results in either the receipt of cash (or check) by the Company or the receipt of

irrevocable instructions to pay the aggregate exercise price to the Company from the sales proceeds;

(iii) by delivery to the Company (either by actual delivery or attestation) of shares of Common Stock;

(iv) if an Option is a Nonstatutory Stock Option, by a "net exercise" arrangement pursuant to which the Company will reduce the number of shares of Common Stock issuable upon exercise by the largest whole number of shares with a Fair Market Value that does not exceed the aggregate exercise price; *provided, however*, that the Company will accept a cash or other payment from the Participant to the extent of any remaining balance of the aggregate exercise price not satisfied by such reduction in the number of whole shares to be issued. Shares of Common Stock will no longer be subject to an Option and will not be exercisable thereafter to the extent that (A) shares issuable upon exercise are used to pay the exercise price pursuant to the "net exercise," (B) shares are delivered to the Participant as a result of such exercise, and (C) shares are withheld to satisfy tax withholding obligations; or

(v) in any other form of legal consideration that may be acceptable to the Board and specified in the applicable Award Agreement.

(d) Exercise and Payment of a SAR. To exercise any outstanding SAR, the Participant must provide written notice of exercise to the Company in compliance with the provisions of the Award Agreement evidencing such SAR. The appreciation distribution payable on the exercise of a SAR will be not greater than an amount equal to the excess of (A) the aggregate Fair Market Value (on the date of the exercise of the SAR) of a number of shares of Common Stock equal to the number of Common Stock equivalents in which the Participant is vested under such SAR, and with respect to which the Participant is exercising the SAR on such date, over (B) the aggregate strike price of the number of Common Stock equivalents with respect to which the Participant is exercising the SAR on such date. The appreciation distribution may be paid in Common Stock, in cash, in any combination of the two or in any other form of consideration, as determined by the Board and contained in the Award Agreement evidencing such SAR.

(e) Transferability of Options and SARs. The Board may, in its sole discretion, impose such limitations on the transferability of Options and SARs as the Board will determine. In the absence of such a determination by the Board to the contrary, the restrictions set forth in this Section 5(e) on the transferability of Options and SARs will apply. Notwithstanding the foregoing or anything in the Plan or an Award Agreement to the contrary, no Option or SAR may be transferred to any financial institution without prior stockholder approval.

(i) Restrictions on Transfer. An Option or SAR will not be transferable except by will or by the laws of descent and distribution (and pursuant to Sections 5(e)(ii) and 5(e)(iii) below) and will be exercisable during the lifetime of the Participant only by the Participant. Subject to the foregoing paragraph, the Board may permit transfer of the Option or SAR in a manner that is not prohibited by applicable tax and securities laws. Except as explicitly provided in the Plan, neither an Option nor a SAR may be transferred for consideration.

(ii) Domestic Relations Orders. Subject to the approval of the Board or a duly authorized Officer, an Option or SAR may be transferred pursuant to the terms of a domestic relations order, official marital settlement agreement or other divorce or separation instrument as permitted by Treasury Regulations Section 1.421-1(b)(2). If an Option is an Incentive Stock Option, such Option may be deemed to be a Nonstatutory Stock Option as a result of such transfer.

(iii) Beneficiary Designation. Subject to the approval of the Board or a duly authorized Officer, a Participant may, by delivering written notice to the Company, in a form approved by the Company (or the designated broker), designate a third party who, upon the death of the Participant, will thereafter be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. In the absence of such a designation, upon the death of the Participant, the executor or administrator of the Participant's estate will be entitled to exercise the Option or SAR and receive the Common Stock or other consideration resulting from such exercise. However, the Company may prohibit designation of a beneficiary at any time, including due to any conclusion by the Company that such designation would be inconsistent with the provisions of applicable laws.

(f) Vesting Generally. The total number of shares of Common Stock subject to an Option or SAR may vest and become exercisable in periodic installments that may or may not be equal. The Option or SAR may be subject to such other terms and conditions on the time or times when it may or may not be exercised (which may be based on the satisfaction of Performance Goals or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options or SARs may vary. The provisions of this Section 5(f) are subject to Section 2(g) and any Option or SAR provisions governing the minimum number of shares of Common Stock as to which an Option or SAR may be exercised.

(g) Termination of Continuous Service. Except as otherwise provided in the applicable Award Agreement or other written agreement between the Participant and the Company or an Affiliate, if a Participant's Continuous Service terminates (other than for Cause and other than upon the Participant's death or Disability), the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Option or SAR as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date three months following such termination of Continuous Service (or such longer or shorter period specified in the Award Agreement), and (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after such termination of Continuous Service, the Participant does not exercise his or her Option or SAR (as applicable) within the applicable time frame, the Option or SAR (as applicable) will terminate.

(h) Extension of Termination Date. Except as otherwise provided in the applicable Award Agreement or other written agreement between the Participant and the Company or an Affiliate, if the exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause and other than upon the Participant's death or Disability) would be prohibited at any time solely because the issuance of shares of Common Stock would violate the registration requirements under the Securities Act, then the Option or SAR will terminate on the earlier of (i) the expiration of a total period of time (that need not be consecutive) equal to the applicable post-termination exercise period after the termination of the Participant's Continuous Service during which the exercise of the Option or SAR would not be in violation of such registration requirements, or (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Agreement. In addition, unless otherwise provided in a Participant's Award Agreement or other written agreement between the Participant and the Company or an Affiliate, if the sale of any Common Stock received upon exercise of an Option or SAR following the termination of the Participant's Continuous Service (other than for Cause) would violate the Company's insider trading policy, then the Option or SAR will terminate on the earlier of (i) the expiration of a period of time (that need not be consecutive) equal to the applicable post-termination exercise period after the termination of the Participant's Continuous Service during which the sale of the Common Stock received upon exercise of the Option or SAR would not be in violation of the Company's insider trading policy, or (ii) the expiration of the term of the Option or SAR as set forth in the applicable Award Agreement.

(i) Disability of Participant. Except as otherwise provided in the applicable Award Agreement or other written agreement between the Participant and the Company or an Affiliate, if a Participant's Continuous Service terminates as a result of the Participant's Disability, the Participant may exercise his or her Option or SAR (to the extent that the Participant was entitled to exercise such Option or SAR as of the date of termination of Continuous Service), but only within such period of time ending on the earlier of (i) the date 12 months following such termination of Continuous Service (or such longer or shorter period specified in the Award Agreement), and (ii) the expiration of the term of the Option or SAR as set forth in the Award Agreement. If, after such termination of Continuous Service, the Participant does not exercise his or her Option or SAR (as applicable) within the applicable time frame, the Option or SAR (as applicable) will terminate.

(j) Death of Participant. Except as otherwise provided in the applicable Award Agreement or other written agreement between the Participant and the Company or an Affiliate, if (i) a Participant's Continuous Service terminates as a result of the Participant's death, or (ii) the Participant dies within the period (if any) specified in the Award Agreement for exercisability after the termination of the Participant's Continuous Service (for a reason other than death), then the Participant's Option or SAR may be exercised (to the extent that the Participant was entitled to exercise such Option or SAR as of the date of death) by the Participant's estate, by a person who acquired the right to exercise the Option or SAR by bequest or inheritance or by a person designated to exercise the Option or SAR upon the Participant's death, but only within such period of time ending on the earlier of (i) the date 18 months following the date of death (or such longer or shorter period specified in the Award Agreement), and (ii) the expiration of the term of such Option or SAR as set forth in the Award Agreement. If, after the Participant's death, the Option or SAR (as applicable) is not exercised within the applicable time frame, the Option or SAR (as applicable) will terminate.

(k) Termination for Cause. Except as explicitly provided otherwise in a Participant's Award Agreement or other individual written agreement between the Participant and the Company or an Affiliate, if a Participant's Continuous Service is terminated for Cause, the Participant's Option or SAR will terminate immediately upon such termination of Continuous Service, and the Participant will be prohibited from exercising his or her Option or SAR from and after the time of such termination of Continuous Service.

(l) Non-Exempt Employees. If an Option or SAR is granted to an Employee who is a non-exempt employee for purposes of the Fair Labor Standards Act of 1938, as amended, the Option or SAR will not be first exercisable for any shares of Common Stock until at least six months following the date of grant of the Option or SAR (although the Award may vest prior to such date). Consistent with the provisions of the Worker Economic Opportunity Act, (i) if such non-exempt employee dies or suffers a Disability, (ii) upon a Transaction in which such Option or SAR is not assumed, continued, or substituted, (iii) upon a Change in Control, or (iv) upon the Participant's retirement (as such term may be defined in the Participant's Award Agreement, in another written agreement between the Participant and the Company or an Affiliate, or, if no such definition, in accordance with the Company's or Affiliate's then current employment policies and guidelines), the vested portion of any Options and SARs may be exercised earlier than six months following the date of grant. The foregoing provision is intended to operate so that any income derived by a non-exempt employee in connection with the exercise or vesting of an Option or SAR will be exempt from his or her regular rate of pay. To the extent permitted and/or required for compliance with the Worker Economic Opportunity Act to ensure that any income derived by a non-exempt employee in connection with the exercise, vesting or issuance of any shares under any other Stock Award will be exempt from the employee's regular rate of pay, the provisions of this Section 5(l) will apply to all Stock Awards and are hereby incorporated by reference into such Stock Award Agreements.

6. Provisions of Awards Other than Options and SARs.

(a) Restricted Stock Awards. Each Restricted Stock Award Agreement will be in such form and will contain such terms and conditions as the Board deems appropriate. To the extent consistent with the Company's bylaws, at the Board's election, shares of Common Stock underlying a Restricted Stock Award may be (i) held in book entry form subject to the Company's instructions until any restrictions relating to the Restricted Stock Award lapse, or (ii) evidenced by a certificate, which certificate will be held in such form and manner as determined by the Board. The terms and conditions of Restricted Stock Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Award Agreements need not be identical. Each Restricted Stock Award Agreement will conform to (through incorporation of the provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. A Restricted Stock Award may be awarded in consideration for (A) cash, check, bank draft or money order payable to the Company, (B) past services to the Company or an Affiliate, or (C) any other form of legal consideration (including future services) that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) Vesting. Subject to Section 2(g), shares of Common Stock awarded under the Restricted Stock Award Agreement may be subject to forfeiture to the Company in accordance with a vesting schedule to be determined by the Board.

(iii) Termination of Participant's Continuous Service. If a Participant's Continuous Service terminates, the Company may receive through a forfeiture condition or a repurchase right any or all of the shares of Common Stock held by the Participant that have not vested as of the date of such termination of Continuous Service under the terms of the Restricted Stock Award Agreement.

(iv) Transferability. Rights to acquire shares of Common Stock under the Restricted Stock Award Agreement will be transferable by the Participant only upon such terms and conditions as are set forth in the Restricted Stock Award Agreement, as the Board will determine in its sole discretion, so long as Common Stock awarded under the Restricted Stock Award Agreement remains subject to the terms of the Restricted Stock Award Agreement. Notwithstanding the foregoing or anything in the Plan or a Restricted Stock Award Agreement to the contrary, no Restricted Stock Award may be transferred to any financial institution without prior stockholder approval.

(b) Restricted Stock Unit Awards. Each Restricted Stock Unit Award Agreement will be in such form and will contain such terms and conditions as the Board deems appropriate. The terms and conditions of Restricted Stock Unit Award Agreements may change from time to time, and the terms and conditions of separate Restricted Stock Unit Award Agreements need not be identical. Each Restricted Stock Unit Award Agreement will conform to (through incorporation of the provisions hereof by reference in the Agreement or otherwise) the substance of each of the following provisions:

(i) Consideration. At the time of grant of a Restricted Stock Unit Award, the Board will determine the consideration, if any, to be paid by the Participant upon delivery of each share of Common Stock subject to the Restricted Stock Unit Award. The consideration to be paid (if any) by the Participant for each share of Common Stock subject to a Restricted Stock Unit Award may be paid in any form of legal consideration that may be acceptable to the Board, in its sole discretion, and permissible under applicable law.

(ii) Vesting. Subject to Section 2(g), at the time of the grant of a Restricted Stock Unit Award, the Board may impose such restrictions on or conditions to the vesting of the Restricted Stock Unit Award as it, in its sole discretion, deems appropriate.

(iii) Payment. A Restricted Stock Unit Award may be settled by the delivery of shares of Common Stock, their cash equivalent, any combination thereof or in any other form of consideration, as determined by the Board and contained in the Restricted Stock Unit Award Agreement.

(iv) Additional Restrictions. At the time of the grant of a Restricted Stock Unit Award, the Board, as it deems appropriate, may impose such restrictions or conditions that delay the delivery of the shares of Common Stock (or their cash equivalent) subject to a Restricted Stock Unit Award to a time after the vesting of such Restricted Stock Unit Award.

(v) Termination of Participant's Continuous Service. Except as otherwise provided in the applicable Restricted Stock Unit Award Agreement or other written agreement between the Participant and the Company or an Affiliate, such portion of the Restricted Stock Unit Award that has not vested will be forfeited upon the Participant's termination of Continuous Service.

(c) Performance Awards.

(i) Performance Stock Awards. A Performance Stock Award is a Stock Award (covering a number of shares not in excess of that set forth in Section 3(d)(ii)) that is payable (including that may be granted, vest or be exercised) contingent upon the attainment during a Performance Period of certain Performance Goals. A Performance Stock Award may, but need not, require the Participant's completion of a specified period of Continuous Service. Subject to Section 2(g), the length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained will be conclusively determined by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board or the Committee), in its sole discretion. In addition, to the extent permitted by applicable law and the applicable Award Agreement, the Board may determine that cash may be used in payment of Performance Stock Awards.

(ii) Performance Cash Awards. A Performance Cash Award is a cash award (for a dollar value not in excess of that set forth in Section 3(d)(iii)) that is payable contingent upon the attainment during a Performance Period of certain Performance Goals. A Performance Cash Award may, but need not, require the Participant's completion of a specified period of Continuous Service. Subject to Section 2(g), the length of any Performance Period, the Performance Goals to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Goals have been attained will be conclusively determined by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board or the Committee), in its sole discretion. The Board may specify the form of payment of Performance Cash Awards, which may be cash or other property, or may provide for a Participant to have the option for his or her Performance Cash Award, or such portion thereof as the Board may specify, to be paid in whole or in part in cash or other property.

(iii) Committee and Board Discretion. The Committee (or, if not required for compliance with Section 162(m) of the Code, the Board or the Committee) retains the discretion to reduce or eliminate the compensation or economic benefit due upon the attainment of any Performance Goals and to define the manner of calculating the Performance Criteria it selects to use for a Performance Period.

(iv) Section 162(m) Compliance. Unless otherwise permitted in compliance with Section 162(m) of the Code with respect to an Award intended to qualify as "performance-based compensation" thereunder, the Committee will establish the Performance Goals applicable to, and the formula for calculating the amount payable under, the Award no later than the earlier of (A) the date 90 days after the commencement of the applicable Performance Period, and (B) the date on which 25% of the Performance Period has elapsed, and in any event at a time when the achievement of the applicable Performance Goals remains substantially uncertain. Prior to the payment of any compensation under an Award intended to qualify as "performance-based compensation" under Section 162(m) of the Code, the Committee will certify the extent to which any Performance Goals and any other material terms under such Award have been satisfied (other than in cases where the Performance Goals relate solely to the increase in the value of the Common Stock). Notwithstanding satisfaction or any completion of any Performance Goals, shares subject to Options, cash or other benefits granted, issued, retainable and/or vested under an Award on account of satisfaction of such Performance Goals may be reduced by the Committee on the basis of any further considerations as the Committee, in its sole discretion, will determine.

(v) Section 162(m) Transition Relief. Notwithstanding anything in the Plan to the contrary, any provision in the Plan that refers to "performance-based compensation" under Section 162(m) of the Code will only apply to any Award that is intended to qualify, and is eligible to qualify, as "performance-based compensation" under Section 162(m) of the Code pursuant to the transition relief provided by the Tax Cuts and Jobs Act (the "***TCJA***") for remuneration provided pursuant to a written binding contract which was in effect on November 2, 2017 and which was not modified in any material respect on or after such date, as determined by the Board, in its sole discretion, in accordance with the TCJA and any applicable guidance, rulings or regulations issued by the U.S. Department of the Treasury, the Internal Revenue Service or any other governmental authority.

(d) Other Stock Awards. Other forms of Stock Awards valued in whole or in part by reference to, or otherwise based on, Common Stock may be granted either alone or in addition to Stock Awards granted under Section 5 and this Section 6. Subject to the provisions of the Plan (including, but not limited to, Sections 2(g) and 2(h)), the Board will have sole and complete authority to determine the persons to whom and the time or times at which such Other Stock Awards will be granted, the number of shares of Common Stock (or the cash equivalent thereof) to be granted pursuant to such Other Stock Awards and all other terms and conditions of such Other Stock Awards.

7. Covenants of the Company.

(a) Availability of Shares. The Company will keep available at all times the number of shares of Common Stock reasonably required to satisfy then-outstanding Stock Awards.

(b) Securities Law Compliance. The Company will seek to obtain from each regulatory commission or agency having jurisdiction over the Plan the authority required to grant Stock Awards and to issue and sell shares of Common Stock upon exercise of the Stock Awards; *provided, however*, that this undertaking will not require the Company to register under the Securities Act the Plan, any Stock Award or any Common Stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts and at a reasonable cost, the Company is unable to obtain from any such regulatory commission or agency the authority that counsel for the Company deems necessary for the lawful issuance and sale of Common Stock under the Plan, the Company will be relieved from any liability for failure to issue and sell Common Stock upon exercise of such Stock Awards unless and until such authority is obtained. A Participant will not be eligible for the grant of an Award or the subsequent issuance of cash or

Common Stock pursuant to the Award if such grant or issuance would be in violation of any applicable securities law.

(c) No Obligation to Notify or Minimize Taxes. The Company will have no duty or obligation to any Participant to advise such holder as to the time or manner of exercising a Stock Award. Furthermore, the Company will have no duty or obligation to warn or otherwise advise such holder of a pending termination or expiration of an Award or a possible period in which the Award may not be exercised. The Company has no duty or obligation to minimize the tax consequences of an Award to the holder of such Award.

8. Miscellaneous.

(a) Use of Proceeds from Sales of Common Stock. Proceeds from the sale of shares of Common Stock issued pursuant to Stock Awards will constitute general funds of the Company.

(b) Corporate Action Constituting Grant of Awards. Corporate action constituting a grant by the Company of an Award to any Participant will be deemed completed as of the date of such corporate action, unless otherwise determined by the Board, regardless of when the instrument, certificate, or letter evidencing the Award is communicated to, or actually received or accepted by, the Participant. In the event that the corporate records (*e.g.*, Board consents, resolutions or minutes) documenting the corporate action constituting the grant contain terms (*e.g.*, exercise price, vesting schedule or number of shares) that are inconsistent with those in the Award Agreement or related grant documents as a result of a clerical error in the papering of the Award Agreement or related grant documents, the corporate records will control and the Participant will have no legally binding right to the incorrect terms in the Award Agreement or related grant documents.

(c) Stockholder Rights. No Participant will be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares of Common Stock subject to an Award unless and until (i) such Participant has satisfied all requirements for exercise of, or the issuance of shares of Common Stock under, the Award pursuant to its terms, and (ii) the issuance of the Common Stock subject to such Award has been entered into the books and records of the Company.

(d) No Employment or Other Service Rights. Nothing in the Plan, any Award Agreement or any other instrument executed thereunder or in connection with any Award granted pursuant thereto will confer upon any Participant any right to continue to serve the Company or an Affiliate in the capacity in effect at the time the Award was granted or will affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate, or (iii) the service of a Director pursuant to the bylaws of the Company or an Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

(e) Change in Time Commitment. In the event a Participant's regular level of time commitment in the performance of his or her services for the Company or any Affiliate is reduced (for example, and without limitation, if the Participant is an Employee of the Company and the Employee has a change in status from a full-time Employee to a part-time Employee) after the date of grant of any Award to the Participant, the Board has the right in its sole discretion to (x) make a corresponding reduction in the number of shares or cash amount subject to any portion of such Award that is scheduled to vest or become payable after the date of such change in time commitment, and (y) in lieu of or in combination with such a reduction,

extend the vesting or payment schedule applicable to such Award. In the event of any such reduction, the Participant will have no right with respect to any portion of the Award that is so reduced or extended.

(f) Incentive Stock Option Limitations. To the extent that the aggregate Fair Market Value (determined at the time of grant) of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionholder during any calendar year (under all plans of the Company and any Affiliates) exceeds $100,000 (or such other limit established in the Code) or otherwise does not comply with the rules governing Incentive Stock Options, the Options or portions thereof that exceed such limit (according to the order in which they were granted) or otherwise do not comply with such rules will be treated as Nonstatutory Stock Options, notwithstanding any contrary provision of the applicable Option Agreement(s).

(g) Investment Assurances. The Company may require a Participant, as a condition of exercising or acquiring Common Stock under any Award, (i) to give written assurances satisfactory to the Company as to the Participant's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Award; and (ii) to give written assurances satisfactory to the Company stating that the Participant is acquiring Common Stock subject to the Award for the Participant's own account and not with any present intention of selling or otherwise distributing the Common Stock. The foregoing requirements, and any assurances given pursuant to such requirements, will be inoperative if (A) the issuance of the shares upon the exercise or acquisition of Common Stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act, or (B) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the Common Stock.

(h) Withholding Obligations. Unless prohibited by the terms of an Award Agreement, the Company may, in its sole discretion, satisfy any federal, state, local or foreign tax withholding obligation relating to an Award by any of the following means or by a combination of such means: (i) causing the Participant to tender a cash payment; (ii) withholding shares of Common Stock from the shares of Common Stock issued or otherwise issuable to the Participant in connection with the Stock Award, provided that notwithstanding anything to the contrary in the terms of an Award Agreement, the Company will have the discretion to determine the basis upon which the number of shares to be withheld will be calculated; *provided, however,* that no shares of Common Stock are withheld with a value exceeding the maximum amount of tax that may be required to be withheld by law (or such other amount as may be permitted while still avoiding classification of the Stock Award as a liability for financial accounting purposes); (iii) withholding cash from an Award settled in cash; (iv) withholding payment from any amounts otherwise payable to the Participant; or (v) by such other method as may be set forth in the Award Agreement.

(i) Electronic Delivery. Any reference herein to a "written" agreement or document will include any agreement or document delivered electronically, filed publicly at www.sec.gov (or any successor website thereto) or posted on the Company's intranet (or other shared electronic medium controlled by the Company to which the Participant has access).

(j) Deferrals. To the extent permitted by applicable law, the Board, in its sole discretion, may determine that the delivery of Common Stock or the payment of cash, upon the exercise, vesting or settlement of all or a portion of any Award may be deferred and may establish programs and procedures for deferral elections to be made by Participants. Deferrals by Participants will be made in accordance with Section 409A of the Code. Consistent with Section 409A of the Code, the Board may provide for distributions while a Participant is still an employee or otherwise providing services to the Company or an Affiliate. The Board is authorized to make deferrals of Awards and determine when, and in what annual percentages, Participants may receive payments, including lump sum payments, following the Participant's termination of Continuous Service, and implement such other terms and conditions consistent with the provisions of the Plan and in accordance with applicable law.

(k) Compliance with Section 409A of the Code. Unless otherwise expressly provided for in an Award Agreement, the Plan and Award Agreements will be interpreted to the greatest extent possible in a manner that makes the Plan and the Awards granted hereunder exempt from Section 409A of the Code, and, to the extent not so exempt, in compliance with Section 409A of the Code. To the extent that the Board determines that any Award granted hereunder is not exempt from and is therefore subject to Section 409A of the Code, the Award Agreement evidencing such Award will incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code, and, to the extent applicable, the Plan and Award Agreements will be interpreted in accordance with the requirements of Section 409A of the Code. Notwithstanding anything to the contrary in this Plan (and unless the Award Agreement specifically provides otherwise), if the shares of Common Stock are publicly traded and a Participant holding an Award that constitutes "deferred compensation" under Section 409A of the Code is a "specified employee" for purposes of Section 409A of the Code, no distribution or payment of any amount will be made upon a "separation from service" before a date that is six months following the date of such Participant's "separation from service" (as defined in Section 409A of the Code without regard to alternative definitions thereunder) or, if earlier, the date of the Participant's death, unless such distribution or payment may be made in a manner that complies with Section 409A of the Code.

(l) Clawback/Recovery. All Awards granted under the Plan will be subject to recoupment in accordance with any clawback policy that the Company is required to adopt pursuant to the listing standards of any national securities exchange or association on which the Company's securities are listed or as is otherwise required by the Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law, and any other clawback policy that the Company adopts. In addition, the Board may impose such other clawback, recovery or recoupment provisions in an Award Agreement as the Board determines necessary or appropriate, including but not limited to a reacquisition right in respect of previously acquired shares of Common Stock or other cash or property upon the occurrence of Cause. No recovery of compensation under such a clawback policy will be an event giving rise to a right to resign for "good reason" or "constructive termination" (or similar term) under any agreement with the Company or an Affiliate.

9. Adjustments upon Changes in Common Stock; Other Corporate Events.

(a) Capitalization Adjustments. In the event of a Capitalization Adjustment, the Board will appropriately and proportionately adjust: (i) the class(es) and maximum number of securities subject to the Plan pursuant to Section 3(a), (ii) the class(es) and maximum number of securities that may be issued pursuant to the exercise of Incentive Stock Options pursuant to Section 3(c), (iii) the class(es) and maximum number of securities that may be awarded to any person pursuant to Section 3(d), and (iv) the class(es) and number of securities and price per share of stock subject to outstanding Stock Awards. The Board will make such adjustments, and its determination will be final, binding and conclusive.

(b) Dissolution or Liquidation. Except as otherwise provided in the Stock Award Agreement or any other written agreement between the Company or any Affiliate and the Participant, in the event of a dissolution or liquidation of the Company, all outstanding Stock Awards (other than Stock Awards consisting of vested and outstanding shares of Common Stock not subject to a forfeiture condition or the Company's right of repurchase) will terminate immediately prior to the completion of such dissolution or liquidation, and the shares of Common Stock subject to the Company's repurchase rights or subject to a forfeiture condition may be repurchased or reacquired by the Company notwithstanding the fact that the holder of such Stock Award is providing Continuous Service.

(c) Transaction. The provisions of this Section 9(c) will apply to Stock Awards in the event of a Transaction unless otherwise provided in the instrument evidencing the Stock Award or any other written arrangement between the Company or any Affiliate and the Participant or in any director compensation policy of the Company.

(i) Stock Awards May Be Assumed. In the event of a Transaction, any surviving corporation or acquiring corporation (or the surviving or acquiring corporation's parent company) may assume or continue any or all Stock Awards outstanding under the Plan or may substitute similar stock awards for Stock Awards outstanding under the Plan (including but not limited to, awards to acquire the same consideration paid to the stockholders of the Company pursuant to the Transaction), and any reacquisition or repurchase rights held by the Company in respect of Common Stock issued pursuant to Stock Awards may be assigned by the Company to the successor of the Company (or the successor's parent company, if any), in connection with such Transaction. A surviving corporation or acquiring corporation (or its parent) may choose to assume or continue only a portion of a Stock Award or substitute a similar stock award for only a portion of a Stock Award, or may choose to assume or continue, or substitute similar stock awards for, the Stock Awards held by some, but not all Participants. The terms of any assumption, continuation or substitution will be set by the Board.

(ii) Stock Awards Held by Current Participants. In the event of a Transaction in which the surviving corporation or acquiring corporation (or its parent company) does not assume or continue such outstanding Stock Awards or substitute similar stock awards for such outstanding Stock Awards, then with respect to Stock Awards that have not been assumed, continued or substituted and that are held by Participants whose Continuous Service has not terminated prior to the effective time of the Transaction (referred to as the "***Current Participants***"), the vesting of such Stock Awards (and, with respect to Options and Stock Appreciation Rights, the time when such Stock Awards may be exercised) will be accelerated in full (and with respect to any such Stock Awards that are subject to performance-based vesting conditions or requirements, vesting will be deemed to be satisfied at the target level of performance) to a date prior to the effective time of such Transaction (contingent upon the effectiveness of the Transaction) as the Board will determine (or, if the Board does not determine such a date, to the date that is five days prior to the effective time of the Transaction), and such Stock Awards will terminate if not exercised (if applicable) at or prior to the effective time of the Transaction, and any reacquisition or repurchase rights held by the Company with respect to such Stock Awards will lapse (contingent upon the effectiveness of the Transaction).

(iii) Stock Awards Held by Current Participants in Certain Control Acquisitions. In the event of a Control Acquisition that was not approved by the Board prior to the consummation of such transaction, then with respect to Stock Awards that are held by Current Participants, the vesting of such Stock Awards (and, with respect to Options and Stock Appreciation Rights, the time when such Stock Awards may be exercised) will be accelerated in full (and with respect to any such Stock Awards that are subject to performance-based vesting conditions or requirements, vesting will be deemed to be satisfied at the target level of

performance) to a date prior to the effective time of such Control Acquisition (contingent upon the effectiveness of the Control Acquisition) as the Board will determine (or, if the Board does not determine such a date, to the date that is five days prior to the effective time of the Control Acquisition) and any reacquisition or repurchase rights held by the Company with respect to such Stock Awards will lapse (contingent upon the effectiveness of the Control Acquisition).

(iv) Stock Awards Held by Persons other than Current Participants. In the event of a Transaction in which the surviving corporation or acquiring corporation (or its parent company) does not assume or continue such outstanding Stock Awards or substitute similar stock awards for such outstanding Stock Awards, then with respect to Stock Awards that have not been assumed, continued or substituted and that are held by persons other than Current Participants, such Stock Awards will terminate if not exercised (if applicable) prior to the effective time of the Transaction; *provided*, *however*, that any reacquisition or repurchase rights held by the Company with respect to such Stock Awards will not terminate and may continue to be exercised notwithstanding the Transaction.

(v) Payment for Stock Awards in Lieu of Exercise. Notwithstanding the foregoing, in the event a Stock Award will terminate if not exercised prior to the effective time of a Transaction, the Board may provide that the holder of such Stock Award may not exercise such Stock Award but instead will receive a payment, in such form as may be determined by the Board, equal in value to the excess, if any, of (A) the value of the property the Participant would have received upon the exercise of the Stock Award immediately prior to the effective time of the Transaction, over (B) any exercise price payable by such holder in connection with such exercise. For clarity, this payment may be zero if the value of the property is equal to or less than the exercise price. Payments under this provision may be delayed to the same extent that payment of consideration to the holders of the Company's Common Stock in connection with the Transaction is delayed as a result of escrows, earn outs, holdbacks or any other contingencies.

(d) Change in Control. The provisions of this Section 9(d) will apply to Stock Awards in the event of a Change in Control unless otherwise provided in the instrument evidencing the Stock Award or any other written arrangement between the Company or any Affiliate and the Participant or in any director compensation policy of the Company.

(i) If a Change in Control occurs and within one month before, as of, or within thirteen months after, the effective time of such Change in Control a Participant's Continuous Service terminates due to an involuntary termination (not including death or Disability) without Cause or due to a voluntary termination with Good Reason, then the vesting of such Stock Awards (and, with respect to Options and Stock Appreciation Rights, the time when such Stock Awards may be exercised) will be accelerated in accordance with the vesting schedule applicable to such Stock Awards as if (A) with respect to any such Stock Awards that are subject to vesting conditions or requirements based solely on such Participant's Continuous Service, such Participant's Continuous Service had continued for twelve months following the date of termination of Continuous Service, and (B) with respect to any such Stock Awards that are subject to performance-based vesting conditions or requirements, vesting has been satisfied at the target level of performance. Such vesting acceleration will occur on the date of termination of such Participant's Continuous Service, or if later, the effective date of the Change in Control (if the Participant's termination of Continuous Service occurs prior to the Change in Control).

(ii) If any payment or benefit a Participant will or may receive from the Company or otherwise (a "***280G 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 any such 280G Payment (a

"***Payment***") will be equal to the Reduced Amount. The "Reduced Amount" will be either (x) the largest portion of the Payment that would result in no portion of the Payment (after reduction) being subject to the Excise Tax or (y) the largest portion, up to and including the total, of the Payment, whichever amount (*i.e.*, the amount determined by clause (x) or by clause (y)), 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, on an after-tax basis, of the greater economic benefit notwithstanding that all or some portion of the Payment may be subject to the Excise Tax. If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (x) of the preceding sentence, the reduction will occur in the manner (the "***Reduction Method***") that results in the greatest economic benefit for the Participant. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "***Pro Rata Reduction Method***").

Notwithstanding any provision of the foregoing paragraph to the contrary, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A of the Code that would not otherwise be subject to taxes pursuant to Section 409A of the Code, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, will be modified so as to avoid the imposition of taxes pursuant to Section 409A of the Code as follows: (A) as a first priority, the modification will preserve to the greatest extent possible, the greatest economic benefit for the Participant as determined on an after-tax basis; (B) as a second priority, Payments that are contingent on future events (*e.g.*, being terminated without Cause), will be reduced (or eliminated) before Payments that are not contingent on future events; and (C) as a third priority, Payments that are "deferred compensation" within the meaning of Section 409A of the Code will be reduced (or eliminated) before Payments that are not deferred compensation within the meaning of Section 409A of the Code.

If a Participant receives a Payment for which the Reduced Amount was determined pursuant to clause (x) of the first paragraph of this Section 9(d)(ii) and the Internal Revenue Service determines thereafter that some portion of the Payment is subject to the Excise Tax, the Participant agrees to promptly return to the Company a sufficient amount of the Payment (after reduction pursuant to clause (x) of the first paragraph of this Section 9(d)(ii)) so that no portion of the remaining Payment is subject to the Excise Tax. For the avoidance of doubt, if the Reduced Amount was determined pursuant to clause (y) of the first paragraph of this Section 9(d)(ii), the Participant will have no obligation to return any portion of the Payment pursuant to the preceding sentence.

Unless the Participant and the Company agree on an alternative accounting firm or law firm, the accounting firm engaged by the Company for general tax compliance purposes as of the day prior to the effective date of the Change in Control will perform the foregoing calculations. If the accounting firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company will appoint a nationally recognized accounting or law firm to make the determinations required hereunder. The Company will bear all expenses with respect to the determinations by such accounting or law firm required to be made hereunder.

The Company will use commercially reasonable efforts to cause the accounting or law firm engaged to make the determinations hereunder to provide its calculations, together with detailed supporting documentation, to the Participant and the Company within 15 calendar days after the date on which the Participant's right to a 280G Payment becomes reasonably likely to occur (if requested at that time by the Participant or the Company) or such other time as requested by the Participant or the Company.

10. Termination or Suspension of the Plan.

(a) Termination or Suspension. The Board may suspend or terminate the Plan at any time. No Incentive Stock Option will be granted after the tenth anniversary of the earlier of (i) the date the Plan is adopted by the Board, or (ii) the date the Plan is approved by the stockholders of the Company. No Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) No Impairment of Rights. Suspension or termination of the Plan will not materially impair rights and obligations under any Award granted while the Plan is in effect except with the written consent of the affected Participant or as otherwise permitted in the Plan.

11. Effective Date of Plan.

This Plan will become effective on the Effective Date.

12. Choice of Law.

The laws of the State of California will govern all questions concerning the construction, validity and interpretation of this Plan, without regard to that state's conflict of laws rules.

13. Definitions. As used in the Plan, the following definitions will apply to the capitalized terms indicated below:

(a) "***Affiliate***" means, at the time of determination, any "parent" or "subsidiary" of the Company as such terms are defined in Rule 405. The Board will have the authority to determine the time or times at which "parent" or "subsidiary" status is determined within the foregoing definition.

(b) "***Award***" means a Stock Award or a Performance Cash Award.

(c) "***Award Agreement***" means a written agreement between the Company and a Participant evidencing the terms and conditions of an Award.

(d) "***Board***" means the Board of Directors of the Company.

(e) "***Capitalization Adjustment***" means any change that is made in, or other events that occur with respect to, the Common Stock subject to the Plan or subject to any Stock Award after the Effective Date without the receipt of consideration by the Company through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, large nonrecurring cash dividend, stock split, reverse stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or any similar equity restructuring transaction, as that term is used in Statement of Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any successor thereto). Notwithstanding the foregoing, the conversion of any convertible securities of the Company will not be treated as a Capitalization Adjustment.

(f) "***Cause***" will have the meaning ascribed to such term in any written agreement between the Participant and the Company or an Affiliate defining such term and, in the absence of such agreement, such term will mean, with respect to a Participant, the occurrence of any of the following events: (i) such Participant's conviction of, or plea of no contest with respect to, any crime involving fraud, dishonesty or moral turpitude; (ii) such Participant's attempted commission of or participation in a fraud or act of dishonesty against the Company or an

Affiliate that results in (or might have reasonably resulted in) material harm to the business of the Company or an Affiliate; (iii) such Participant's intentional, material violation of any contract or agreement between the Participant and the Company or an Affiliate, or any statutory duty the Participant owes to the Company or an Affiliate; or (iv) such 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 or an Affiliate. The determination that a termination of a Participant's Continuous Service is for Cause will not be made unless and until there will 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. Any determination by the Company that the Continuous Service of a Participant was terminated with or without Cause for the purposes of outstanding Awards held by such Participant will have no effect upon any determination of the rights or obligations of the Company or an Affiliate or such Participant for any other purpose.

(g) "***Change in Control***" means the consummation, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) a sale, lease or other disposition of all or substantially all of the assets of the Company;

(ii) an acquisition by any Exchange Act Person of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of the Company representing at least 50% of the combined voting power entitled to vote in the election of Directors other than by virtue of a merger, consolidation or similar transaction;

(iii) a merger, consolidation or similar transaction in which the Company is not the surviving corporation; or

(iv) a reverse merger, consolidation or similar transaction in which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

Notwithstanding the foregoing definition or any other provision of this Plan, the term Change in Control will not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company.

(h) "***Code***" means the Internal Revenue Code of 1986, as amended, including any applicable regulations and guidance thereunder.

(i) "***Committee***" means a committee of one or more Directors to whom authority has been delegated by the Board in accordance with Section 2(c).

(j) "***Common Stock***" means the common stock of the Company.

(k) "***Company***" means Exelixis, Inc., a Delaware corporation.

(l) "***Consultant***" means any person, including an advisor, who is (i) engaged by the Company or an Affiliate to render consulting or advisory services and is compensated for such services, or (ii) serving as a member of the board of directors of an Affiliate and is compensated for such services. However, service solely as a Director, or payment of a fee for such service, will not cause a Director to be considered a "Consultant" for purposes of the Plan. Notwithstanding the foregoing, a person is treated as a Consultant under this Plan only if a Form S-8 Registration Statement under the Securities Act is available to register either the offer or the sale of the Company's securities to such person.

(m) "***Continuous Service***" means that the Participant's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. A change in the capacity in which the Participant renders service to the Company or an Affiliate as an Employee, Director or Consultant or a change in the Entity for which the Participant renders such service, provided that there is no interruption or termination of the Participant's service with the Company or an Affiliate, will not terminate a Participant's Continuous Service; *provided, however,* that if the Entity for which a Participant is rendering services ceases to qualify as an Affiliate, as determined by the Board, in its sole discretion, such Participant's Continuous Service will be considered to have terminated on the date such Entity ceases to qualify as an Affiliate. For example, a change in status from an Employee of the Company to a Consultant of an Affiliate or to a Director will not constitute an interruption of Continuous Service. To the extent permitted by law, the Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service will be considered interrupted in the case of (i) any leave of absence approved by the Board or chief executive officer, including sick leave, military leave or any other personal leave, or (ii) transfers between the Company, an Affiliate, or their successors. Notwithstanding the foregoing, a leave of absence will be treated as Continuous Service for purposes of vesting in a Stock Award only to such extent as may be provided in the Company's or Affiliate's leave of absence policy, in the written terms of any leave of absence agreement or policy applicable to the Participant, or as otherwise required by law.

(n) "***Corporate Transaction***" means the consummation, in a single transaction or in a series of related transactions, of any one or more of the following events:

(i) a sale, lease or other disposition of all or substantially all of the assets of the Company;

(ii) an acquisition by any Exchange Act Person of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of the Company representing at least 50% of the combined voting power entitled to vote in the election of Directors (a "***Control Acquisition***");

(iii) a merger, consolidation or similar transaction in which the Company is not the surviving corporation; or

(iv) a reverse merger, consolidation or similar transaction in which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger, consolidation or similar transaction are converted by virtue of the merger, consolidation or similar transaction into other property, whether in the form of securities, cash or otherwise.

Notwithstanding the foregoing definition or any other provision of this Plan, the terms Corporate Transaction and Control Acquisition will not include a sale of assets, merger or other transaction effected exclusively for the purpose of changing the domicile of the Company.

(o) "***Covered Employee***" will have the meaning provided in Section 162(m)(3) of the Code.

(p) "***Director***" means a member of the Board.

(q) "***Disability***" means, with respect to a Participant, the inability of such Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months, as provided in Sections 22(e)(3) and 409A(a)(2)(c)(i) of the Code, and will be determined by the Board on the basis of such medical evidence as the Board deems warranted under the circumstances.

(r) "***Effective Date***" means the effective date of this Plan document, which is the date of the annual meeting of stockholders of the Company held in 2017, provided this Plan is approved by the Company's stockholders at such meeting.

(s) "***Employee***" means any person employed by the Company or an Affiliate. However, service solely as a Director, or payment of a fee for such services, will not cause a Director to be considered an "Employee" for purposes of the Plan.

(t) "***Entity***" means a corporation, partnership, limited liability company or other entity.

(u) "***Exchange Act***" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

(v) "***Exchange Act Person***" means any natural person, Entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act), except that "Exchange Act Person" will not include (i) the Company or any Subsidiary of the Company, (ii) any employee benefit plan of the Company or any Subsidiary of the Company or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any Subsidiary of the Company, (iii) an underwriter temporarily holding securities pursuant to an offering of such securities, (iv) an Entity Owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their Ownership of stock of the Company; or (v) any natural person, Entity or "group" (within the meaning of Section 13(d) or 14(d) of the Exchange Act) that, as of the Effective Date, is the Owner, directly or indirectly, of securities of the Company representing more than 50% of the combined voting power of the Company's then outstanding securities.

(w) "***Fair Market Value***" means, as of any date, the value of the Common Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or traded on any established market, the Fair Market Value of a share of Common Stock will be, unless otherwise determined by the Board, the closing sales price for such stock as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the date of determination, as reported in a source the Board deems reliable.

(ii) Unless otherwise provided by the Board, if there is no closing sales price for the Common Stock on the date of determination, then the Fair Market Value will be the closing selling price on the last preceding date for which such quotation exists.

(iii) In the absence of such markets for the Common Stock, the Fair Market Value will be determined by the Board in good faith and in a manner that complies with Sections 409A and 422 of the Code.

(x) "***Full Value Award***" means a Stock Award that is not an Option or SAR with respect to which the exercise or strike price is at least 100% of the Fair Market Value of the Common Stock subject to the Option or SAR on the date of grant.

(y) "***Good Reason***" means that one or more of the following are undertaken by the Company or an Affiliate without the Participant's express written consent:

(i) reduction of such Participant's rate of compensation as in effect immediately prior to a Change in Control by greater than 10%, except to the extent the compensation of other similarly situated persons are accordingly reduced;

(ii) failure to provide a package of welfare benefit plans that, taken as a whole, provide substantially similar benefits to those in which such Participant is entitled to participate immediately prior to a Change in Control (except that such Participant's contributions may be raised to the extent of any cost increases imposed by third parties) or any action by the Company or an Affiliate that would adversely affect such Participant's participation or reduce such Participant's benefits under any of such plans;

(iii) a change in such Participant's responsibilities, authority, titles or offices resulting in diminution of position, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Company or an Affiliate promptly after notice thereof is given by such person;

(iv) a request that such Participant relocate to a worksite that is more than 50 miles from such Participant's prior worksite, unless such person accepts such relocation opportunity;

(v) a material reduction in duties;

(vi) a failure or refusal of any successor company to assume the obligations of the Company or an Affiliate under an agreement with such Participant; or

(vii) a material breach by the Company or an Affiliate of any of the material provisions of an agreement with such Participant.

Notwithstanding the foregoing, a Participant will have "Good Reason" for his or her resignation only if: (a) such Participant notifies the Company in writing, within 30 days after the occurrence of one of the foregoing event(s), specifying the event(s) constituting Good Reason and that he or she intends to terminate his or her employment no earlier than 30 days after providing such notice; (b) the Company does not cure such condition within 30 days following its receipt of such notice or states unequivocally in writing that it does not intend to attempt to cure such condition; and (c) the Participant resigns from employment within 30 days following the end of the period within which the Company was entitled to remedy the condition constituting Good Reason but failed to do so.

(z) "***Incentive Stock Option***" means an option granted pursuant to Section 5 that is intended to be, and that qualifies as, an "incentive stock option" within the meaning of Section 422 of the Code.

(aa) "***Non-Employee Director***" means a Director who either (i) is not a current employee or officer of the Company or an Affiliate, does not receive compensation, either directly or indirectly, from the Company or an Affiliate for services rendered as a consultant or in any capacity other than as a Director (except for an amount as to which disclosure would not be required under Item 404(a) of Regulation S-K promulgated pursuant to the Securities Act

("***Regulation S-K***")), does not possess an interest in any other transaction for which disclosure would be required under Item 404(a) of Regulation S-K, and is not engaged in a business relationship for which disclosure would be required pursuant to Item 404(b) of Regulation S-K; or (ii) is otherwise considered a "non-employee director" for purposes of Rule 16b-3.

(ab) "***Nonstatutory Stock Option***" means any option granted pursuant to Section 5 that does not qualify as an Incentive Stock Option.

(ac) "***Officer***" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act.

(ad) "***Option***" means an Incentive Stock Option or a Nonstatutory Stock Option to purchase shares of Common Stock granted pursuant to the Plan.

(ae) "***Option Agreement***" means a written agreement between the Company and an Optionholder evidencing the terms and conditions of an Option grant. Each Option Agreement will be subject to the terms and conditions of the Plan.

(af) "***Optionholder***" means a person to whom an Option is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Option.

(ag) "***Other Stock Award***" means an award based in whole or in part by reference to the Common Stock which is granted pursuant to the terms and conditions of Section 6(d).

(ah) "***Other Stock Award Agreement***" means a written agreement between the Company and a holder of an Other Stock Award evidencing the terms and conditions of an Other Stock Award grant. Each Other Stock Award Agreement will be subject to the terms and conditions of the Plan.

(ai) "***Outside Director***" means a Director who either (i) is not a current employee of the Company or an "affiliated corporation" (within the meaning of Treasury Regulations promulgated under Section 162(m) of the Code), is not a former employee of the Company or an "affiliated corporation" who receives compensation for prior services (other than benefits under a tax-qualified retirement plan) during the taxable year, has not been an officer of the Company or an "affiliated corporation," and does not receive remuneration from the Company or an "affiliated corporation," either directly or indirectly, in any capacity other than as a Director, or (ii) is otherwise considered an "outside director" for purposes of Section 162(m) of the Code.

(aj) "***Own,***" "***Owned,***" "***Owner,***" "***Ownership***" A person or Entity will be deemed to "Own," to have "Owned," to be the "Owner" of, or to have acquired "Ownership" of securities if such person or Entity, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares voting power, which includes the power to vote or to direct the voting, with respect to such securities.

(ak) "***Participant***" means a person to whom an Award is granted pursuant to the Plan or, if applicable, such other person who holds an outstanding Stock Award.

(al) "***Performance Cash Award***" means an award of cash granted pursuant to the terms and conditions of Section 6(c)(ii).

(am) "***Performance Criteria***" means the one or more criteria that the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board or the Committee) will select for purposes of establishing the Performance Goals for a Performance Period. The

Performance Criteria that will be used to establish such Performance Goals may be based on any one of, or combination of, the following as determined by the Committee (or Board, if applicable): (1) earnings (including earnings per share and net earnings); (2) earnings before interest, taxes and depreciation; (3) earnings before interest, taxes, depreciation and amortization; (4) total stockholder return; (5) return on equity or average stockholder's equity; (6) return on assets, investment, or capital employed; (7) stock price; (8) margin (including gross margin); (9) income (before or after taxes); (10) operating income; (11) operating income after taxes; (12) pre-tax profit; (13) operating cash flow; (14) sales or revenue targets; (15) increases in revenue or product revenue; (16) expenses and cost reduction goals; (17) improvement in or attainment of working capital levels; (18) economic value added (or an equivalent metric); (19) market share; (20) cash flow; (21) cash flow per share; (22) share price performance; (23) debt reduction; (24) implementation or completion of projects or processes; (25) customer satisfaction; (26) stockholders' equity; (27) capital expenditures; (28) debt levels; (29) operating profit or net operating profit; (30) workforce diversity; (31) growth of net income or operating income; (32) billings; and (33) to the extent that an Award is not intended to comply with Section 162(m) of the Code, other measures of performance selected by the Committee or Board.

(an) "***Performance Goals***" means, for a Performance Period, the one or more goals established by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board or the Committee) for the Performance Period based upon the Performance Criteria. Performance Goals may be based on a Company-wide basis, with respect to one or more business units, divisions, Affiliates, or business segments, and in either absolute terms or relative to the performance of one or more comparable companies or the performance of one or more relevant indices. Unless specified otherwise by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board or the Committee) (i) in the Award Agreement at the time the Award is granted or (ii) in such other document setting forth the Performance Goals at the time the Performance Goals are established, the Committee (or Board, if applicable) will appropriately make adjustments in the method of calculating the attainment of Performance Goals for a Performance Period as follows: (1) to exclude restructuring and/or other nonrecurring charges; (2) to exclude exchange rate effects, as applicable, for non-U.S. dollar denominated Performance Goals; (3) to exclude the effects of changes to generally accepted accounting principles; (4) to exclude the effects of any statutory adjustments to corporate tax rates; and (5) to exclude the effects of any items that are "unusual" in nature or occur "infrequently" as determined under generally accepted accounting principles.

(ao) "***Performance Period***" means the period of time selected by the Committee (or, if not required for compliance with Section 162(m) of the Code, the Board or the Committee) over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant's right to and the payment of a Performance Stock Award or a Performance Cash Award. Performance Periods may be of varying and overlapping duration, at the sole discretion of the Committee (or Board, if applicable).

(ap) "***Performance Stock Award***" means a Stock Award granted under the terms and conditions of Section 6(c)(i).

(aq) "***Plan***" means this Exelixis, Inc. 2017 Equity Incentive Plan.

(ar) "***Prior Plans' Award***" means any stock award granted under the 2014 Plan, the 2000 Plan, the 2000 Non-Employee Directors' Plan, the 2011 Plan or the 2016 Inducement Plan, in each case that was outstanding as of the Effective Date.

(as) "***Restricted Stock Award***" means an award of shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(a).

(at) "***Restricted Stock Award Agreement***" means a written agreement between the Company and a holder of a Restricted Stock Award evidencing the terms and conditions of a Restricted Stock Award grant. Each Restricted Stock Award Agreement will be subject to the terms and conditions of the Plan.

(au) "***Restricted Stock Unit Award***" means a right to receive shares of Common Stock which is granted pursuant to the terms and conditions of Section 6(b).

(av) "***Restricted Stock Unit Award Agreement***" means a written agreement between the Company and a holder of a Restricted Stock Unit Award evidencing the terms and conditions of a Restricted Stock Unit Award grant. Each Restricted Stock Unit Award Agreement will be subject to the terms and conditions of the Plan.

(aw) "***Rule 16b-3***" means Rule 16b-3 promulgated under the Exchange Act or any successor to Rule 16b-3, as in effect from time to time.

(ax) "***Rule 405***" means Rule 405 promulgated under the Securities Act.

(ay) "***Securities Act***" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

(az) "***Stock Appreciation Right***" or "***SAR***" means a right to receive the appreciation on Common Stock that is granted pursuant to the terms and conditions of Section 5.

(ba) "***Stock Appreciation Right Agreement***" means a written agreement between the Company and a holder of a Stock Appreciation Right evidencing the terms and conditions of a Stock Appreciation Right grant. Each Stock Appreciation Right Agreement will be subject to the terms and conditions of the Plan.

(bb) "***Stock Award***" means any right to receive Common Stock granted under the Plan, including an Incentive Stock Option, a Nonstatutory Stock Option, a Stock Appreciation Right, a Restricted Stock Award, a Restricted Stock Unit Award, a Performance Stock Award or any Other Stock Award.

(bc) "***Stock Award Agreement***" means a written agreement between the Company and a Participant evidencing the terms and conditions of a Stock Award grant. Each Stock Award Agreement will be subject to the terms and conditions of the Plan.

(bd) "***Subsidiary***" means, with respect to the Company, (i) any corporation of which more than 50% of the outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, stock of any other class or classes of such corporation will have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, Owned by the Company, and (ii) any partnership, limited liability company or other entity in which the Company has a direct or indirect interest (whether in the form of voting or participation in profits or capital contribution) of more than 50%.

(be) "***Ten Percent Stockholder***" means a person who Owns (or is deemed to Own pursuant to Section 424(d) of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or any Affiliate.

(bf) "***Transaction***" means a Corporate Transaction or a Change in Control.

Exhibit 10.2

CASH COMPENSATION INFORMATION FOR NON-EMPLOYEE DIRECTORS

Exelixis, Inc.
Cash Compensation for Non-Employee Directors

Board of Directors	Retainer Fee	$55,000
	Additional Chair Retainer Fee	$31,000
	Meeting Fee[1][2]	$2,500
Audit Committee	Retainer Fee	$12,000
	Additional Chair Retainer Fee	$13,000
	Meeting Fee[1][3]	$1,000
Compensation Committee	Retainer Fee	$10,000
	Additional Chair Retainer Fee	$10,000
	Meeting Fee[1][3]	$1,000
Nominating and Corporate Governance Committee	Retainer Fee	$5,000
	Additional Chair Retainer Fee	$10,000
	Meeting Fee[1][4]	$1,000
Research & Development Committee	Retainer Fee	$5,000
	Additional Chair Retainer Fee	$10,000
	Meeting Fee[1][4]	$1,000

[1]Meetings for which minutes are generated count toward the meeting threshold to determine when Meeting Fees are to be paid.
[2]Meeting Fee paid for all meetings in excess of eight meetings.
[3]Meeting Fee paid for all meetings in excess of seven meetings.
[4]Meeting Fee paid for all meetings in excess of four meetings.

SEVENTH AMENDMENT TO LEASE AGREEMENT

THIS SEVENTH AMENDMENT TO LEASE AGREEMENT (this "**Amendment**") is made and entered into as of May 16, 2022, by and between **SCG HARBOR BAY PARKWAY PHASE I, LLC, a Delaware limited liability company** ("**Landlord**"), and **EXELIXIS, INC. a Delaware corporation** ("**Tenant**").

RECITALS

A. Landlord (as successor in interest to Ascentris 105, LLC, a Colorado limited liability company) and Tenant are parties to that certain Lease Agreement, dated May 2, 2017 (the "**Original Lease**"), which Original Lease has been previously amended by that certain First Amendment to Lease Agreement, dated October 16, 2017, that certain Second Amendment to Lease Agreement dated, June 13, 2018, that certain Third Amendment to Lease Agreement, dated April 1, 2019, that certain Fourth Amendment to Lease Agreement, dated August 30, 2019, that certain Fifth Amendment to Lease Agreement dated January 16, 2020, and that certain Sixth Amendment to Lease Agreement, dated December 11, 2020 (collectively, the "**Lease**"). Pursuant to the Lease, Landlord has leased to Tenant space currently containing approximately **254,690** rentable square feet (the "**Original Premises**") described as (i) 37,544 rentable square feet comprising the entire building located at 1601 Harbor Bay Parkway, Alameda, California, (ii) 59,335 rentable square feet comprising the entire building located at 1701 Harbor Bay Parkway, Alameda, California, (iii) 58,417 rentable square feet comprising the entire building located at 1801 Harbor Bay Parkway, Alameda, California, (iv) 57,476 rentable square feet comprised of the entire building located at 1851 Harbor Bay Parkway, Alameda, California, and (v) 41,918 comprised of Suites 100, 150 and 225 of the building located at 1751 Harbor Bay Parkway, Alameda, California (the "**1751 Building**").

B. Tenant has requested that the remaining balance of the 1751 Building, containing approximately **34,745** rentable square feet described as Suite 125, Suite 200 and the remaining balance of the 1751 Building shown on **Exhibit A-1** hereto (collectively, the "**Expansion Space**"), be added to the Original Premises and that the Lease be appropriately amended and Landlord is willing to do the same on the following terms and conditions.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. <u>Expansion and Effective Date.</u>

1.1 Effective as of the date that is the later of (a) June 1, 2022 and (ii) the Expansion Delivery Date (defined below), (the "**Expansion Effective Date**"), the Original Premises is increased from approximately **254,690** rentable square feet of the Project to approximately **289,435** rentable square feet of the Project by the addition of the Expansion Space, and from and after the Expansion Effective Date, the Original Premises and the Expansion Space, collectively, shall be deemed the "**Premises**", as defined in the Lease, and as used herein. The Term for the Expansion Space shall commence on the Expansion Space Effective Date and end on the Expiration Date unless sooner terminated in accordance with the terms of the Lease, as amended hereby. The Expansion Space is subject to all the terms and conditions of the Lease except as expressly modified herein. As used herein, "**Expansion Delivery Date**" means the date on which Landlord tenders possession of the Expansion Space to

Tenant in its current condition and configuration (normal wear and tear excepted) free from occupancy by any party and in good, vacant, broom clean condition. The Expansion Delivery Date is anticipated to occur on June 1, 2022 (the "**Expected Expansion Delivery Date**"). Following the Expansion Effective Date, the Premises includes the entire 1751 Building, as shown on **Exhibit A-1** hereto, including the addition of approximately 4,129 rentable square feet described as Suite 125 ("**Suite 125**") on the first floor of the 1751 Building, (ii) approximately 25,655 rentable square feet described as Suite 200 ("**Suite 200**") on the second floor of the 1751 Building, and (iii) approximately 4,961 rentable square feet (the "**Balance of the 1751 Building**")

consisting of the remaining balance of the 1751 Building. During the period beginning on the Expansion Delivery Date and ending on the date immediately preceding the Expansion Effective Date, all provisions of the Lease relating to the Expansion Space shall apply as if the Expansion Effective Date had occurred; provided however, that during such period Tenant shall not be required to pay Rent for the Expansion Space other than the payment of Operating Expenses and other charges for services requested by Tenant with respect to the Expansion Space pursuant to the applicable provisions of the Lease. Any delay in the Expansion Delivery Date shall not subject Landlord to any loss or damage resulting therefrom. If the Expansion Delivery Date is delayed, the Expiration Date under the Lease shall not be similarly extended.

Landlord acknowledges that portions of the Expansion Space are currently occupied by a tenant (the "**Existing Expansion Space Tenant**") pursuant to a lease (the "**Existing Expansion Space Lease**") with a term expiring May 31, 2022 (the "**Existing Expansion Space Lease Expiration Date**"). Landlord shall use commercially reasonable efforts to cause the Existing Expansion Space Tenant to surrender and vacate the Expansion Space on or prior to the Existing Expansion Space Lease Expiration Date with the Expansion Space in its current configuration and otherwise in the condition required by the Existing Expansion Space Lease. If the Existing Expansion Space Tenant does not so surrender the Expansion Space by the Existing Expansion Space Lease Expiration Date, then Landlord shall use commercially reasonable efforts to cause the Existing Expansion Space Tenant to so surrender and vacate the Expansion Premises, which may, in Landlord's discretion, include promptly commencing and pursuing unlawful detainer and eviction proceedings if the Existing Expansion Space Tenant fails to timely surrender and vacate the Expansion Premises. Notwithstanding anything to the contrary in this Amendment, if Landlord fails to cause the Expansion Delivery Date to occur for any reason by the date that is one hundred twenty (120) days after the Expected Expansion Delivery Date (the "**Outside Delivery Date**"), then Tenant shall be entitled to an abatement of Base Rent for the Expansion Space following the Expansion Effective Date in an amount equal to $1,735.41 for every day in the period beginning on the Outside Delivery Date and ending on the Expansion Delivery Date. Landlord and Tenant acknowledge and agree that the Outside Delivery Date shall be postponed by the number of days the Expansion Delivery Date is delayed dure to strikes, acts of God, shortages of labor or materials, war, terrorist acts, civil disturbances, governmental orders, and other causes beyond the reasonable control of Landlord.

2. **Base Rent.** In addition to Tenant's obligation to pay Base Rent for the Original Premises, Tenant shall pay Landlord Base Rent for the Expansion Space as follows:

Base Rent for Suites 125 and 200:

Period	Rentable Square Footage	Monthly Rate Per Square Foot	Monthly Base Rent
Expansion Effective Date – Month 12	29,784	$3.50	$104,244.00
Month 13 – Month 24	29,784	$3.61	$107,520.24
Month 25 – Month 36	29,784	$3.72	$110,796.48
Month 37 – Month 48	29,784	$3.83	$114,072.72
Month 49 – Month 60	29,784	$3.94	$117,348.96
Month 61 – Month 72	29,784	$4.06	$120,923.04
Month 73 – Month 84	29,784	$4.18	$124,497.12
Month 85 – Month 96	29,784	$4.31	$128,369.04
Month 97 – October 31, 2031	29,784	$4.44	$132,240.96

Notwithstanding anything in this Lease to the contrary, Tenant shall be entitled to an abatement of Base Rent solely with respect to the Expansion Space in the amount of $104,244.00 per month for the first six (6) full months following the Expansion Effective Date.

Base Rent for the Balance of the 1751 Building:

Period	Rentable Square Footage	Monthly Rate Per Square Foot	Monthly Base Rent
Expansion Effective Date – Month 12	4,961	$2.25	$11,162.25
Month 13 – Month 24	4,961	$2.32	$11,509.52
Month 25 – Month 36	4,961	$2.39	$11,856.79
Month 37 – Month 48	4,961	$2.46	$12,204.06
Month 49 – Month 60	4,961	$2.53	$12,551.33
Month 61 – Month 72	4,961	$2.61	$12,948.21
Month 73 – Month 84	4,961	$2.69	$13,345.09
Month 85 – Month 96	4,961	$2.77	$13,741.97
Month 97 – October 31, 2031	4,961	$2.85	$14,138.85

Notwithstanding anything in this Lease to the contrary, Tenant shall be entitled to an abatement of Base Rent solely with respect to the Balance of the 1751 Building in the amount of $11,162.25 per month for the first six (6) full months following the Expansion Effective Date.

All such Base Rent shall be payable by Tenant in accordance with the terms of the Lease, as amended hereby. Only Base Rent with respect to the Expansion Space shall be abated pursuant to this Section, as more particularly described herein, and Base Rent for the Original Premises, Operating Expenses for the entire Premises (including the Expansion Space), all other Rent and other costs and charges specified in the Lease, as amended hereby, shall remain as due and payable pursuant to the provisions of the Lease, as amended hereby.

3. **Additional Security Deposit**. No additional Security Deposit shall be required in connection with this Amendment.

4. **Tenant's Share.** For the period commencing with the Expansion Effective Date and ending on the Expiration Date, Tenant's Building Share for the Expansion Space is **45.32%** and Tenant's Project Share for the Expansion Space is **8.94%**. Accordingly, Tenant's Building Share is increased to 100% of the 1751 Building and Tenant's Project Share is 74.45%.

5. **Rentable Area of the Premises.** Effective as of the Expansion Effective Date, the last paragraph of Section 1.1(d) of the Lease is hereby amended by replacing the Rentable Area table set forth in Exhibit A of the Lease, as previously replaced, with the Rentable Area table attached hereto as **Exhibit A-2**.

6. **Improvements to Expansion Space.**

6.1 **Condition of Expansion Space.** Except as otherwise provided in this Amendment and the Lease, Tenant agrees to accept the same in its current condition and configuration (normal wear and tear excepted) free from occupancy by any party and in good, vacant, broom clean condition, but otherwise "as is" without any agreements, representations, understandings or obligations on the part of Landlord to perform any alterations, repairs or improvements. Notwithstanding the foregoing, Landlord agrees that the roof and the base Building electrical, heating, ventilation and air conditioning, plumbing, fire/life safety and other systems located in and/or serving the Expansion Space shall be in good working order as of the Expansion Effective Date. Except to the extent caused by the acts or omissions of Tenant or any of Tenant's employees, agents, contractors,

representatives or invitees, or by any alterations or improvements performed by or on behalf of Tenant, if such systems are not in good working order as of the date possession of the Expansion Space is delivered to Tenant and Tenant provides Landlord with notice of the same within ninety (90) days following the date Landlord delivers possession of the Expansion Space to Tenant, Landlord shall be responsible for repairing or restoring the same at Landlord's sole cost and not as an Operating Expense.

6.2 **Responsibility for Improvements to Expansion Space.** Any construction, alterations or improvements to the Expansion Space shall be performed by Tenant in accordance with the Lease and this Amendment, including the provisions of **Exhibit B** attached hereto.

7. **Tenant's Personal Property.** Tenant is in the process of purchasing certain furniture currently located in the Premises (the "**Personal Property**") and owned by the prior tenant in the Expansion Space. Landlord has agreed to allow the Personal Property to remain in the Expansion Space prior to the Expansion Effective Date. Landlord (i) shall not be liable for any loss of or damage to the Personal Property, (ii) disclaims any ownership of and responsibility for the Personal Property, and (iii) makes no representation as to its nature, suitability, quality or condition. Tenant acknowledges that it is relying solely on its own investigation of the Personal Property and not on any information provided by Landlord.

8. **Other Pertinent Provisions.** Landlord and Tenant agree that, effective as of the date of this Amendment (unless different effective date(s) is/are specifically referenced in this Section), the Lease shall be amended in the following additional respects:

8.1 **Parking.** Effective as of the Expansion Effective Date, Tenant's unreserved parking spaces shall be increased by eighty-nine (89) unreserved parking spaces at no charge to Tenant for a total of 853 unreserved parking spaces for the Premises. Except as modified herein, the use of such unreserved parking spaces shall be subject to the terms of the Lease. Landlord agrees that if all or any portion of the parking lots serving the Project are restriped in a manner that creates additional parking and such additional parking is not needed to satisfy the parking requirements for the BTS Site (as defined in the Fifth Amendment), then such excess parking spaces shall be automatically added to Tenant's parking rights under the Lease until Tenant's allocated parking at the Project is in accordance with the Targeted Parking Allocation (as defined in the Fifth Amendment).

8.2 Tenant's Insurance. Tenant's insurance required under Section 9.2 of the Original Lease ("**Tenant's Insurance**") shall include the Expansion Space. Tenant shall provide Landlord with a certificate of insurance, in form and substance satisfactory to Landlord and otherwise in compliance with Section 9.2 of the Original Lease, evidencing that Tenant's Insurance covers the Original Premises and the Expansion Space, upon delivery of this Amendment, executed by Tenant, to Landlord.

9. **Miscellaneous.**

9.1 This Amendment, including **Exhibit A-1** (Outline and Location of Expansion Space), and **Exhibit A-2** (Plans Showing the Premises and Table of Rentable Areas of the Premises), and **Exhibit B** (Tenant Alterations) attached hereto, sets forth the entire agreement between the parties with respect to the matters set forth herein. There have been no additional oral or written representations or agreements.

9.2 Except as herein modified or amended, the provisions, conditions and terms of the Lease shall remain unchanged and in full force and effect. In the case of any inconsistency between the provisions of the Lease and this Amendment, the provisions of this Amendment shall govern and control. The capitalized terms used in this Amendment shall have the same definitions as set forth in the Lease to the extent that such capitalized terms are defined therein and not redefined in this Amendment.

9.3 Submission of this Amendment by Landlord is not an offer to enter into this Amendment but rather is a solicitation for such an offer by Tenant. Landlord shall not be bound by this Amendment until Landlord has executed and delivered the same to Tenant.

9.4 Landlord and Tenant each hereby represents that each has dealt with no broker other than Kidder Mathews, representing Tenant, and Cushman & Wakefield of California, Inc., representing Landlord, in connection with this Amendment. Tenant agrees to indemnify and hold Landlord and the Landlord Related Parties harmless from all claims of any other brokers claiming to have represented Tenant in connection with this Amendment. Landlord shall pay Kidder Mathews and Cushman & Wakefield of California, Inc. a market brokerage commission pursuant to a separate written agreement.

9.5 Each of Landlord and Tenant represents hereby that the individuals executing this Amendment on its behalf have the authority to execute and deliver the same on behalf of the party hereto for which such signatory is acting. Tenant hereby represents and warrants that Tenant is not (i) the target of any sanctions program that is established by Executive Order of the President or published by the Office of Foreign Assets Control, U.S. Department of the Treasury ("**OFAC**"); (ii) designated by the President or OFAC pursuant to the Trading with the Enemy Act, 50 U.S.C. App. § 5, the International Emergency Economic Powers Act, 50 U.S.C. §§ 1701-06, the Patriot Act, Public Law 107-56, Executive Order 13224 (September 23, 2001) or any Executive Order of the President issued pursuant to such statutes; or (iii) named on the following list that is published by OFAC: "List of Specially Designated Nationals and Blocked Persons."

9.6 Pursuant to California Civil Code Section 1938, Landlord hereby notifies Tenant that as of the date of this Amendment, the Premises have not undergone inspection by a "Certified Access Specialist" ("**CASp**") to determine whether the Premises meet all applicable construction-related accessibility standards under California Civil Code Section 55.53. Landlord hereby discloses pursuant to California Civil Code Section 1938 as follows: "A Certified Access Specialist (CASp) can inspect the subject premises and determine whether the subject premises comply with all of the applicable construction-related accessibility standards under state law. Although state law does not require a CASp inspection of the subject premises, the commercial property owner or lessor may not prohibit the lessee or tenant from obtaining a CASp inspection of the subject premises for the occupancy or potential occupancy of the lessee or tenant, if requested by the lessee or tenant. The parties shall mutually agree on the arrangements for the time and manner of the CASp inspection, the payment of the fee for the CASp inspection, and the cost of making any repairs necessary to correct violations of construction-related accessibility standards within the premises." Landlord and Tenant hereby acknowledge and agree that in the event that Tenant elects to perform a CASp inspection of the Premises hereunder (the "**Inspection**"), such Inspection shall be (a) performed at Tenant's sole cost and expense, (b) limited to the Premises and (c) performed by a CASp who has been approved or designated by Landlord prior to the Inspection. Any Inspection must be performed in a manner which minimizes the disruption of business activities in the Building, and at a time reasonably approved by Landlord. Landlord reserves the right to be present during the Inspection. Tenant agrees to: (i) promptly provide to Landlord a copy of the report or certification prepared by the CASp inspector upon request (the "**Report**"), (ii) keep the information contained in the Report confidential, except to the extent required by Law**,** or to the extent disclosure is needed in order to complete any necessary modifications or improvements required to comply with all applicable accessibility standards under state or federal Law, as well as any other repairs, upgrades, improvements, modifications or alterations required by the Report or that may be otherwise required to comply with applicable Laws or accessibility requirements (the "**Access Improvements**"). If Tenant performs an Inspection, Tenant shall be solely responsible for the cost of Access Improvements to the Premises or the Building necessary to correct any such violations of construction-related accessibility standards identified by such Inspection as required by Law, which Access Improvements may, at Landlord's option, be performed in whole or in part by

Landlord at Tenant's expense, payable as Additional Rent within ten (10) days following Landlord's demand.

9.7 This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of such counterparts together shall constitute one and the same agreement. Execution copies of this Amendment may be delivered by facsimile or email, and the parties hereto agree to accept and be bound by facsimile signatures or scanned signatures transmitted via email hereto, which signatures shall be considered as original signatures with the transmitted Amendment having the same binding effect as an original signature on an original Amendment. Neither party may raise the use of a facsimile machine or scanned document or the fact that any signature was transmitted through the use of a facsimile machine or email as a defense to the enforcement of this Amendment. In addition, the parties agree that this Amendment may be signed using electronic signature technology (e.g., via DocuSign or similar electronic signature technology), and that such signed electronic record shall be valid and as effective to bind the party so signing as a paper copy bearing such party's hand-written signature. The parties further consent and agree that (1) to the extent a party signs this document using electronic signature technology, by clicking "sign", such party is signing this Amendment electronically, and (2) the electronic signatures appearing on this Amendment shall be treated, for purposes of validity, enforceability and admissibility, the same as hand written signatures.

[SIGNATURE PAGE FOLLOWS]

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

LANDLORD:	**TENANT:**
SCG HARBOR BAY PARKWAY PHASE I, LLC, **a Delaware limited liability company**	EXELIXIS, INC., a Delaware corporation
By: /s/ Meghan Concannon Name: Meghan Concannon Title: Vice President Dated: 6/2/2022	By: /s/ Dana Aftab Name: Dana Aftab Title: Executive Vice President, Business Operations Dated: 6/2/2022

EXHIBIT A-1 - OUTLINE AND LOCATION OF EXPANSION SPACE

attached to and made a part of the Amendment dated as of May 16, 2022, between SCG HARBOR BAY PARKWAY PHASE I, LLC, a Delaware limited liability company, as Landlord and EXELIXIS, INC., a Delaware corporation, as Tenant

Exhibit A-1 is intended only to show the general layout of the Expansion Space as of the beginning of the Expansion Effective Date. It is not to be scaled; any measurements or distances shown should be taken as approximate.

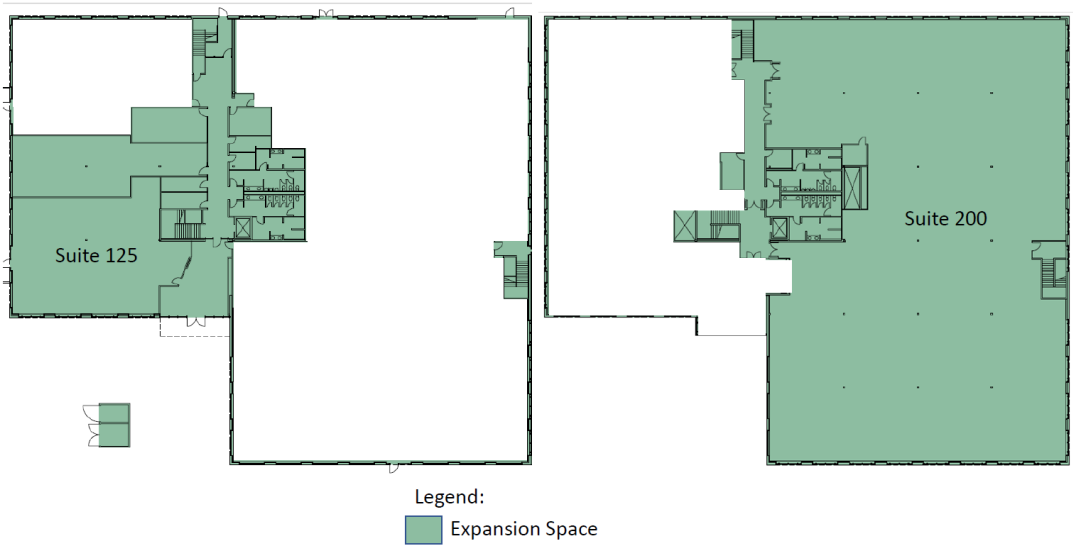
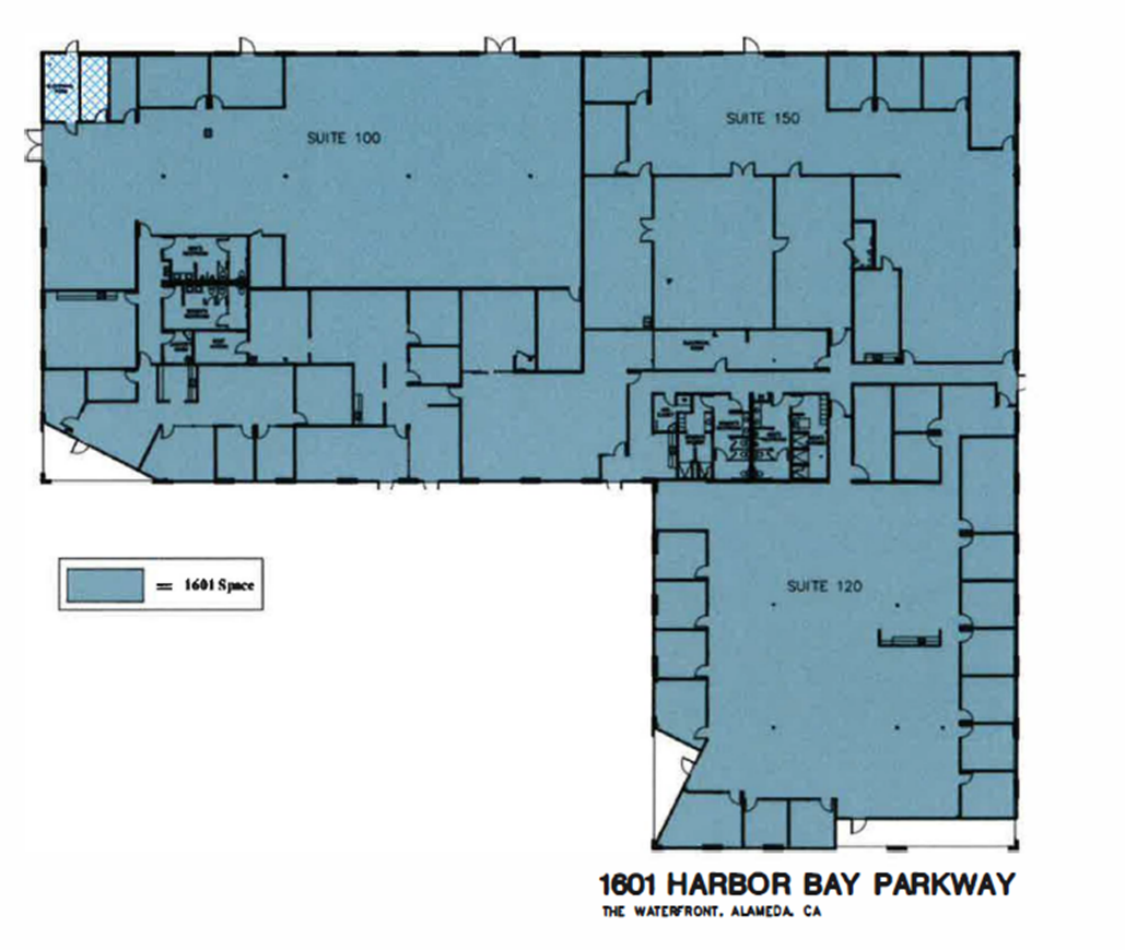
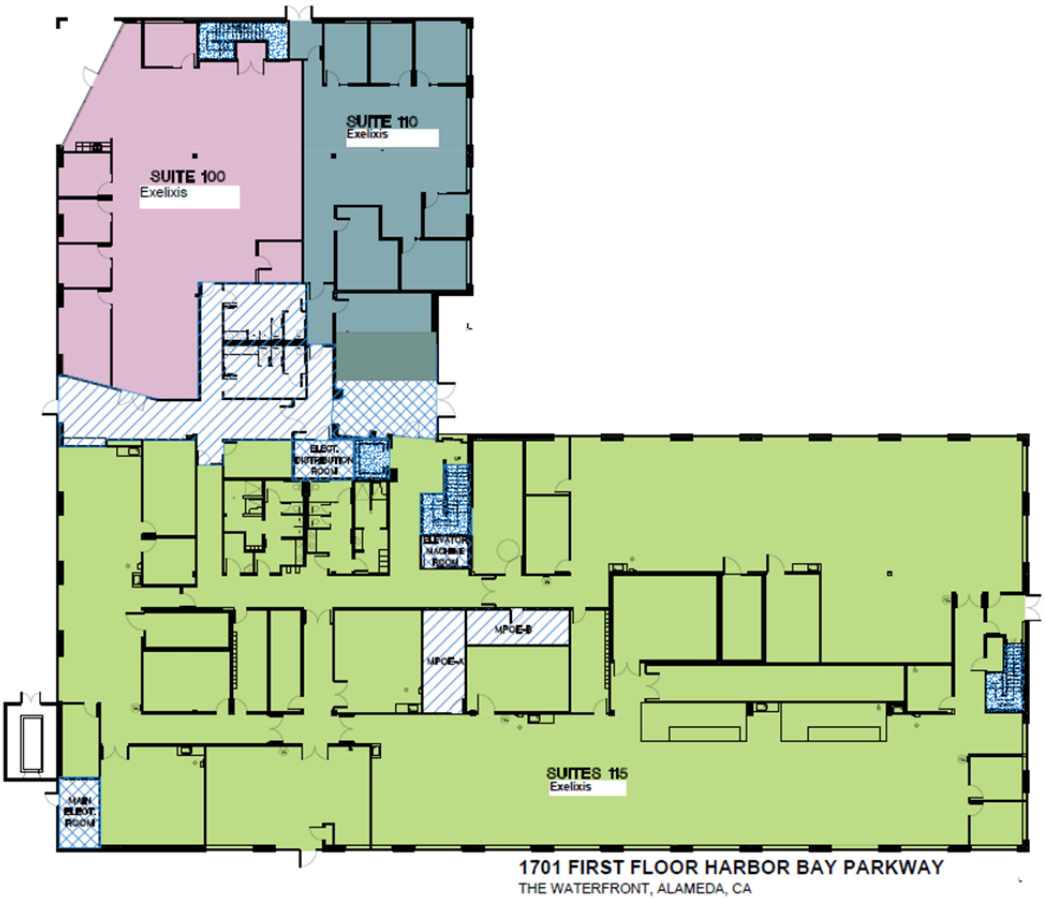


EXHIBIT A-2 – PLANS SHOWING THE PREMISES AND TABLE OF RENTABLE AREAS OF THE PREMISES

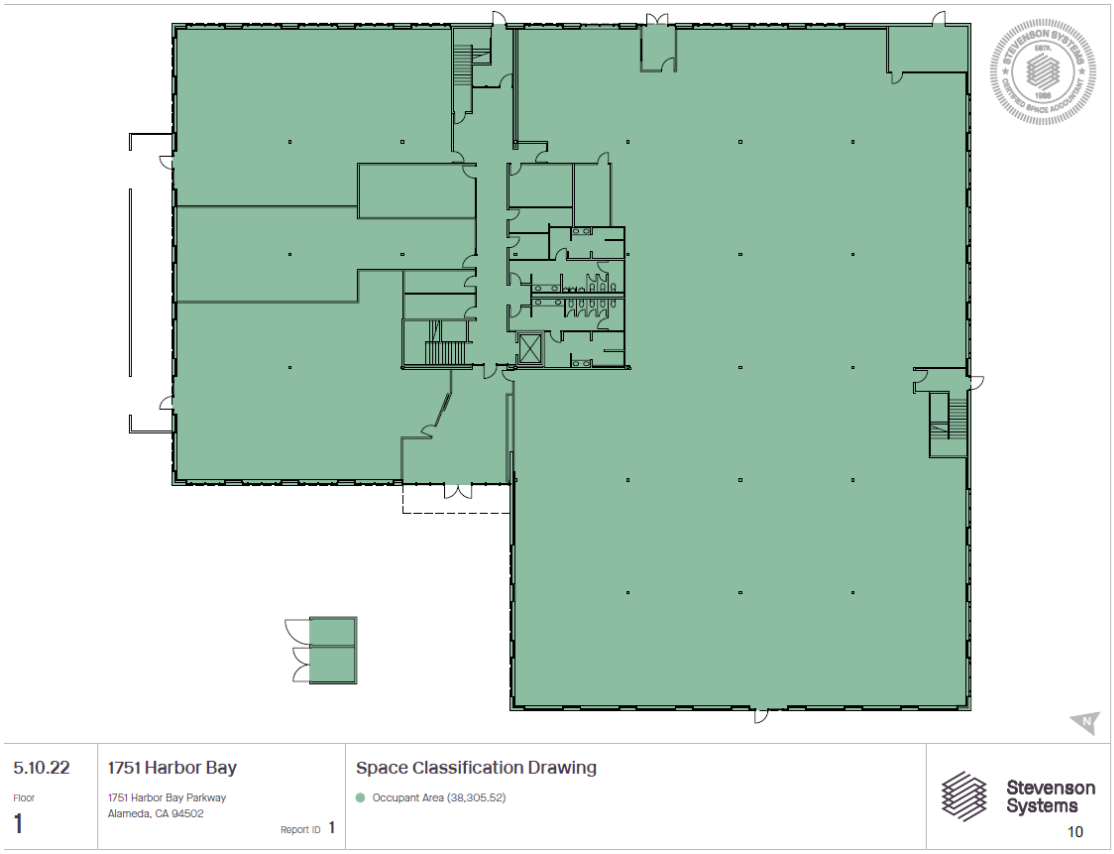
attached to and made a part of the Amendment dated as of May 16, 2022, between SCG HARBOR BAY PARKWAY PHASE I, LLC, a Delaware limited liability company, as Landlord and EXELIXIS, INC., a Delaware corporation, as Tenant

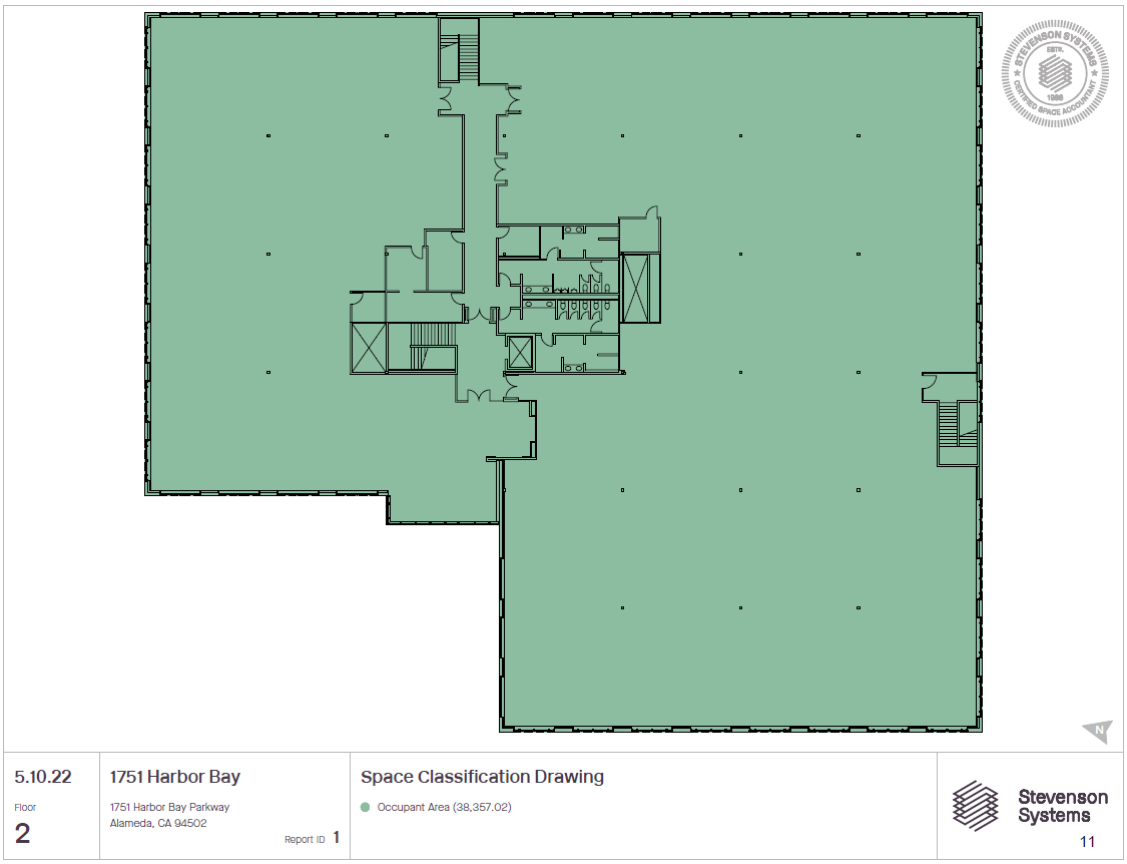




1701 FIRST FLOOR HARBOR BAY PARKWAY
THE WATERFRONT, ALAMEDA, CA

1701 SECOND FLOOR HARBOR BAY PARKWAY
THE WATERFRONT, ALAMEDA, CA

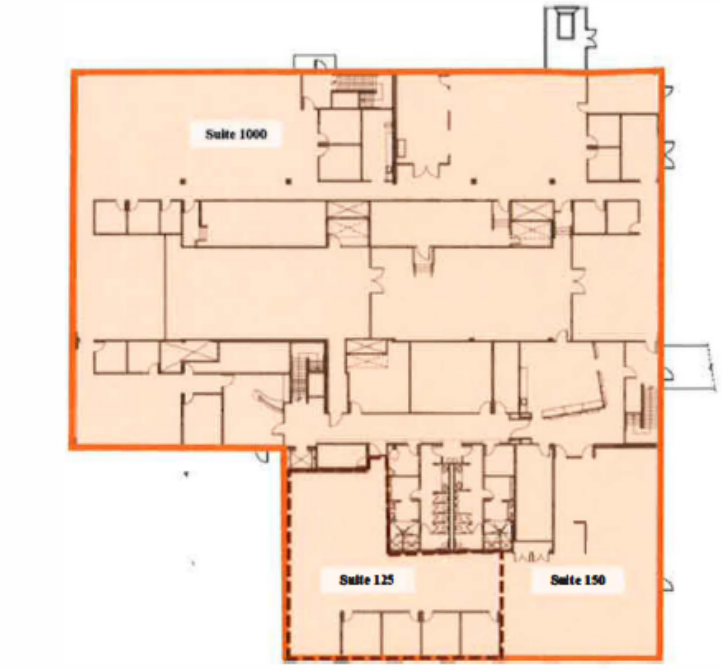

5.10.22
Floor
1
1751 Harbor Bay
1751 Harbor Bay Parkway
Alameda, CA 94502
Report ID 1
Space Classification Drawing
Occupant Area (38,305.52)
Stevenson Systems
10



5.10.22	1751 Harbor Bay	Space Classification Drawing	Stevenson Systems
Floor 2	1751 Harbor Bay Parkway Alameda, CA 94502 Report ID 1	Occupant Area (38,357.02)	11

1801 FIRST FLOOR HARBOR BAY PARKWAY
THE WATERFRONT ALAMEDA, CA

1801 SECOND FLOOR HARBOR BAY PARKWAY
THE WATERFRONT ALAMEDA, CA



= 1851 Space

1851 FIRST FLOOR HARBOR BAY PARKWAY
THE WATERFRONT ALAMEDA, CA

= 1851 Space

1851 SECOND FLOOR HARBOR BAY PARKWAY
THE WATERFRONT, ALAMEDA, CA

Table of Rentable Areas of The Premises

Building	Suite	Building RSF	Premises RSF
1601		37,544	37,544
1701	100	59,335	4,140
1701	125	59,335	2,355
1701	115-200	59,335	51,858
1701	150	59,335	982
1751	150 - 225	76,663	16,169
1751	100	76,663	25,749
1751	125, 200 and Balance of 1751 Building	76,663	34,745
1801		58,417	58,417
1851		57,476	57,476

Total RSF of Premises:	**289,435**

EXHIBIT B – TENANT ALTERATIONS

attached to and made a part of the Amendment dated as of May 16, 2022, between SCG HARBOR BAY PARKWAY PHASE I, LLC, a Delaware limited liability company, as Landlord and EXELIXIS, INC., a Delaware corporation, as Tenant

As used in this **Exhibit B**, the "Premises" shall be deemed to mean the Expansion Space, as defined in the Amendment to which this **Exhibit B** is attached.

1. Tenant shall have the right to perform alterations and improvements in the Premises (the "**Tenant Alterations**") pursuant to this **Exhibit B** and the Lease, provided, however, that the provisions of Exhibit B to the Original Lease, as modified, shall not apply to the Tenant Alterations. Notwithstanding the foregoing, Tenant and its contractors shall not have the right to perform the Tenant Alterations in the Premises unless and until Tenant has complied with all of the terms and conditions of Section 7 of the Original Lease, including, without limitation, approval by Landlord of the final plans for the Tenant Alterations and the contractors to be retained by Tenant to perform such Tenant Alterations. Tenant shall be responsible for all elements of the design of Tenant's plans (including, without limitation, compliance with law, functionality of design, the structural integrity of the design, the configuration of the Premises and the placement of Tenant's furniture, appliances and equipment), and Landlord's approval of Tenant's plans shall in no event relieve Tenant of the responsibility for such design. In addition to the foregoing and except as otherwise provided in the Amendment and this **Exhibit B**, Tenant shall be solely liable for all costs and expenses associated with or otherwise caused by Tenant's performance and installment of the Tenant Alterations (including, except as otherwise provided in the Amendment and this **Exhibit B**, without limitation, any legal compliance requirements arising outside of the Premises). Landlord's approval of the contractors to perform the Tenant Alterations shall not be unreasonably withheld. If Landlord fails to respond to Tenant's written request for approval of plans and specifications within five (5) days, Tenant shall provide a second written notice to Landlord. Failure of Landlord to approve or disapprove any submission of plans and specification by Tenant within five (5) days following the second written notice shall be deemed to constitute approval of such submission. The parties agree that Landlord's approval of the general contractor to perform the Tenant Alterations shall not be considered to be unreasonably withheld if any such general contractor (a) does not have trade references reasonably acceptable to Landlord, (b) does not maintain insurance as required pursuant to the terms of the Lease, (c) does not have the ability to be bonded for the work in an amount of no less than one hundred fifty percent (150%) of the total estimated cost of the Tenant Alterations, (d) does not provide current financial statements reasonably acceptable to Landlord, (e) does not execute the Responsible Contractor Policy Statement provided by Landlord, or (f) is not licensed as a contractor in the state/municipality in which the Premises is located. Tenant acknowledges the foregoing is not intended to be an exclusive list of the reasons why Landlord may reasonably withhold its consent to a general contractor. Notwithstanding the foregoing, Landlord shall not withhold approval of any architect, contractor or subcontractor that is currently or has previously performed alterations in the Premises and was approved by the Landlord executing this Amendment.

2. Landlord agrees to contribute the sum of $1,737,250.00 (the "**Amendment No. 7 Allowance**") toward the cost of performing the Tenant Alterations in preparation of Tenant's occupancy of the Premises. Landlord agrees to also roll over all unused allowance (which, as of the date of this Amendment, equals $855,190.01) under Amendment No. 6 between the parties, entered December 11, 2020 (the "**Amendment No. 6 Allowance**") toward the cost of performing the Tenant Alterations in preparation of Tenant's occupancy of the Premises. The unused Amendment No. 6 Allowance and the Amendment No. 7 Allowance shall hereinafter be referred to, collectively, as the **"Allowance."** The Allowance may only be used for the cost of preparing design and construction documents and mechanical and electrical plans for the Tenant Alterations and for hard and soft costs in connection with the Tenant Alterations, including, without limitation, permit fees and project management fees. The Allowance shall be paid to Tenant or, at Tenant's request, to the order of the general contractor that performs the Tenant Alterations, in periodic disbursements within thirty (30) days after receipt of the following documentation: (a) an application for payment and sworn statement of contractor substantially in the form of AIA Document G-702 covering all work for which disbursement is to be made to a date specified therein; (b) a certification from an AIA architect substantially in the form of the Architect's Certificate for Payment which is located on AIA Document G702, Application and Certificate of Payment; (c) contractor's, subcontractor's and material supplier's waivers of liens which shall cover all Tenant Alterations for which disbursement is being requested and all other statements and forms required for compliance with the mechanics' lien laws of the state in which the Premises is located together with all such invoices, contracts, or other supporting data as Landlord or Landlord's Mortgagee may reasonably require; and (d) a request to disburse from Tenant

containing an approval by Tenant of the work done. Upon completion of the Tenant Alterations, Tenant shall furnish Landlord with: (i) general contractor and architect's completion affidavits; (ii) full and final waivers of lien; and (iii) as-built plans of the Tenant Alterations. In no event shall Landlord be required to disburse the Allowance more than one time per month. Notwithstanding anything herein to the contrary, Landlord shall not be obligated to disburse any portion of the Allowance during the continuance of an uncured default beyond notice and cure periods under the Lease, and Landlord's obligation to disburse shall only resume when and if such default is cured.

3. In no event shall the Allowance be used for the purchase of equipment, furniture or other items of personal property of Tenant. If Tenant does not submit a request for payment of the entire Allowance to Landlord in accordance with the provisions contained in this **Exhibit B** by December 31, 2024, any unused amount shall accrue to the sole benefit of Landlord, it being understood that Tenant shall not be entitled to any credit, abatement or other concession in connection therewith. Landlord shall be entitled to deduct from the Allowance a construction management fee for Landlord's oversight of the Tenant Alterations in an amount equal to one and a half percent (1.5%) of the Amendment No. 7 Allowance. Notwithstanding anything to the contrary set forth herein, Tenant shall be entitled to apply up to $173,725.00 of the Allowance as a credit against the next installment(s) of Base Rent payable by Tenant under the Lease, as amended hereby by delivery of written notice to Landlord no later than December 31, 2024. Tenant shall be responsible for all applicable state sales or use taxes, if any, payable in connection with the Tenant Alterations.

4. In no event shall Tenant be required to remove the Tenant Alterations at the expiration or earlier termination of the Lease except for specialized trade fixtures and equipment installed by Tenant and designated as such on the plans and specifications submitted by Tenant for Landlord's approval (the "**Specialized Tenant Improvements**") and designated by Landlord in writing for removal concurrently with Landlord's approval of such plans and specifications.

5. If, during Tenant's construction of the Tenant Alterations, Tenant discovers within the Premises any Hazardous Materials for which Tenant is not liable under the terms of the Lease, then Landlord, at Landlord's expense, will remediate such Hazardous Materials to the extent required by applicable laws and to the extent necessary for Tenant's use of the Premises or construction of the Tenant Alterations. If such remediation delays substantial completion of the Tenant Alterations beyond the later of the projected date of substantial completion reflected in Tenant's construction schedule (which Tenant shall have delivered to Landlord) and the Expansion Effective Date, then Tenant shall be entitled to a per diem abatement of Base Rent for the Premises for each day that substantial completion of the Tenant Alterations is actually delayed as a result of Landlord's remediation.

6. This **Exhibit B** shall not be deemed applicable to any additional space added to the Premises at any time or from time to time, whether by any options under the Lease or otherwise, or to any portion of the Original Premises (as defined under the Agreement) or any additions to the Premises in the event of a renewal or extension of the original Term of the Lease, whether by any options under the Lease or otherwise, unless expressly so provided in the Lease or any amendment or supplement to the Lease.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) and 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael M. Morrissey, Ph.D., certify that:

1. I have reviewed this Form 10-Q of Exelixis, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael M. Morrissey, Ph.D.

Michael M. Morrissey, Ph.D.

President and Chief Executive Officer
(Principal Executive Officer)

Date: August 9, 2022

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
EXCHANGE ACT RULES 13a-14(a) and 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Christopher J. Senner, certify that:

1. I have reviewed this Form 10-Q of Exelixis, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Christopher J. Senner

Christopher J. Senner

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: August 9, 2022

Exhibit 32.1

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Michael M. Morrissey, Ph.D., the President and Chief Executive Officer of Exelixis, Inc. (the "Company"), and Christopher J. Senner, the Executive Vice President and Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended July 1, 2022, to which this Certification is attached as Exhibit 32.1 (the "Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the 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 9th day of August 2022.

/s/ Michael M. Morrissey, Ph.D.
Michael M. Morrissey, Ph.D.
President and Chief Executive Officer
(Principal Executive Officer)

/s/ Christopher J. Senner
Christopher J. Senner
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)