As filed with the Securities and Exchange Commission on February 7, 2000

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
Under THE SECURITIES ACT OF 1933

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

Delaware	8731	04-3257395
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

260 Littlefield Avenue
South San Francisco, CA 94080
(650) 825-2200
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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

Copies to:

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
Common Stock, $.001 par value.....	$100,000,000	$26,400

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(1) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457 under the Securities Act of 1933.

The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

+The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated February 7, 2000.

Shares

[LOGO OF EXELIXIS]

Common Stock

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

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

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

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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

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

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

Goldman, Sachs & Co.

Credit Suisse First Boston

SG Cowen

Prospectus dated , 2000.

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

PROSPECTUS SUMMARY

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

Our Business

Overview

Exelixis is a leader in model system genetics and comparative genomics. Recent advances in the genomics field have resulted in significant opportunities to develop novel products for the life sciences industries. With the sequencing of the human genome now substantially complete, the challenge facing the life sciences industries is no longer the identification of genes, but understanding their function and determining the consequences of their modulation. We believe that we have developed a faster and more efficient method to understand gene function and to select superior commercial product targets for the life sciences industries.

Our proprietary technologies provide a rapid, efficient and cost-effective way to move beyond DNA sequence data to understand the function of genes and the proteins that they encode. These technologies take advantage of the evolutionary conservation of genes and gene function among diverse species. We exploit this conservation to perform genetic analyses quickly and systematically in a variety of simple model organisms. Through these analyses, we can characterize genes and related proteins whose modulation will lead to a desired outcome. We then utilize our expertise in comparative genomics to identify the corresponding genes in the commercially relevant organism, for example humans or plants. We believe that our proprietary technologies are commercially applicable to all industries whose products can be enhanced by an understanding of DNA or proteins, including the pharmaceutical, agrochemical, agricultural, diagnostic and biotechnology industries. We are conducting research in more than 12 different programs for these industries.

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

Our Technologies

We conduct our work primarily utilizing model system genetics, and we interpret and apply the data through our expertise in comparative genomics. Model system genetics is a process that takes advantage of the short life cycle times, well-characterized biology, and ease of genetic manipulation in species like the fruit fly, D. melanogaster, and nematode worm, C. elegans. These attributes make it possible to scan the entire genome of these organisms for genes capable of leading to a desired outcome. For example, we can identify each gene in the model system that is capable of blocking the unregulated cell growth characteristic of cancer cells when targeted by a pharmaceutical, or each gene that will lead to the death of insect pests when targeted by an agrochemical. Comparative genomics leverages functional information from one biological system across other biological systems. We are a pioneer in the use of comparative genomics and use this approach to move from the genes of interest in our model systems directly to their functional counterparts in target species such as humans, plant pests, or plants. Together these technologies allow us to rapidly identify high quality targets for our collaborative partners and for our internal programs.

To establish and protect our proprietary technologies as well as the output of our research programs, we rely on a combination of patents, copyrights and trade secrets. We have two issued U.S. patents relating to our proprietary model genetic systems and comparative genomics technologies and have submitted 49 U.S. and foreign patent applications. We have developed proprietary technologies for use in target identification, signal transduction network identification and assay design, and we have identified proprietary targets.

Our Commercial Collaborations

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

Our five-year collaboration with Pharmacia & Upjohn was signed in February 1999. We are working exclusively with Pharmacia & Upjohn in the fields of Alzheimer's disease, Type II diabetes and associated complications of metabolic syndrome. In October 1999, this collaboration was expanded to include mechanism of action research designed to identify the molecular targets of biologically-active compounds already identified by Pharmacia & Upjohn. We have delivered a target to Pharmacia & Upjohn and have received a milestone payment for that target.

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

Committed funding under our corporate collaborations totals over $180 million. In addition, we have received performance-based milestone payments from both our Bayer and Pharmacia & Upjohn collaborations, and we anticipate that we will receive substantial additional milestone payments in the future. We will receive royalty income from all of our collaborations should our research lead to marketed products.

Our Accomplishments

We have already delivered targets to each of our corporate collaborators, and we have used our technologies to identify targets for our internal programs such as cancer and animal health. We have attracted an outstanding team of leading researchers in the fields of comparative genomics and model system genetics. We have expertise in genetics, genomics, bioinformatics, computer-aided biology, biology, assay development and chemistry. We have built a broad proprietary infrastructure of tools, reagents, libraries of organisms, databases and software that has resulted in a substantial increase in the speed, quality and scope of our analyses. As a result, experiments that take a year or more in complex systems can be carried out in one to two weeks in our simple model systems. We have also been able to scale these processes in a cost-effective manner. We have developed multiple fungal, nematode, insect, plant and vertebrate genetic systems. In addition, we have established technologies for the development of our proprietary compounds by acquiring the assets of MetaXen, LLC, a privately-held biotechnology company focusing on molecular genetics, by licensing proprietary combinatorial chemistry technology from Bristol-Myers Squibb and by broadening our biological expertise.

Our Strategy

Our strategy has four major components:

- We will continue to develop our technology platform to enhance our leadership in comparative genomics and model system genetics by investing significantly in research and development programs, entering into partnerships and acquiring new technology.

- We will maximize our product opportunities by broadly leveraging our technologies to address several multi-billion dollar industries, including the pharmaceutical, agrochemical, agricultural, diagnostics, and biotechnology industries. We will continue to establish collaborations with leading companies in each of these industries.

- We have retained and plan to continue to retain significant rights to use targets, assays and other technologies developed in each of our collaborations for use in our proprietary programs. These rights will enable us to use the information developed within those collaborations for our other proprietary or partnered programs in different fields.

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

Company Information

Exelixis was incorporated in Delaware in 1994 as Exelixis Pharmaceuticals, Inc., and we changed our name to Exelixis, Inc. in February 2000. Our executive offices and laboratories are located at 260 Littlefield Avenue, South San Francisco, California 94080. Our telephone number is (650) 825-2200 and our internet address is www.exelixis.com. The information on this web site is not a part of this prospectus.

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

The Offering

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

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

- 7,046,914 shares of common stock issuable upon the exercise of outstanding options at a weighted average exercise price of $0.34 per share;
- 851,786 shares of common stock issuable upon exercise of outstanding warrants at a weighted average exercise price of $1.30 per share;
- shares of common stock issuable upon conversion of an outstanding promissory note (assuming an initial offering price of $);
- 5,607,197 shares of common stock available for issuance or future grant under our stock option plans; and
- 300,000 shares of common stock available for issuance under our employee stock purchase plan.

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

- the underwriters do not exercise their over-allotment option; and
- the outstanding shares of preferred stock convert into shares of common stock upon the closing of this offering.

Summary Consolidated Financial Data

The following tables summarize our consolidated financial data. The pro forma as adjusted column of the consolidated balance sheet data reflects the conversion of our preferred stock into common stock and the sale of shares of our common stock in this offering at an assumed initial public offering price of $ per share, after deducting the estimated underwriting discounts and offering expenses payable by us.

	Year Ended December 31,				
	1995	1996	1997	1998	1999
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
License revenues	$ --	$ --	$ --	$ 1,250	$ 3,050
Contract revenues	--	--	--	2,133	9,464
Total revenues	--	--	--	3,383	12,514
Operating expenses:					
Research and development	1,890	3,845	8,198	11,539	19,412
General and administrative	1,096	1,426	3,743	5,304	6,343
Amortization of deferred stock compensation	--	324	25	725	3,522
Total operating expenses	2,986	5,595	11,966	17,568	29,277
Loss from operations	(2,986)	(5,595)	(11,966)	(14,185)	(16,763)
Interest income (expense), net	33	284	470	(50)	46
Loss before equity in net loss of affiliated company	(2,953)	(5,311)	(11,496)	(14,235)	(16,717)
Equity in net loss of affiliated company	--	--	--	(320)	--
Net loss	$(2,953)	$(5,311)	$(11,496)	$(14,555)	$(16,717)
Basic and diluted net loss per share	$ (1.86)	$ (3.30)	$ (6.25)	$ (2.66)	$ (2.28)
Shares used in computing basic and diluted net loss per share	1,587	1,611	1,840	5,480	7,325
Pro forma basic and diluted net loss per share					$ (0.45)
Shares used in computing pro forma basic and diluted net loss per share					37,468

	December 31, 1999	
	Actual	Pro Forma As Adjusted
	(in thousands)	
Consolidated Balance Sheet Data:		
Cash, cash equivalents and short-term investments	$ 6,904	$
Working capital	553	
Total assets	18,901	
Long-term obligations, less current portion	11,132	
Mandatorily redeemable convertible preferred stock	46,780	
Deferred stock compensation	(14,167)	
Accumulated deficit	(51,612)	
Total stockholders' (deficit) equity	(46,490)	

RISK FACTORS

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

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

We have incurred net losses each year since our inception, including a net loss of approximately $16.7 million for the year ended December 31, 1999. As of that date, we had an accumulated deficit of approximately $51.6 million. We expect these losses to continue and anticipate negative cash flow for the foreseeable future. The size of these net losses will depend, in part, on the rate of growth, if any, in our license and contract revenues and on the level of our expenses. Our research and development expenditures and general and administrative costs have exceeded our revenues to date, and we expect to spend significant additional amounts to fund research and development in order to enhance our core technologies and undertake product development. As a result, we expect that our operating expenses will increase significantly in the near term and, consequently, we will need to generate significant additional revenues to achieve profitability. Even if we do increase our revenues and achieve profitability, we may not be able to sustain or increase profitability.

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

Substantially all of our revenues to date have been derived from collaborative research and development agreements. Revenues from research and development collaborations depend upon continuation of the collaborations, the achievement of milestones and royalties derived from future products developed from our research. If we are unable to successfully achieve milestones or our collaborators fail to develop successful products, we will not earn the revenues contemplated under such collaborative agreements. Our current collaborative agreements expire after a fixed period of time and two of our agreements are subject to termination at an earlier date if we fail to retain key personnel. In addition, some of our collaborations are exclusive and preclude us from entering into additional collaborative arrangements with other parties in the area or field of exclusivity. If existing agreements are not renewed or if we are unable to enter into new collaborative agreements on commercially acceptable terms, our revenues may decrease and our activities may fail to lead to commercialized products.

Conflicts with our collaborators could harm our business.

We intend to conduct proprietary research programs in specified disease and agricultural product areas. Our pursuit of opportunities in agricultural and pharmaceutical markets could result in conflicts with our collaborators. Moreover, disagreements with our collaborators could develop over rights to our intellectual property. In addition, our collaborative agreements may have provisions that give rise to disputes regarding the rights and obligations of the parties. Any conflict with our collaborators could lead to the termination of our collaborative agreements, delay collaborative activities, reduce our ability to renew agreements or obtain future collaboration agreements or result in litigation or arbitration and would negatively impact our relationship with existing collaborators, which could harm our business.

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

We are deploying unproven technologies, and we may not be able to develop commercially successful products.

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

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

Initially, we will rely on our collaborators to develop and commercialize products based on our research and development efforts. We have no experience in using the targets that we identify to develop our own proprietary products. Even if we develop potential products, we have no experience in selecting among product candidates or manufacturing or marketing our own products. In order for us to commercialize products, we would need to significantly enhance our capabilities with respect to product development, and establish manufacturing and marketing capabilities, either directly or through outsourcing or licensing arrangements. There can be no assurance that we will able to enter into such outsourcing or licensing agreements on commercially reasonable terms, or at all. If we cannot obtain or develop the necessary capabilities to manufacture and market products, we may be unable to commercialize products resulting from our proprietary programs.

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

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

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

The biotechnology industry is highly fragmented and is characterized by rapid technological change. In particular, the area of gene research is a rapidly evolving field. We face, and will continue to face, intense competition from large biotechnology and pharmaceutical companies, as well as academic research institutions, clinical reference laboratories and government agencies that are pursuing other model systems, genome sequencing and signal transduction research. Some of our competitors have entered into collaborations with leading companies within our target markets, including some of our existing collaborators. Our future success will depend on our ability to maintain a competitive position with respect to technological advances. Rapid technological development by others may result in our technologies and future products becoming obsolete.

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

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

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

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

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

Our commercial success depends in part on our ability to avoid infringing patents and proprietary rights of third parties, and not breaching any licenses that we have entered into with regard to our

technologies. Other parties have filed, and in the future are likely to file, patent applications covering genes and gene fragments, techniques and methodologies relating to model systems, and products and technologies that we have developed or intend to develop. If patents covering technologies required by our operations are issued to others, we may have to rely on licenses from third parties. There can be no assurance that such licenses will be available on commercially reasonable terms, or at all.

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

The loss of key personnel or the inability to attract and retain additional personnel could impair the growth of our business.

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

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

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

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

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

The Food and Drug Administration, or FDA, must approve any drug or biologic product before it can be marketed in the U.S. Any products resulting from our research and development efforts must

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

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

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

Although our technology is not dependent on genetic engineering, genetic engineering plays a prominent role in our approach to product development. Public attitudes may be influenced by claims that genetically engineered products are unsafe for consumption or pose a danger to the environment. Such claims may prevent our genetically engineered products from gaining public acceptance. The commercial success of our future products may depend, in part, on public acceptance of the use of genetically engineered products including drugs and plant and animal products.

The subject of genetically modified organisms has received negative publicity, which has aroused public debate. Adverse publicity has resulted in greater regulation internationally and trade restrictions on imports of genetically altered products. If similar action is taken in the U.S., genetic research and genetically engineered products could be subject to greater domestic regulation, including stricter labeling requirements. Such publicity may prevent any products resulting from our research from gaining market acceptance and reduce demand for our products.

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

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

The FDA has released a policy statement stating that it will apply the same regulatory standards to foods developed through genetic engineering as it applies to foods developed through traditional plant breeding. Genetically engineered food products will be subject to premarket review, however, if

these products raise safety questions or are deemed to be food additives. Our products may be subject to lengthy FDA reviews and unfavorable FDA determinations if they raise questions regarding safety or our products are deemed to be food additives.

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

Difficulties we may encounter managing our growth could harm our business.

We have experienced a period of rapid and substantial growth that has placed, and our anticipated growth in the future will continue to place, a strain on our administrative and operational infrastructure. If we are unable to manage this growth effectively, our business may be harmed. The number of our employees increased from 102 at December 31, 1998 to 168 at December 31, 1999. Our revenues increased from $3.4 million in 1998 to $12.5 million in 1999. As our operations expand, we expect that we will need to manage additional relationships with various collaborative partners, suppliers and other third parties. Our ability to manage our operations and growth effectively requires us to continue to improve our operational, financial and management controls, reporting systems and procedures. We may not be able to successfully implement improvements to our management information and control systems in an efficient or timely manner and may discover deficiencies in existing systems and controls.

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

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

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

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

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

If we engage in any acquisition, we will incur a variety of costs, and the anticipated benefits of such acquisitions may never be realized.

If appropriate opportunities become available, we may attempt to acquire businesses, technologies, services or products that we believe are a strategic fit with our business. We currently have no commitments or agreements with respect to any material acquisitions. If we do undertake any transactions of this sort, the process of integrating an acquired business, technology, service or product may result in unforeseen operating difficulties and expenditures, including the diversion of resources and management attention that would otherwise be available for ongoing development of our business. Future acquisitions could result in issuances of equity securities that would dilute the ownership of existing stockholders, the incurrence of debt, contingent liabilities and/or amortization expenses related to goodwill and other intangible assets, which could adversely affect our financial condition. Moreover, the anticipated benefits of any acquisition may fail to be realized.

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

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

- payments received under collaborative agreements;
- the progress and scope of our collaborative and independent research and development projects;
- our need to develop manufacturing and marketing capabilities to commercialize products; and
- the filing, prosecution and enforcement of patent claims.

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

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

Our research and development processes involve the controlled use of hazardous materials, including chemicals, radioactive and biological materials. Our operations produce hazardous waste products. We cannot eliminate the risk of accidental contamination or discharge and any resultant injury from these materials. Federal, state and local laws and regulations govern the use, manufacture, storage, handling and disposal of hazardous materials. We may be sued for any injury or contamination that results from our use or the use by third parties of these materials, and our

liability may exceed our insurance coverage and our total assets. Compliance with environmental laws and regulations may be expensive, and current or future environmental regulations may impair our research, development and production efforts.

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

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

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

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

If we are successful in validating targets, products that we or our collaborators develop based on those targets will include pharmaceutical products. Our ability and that of our collaborators to commercialize such pharmaceutical products may depend, in part, on the extent to which reimbursement for the cost of these products will be available from government health administration authorities, private health insurers and other organizations. In the U.S., third-party payors are increasingly challenging the price of medical products and services. The trend towards managed health care in the U.S., legislative health care reforms and the growth of organizations such as health maintenance organizations that may control or significantly influence the purchase of health care products and services, may result in lower prices for any products we or our collaborators may develop. Significant uncertainty exists as to the reimbursement status of newly approved health care products, and there can be no assurance that adequate third-party coverage will be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in research and product development.

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

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

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

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

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

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

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

- 863,520 shares will be eligible for sale upon completion of this offering;
- 37,854,758 shares will be eligible for sale upon the expiration of lock-up agreements, beginning 180 days after the date of this prospectus; and
- 1,519,605 shares will be eligible for sale upon the exercise of vested options 180 days after the date of this prospectus.

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

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

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

If you purchase shares of our common stock in this offering, you will incur immediate and substantial dilution in pro forma net tangible book value per share. If the holders of outstanding options or warrants exercise those options or warrants, you will incur further dilution. See "Dilution."

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the federal securities laws that relate to future events or our future financial performance. When used in this prospectus, you can identify forward-looking statements by terminology such as "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "should," "will" and the negative of these terms or other comparable terminology. These statements are only predictions. Our actual results could differ materially from those anticipated in our forward-looking statements as a result of many factors including those set forth under "Risk Factors" and elsewhere in this prospectus. These forward-looking statements are included, for example, in the discussions about:

- our ability to enter into future collaborative relationships of the magnitude and/or duration of our existing relationships;
- our ability to achieve milestones and identify commercially valuable targets in our collaborative relationships and our own research programs;
- our intellectual property rights;
- our business strategies and plans; and
- our ability, alone or in conjunction with others, to develop products suitable for commercialization.

Although we believe that the expectations reflected in our forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Neither we nor any other person assumes responsibility for the accuracy and completeness of these statements. We assume no duty to update any of the forward-looking statements after the date of this prospectus or to conform these statements to actual results.

USE OF PROCEEDS

We will receive net proceeds from the sale of the shares of common stock of approximately $ ($ if the underwriters' over-allotment option is exercised in full), assuming an initial public offering price of $ per share and after deducting the estimated underwriting discounts and our estimated offering expenses.

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

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

DIVIDEND POLICY

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

CAPITALIZATION

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

- on an actual basis;
- on a pro forma basis to reflect the automatic conversion of all of our preferred stock into an aggregate of 30,503,571 shares of common stock, which will occur upon the closing of this offering; and
- on a pro forma as adjusted basis to reflect our receipt of the net proceeds from the sale of shares of common stock in this offering at an assumed initial public offering price of $ per share, after deducting the estimated underwriting discounts and offering expenses payable by us.

	December 31, 1999		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands, except per share amounts)		
Long-term obligations, less current portion	$ 11,132	$11,132	$
Mandatorily redeemable convertible preferred stock, $0.001 par value; 35,000,000 shares authorized; 30,503,571 shares issued and outstanding, actual; none issued pro forma and pro forma as adjusted	46,780	--	
Stockholders' (deficit) equity:			
Common stock, $0.001 par value; 50,000,000 shares authorized, 8,345,168 shares issued and outstanding, actual; 50,000,000 shares authorized, 38,848,739 shares issued and outstanding, pro forma; and 100,000,000 shares authorized, shares issued and outstanding pro forma as adjusted	8	39	
Additional paid-in capital	19,521	66,270	
Notes receivable from stockholders	(240)	(240)	
Deferred stock compensation	(14,167)	(14,167)	
Accumulated deficit	(51,612)	(51,612)	
Total stockholders' (deficit) equity	(46,490)	290	
Total capitalization	$ 11,422	$11,422	$

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

- 7,046,914 shares of common stock underlying options outstanding at a weighted average exercise price of $0.34 per share;
- 851,786 shares of common stock underlying warrants outstanding at a weighted average exercise price of $1.30 per share;
- shares of common stock issuable upon conversion of an outstanding promissory note (assuming an initial offering price of $);
- 5,607,197 shares of common stock available for issuance or future grant under our stock option plans; and
- 300,000 shares of common stock available for issuance under our employee stock purchase plan.

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

DILUTION

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

Our pro forma net tangible book value at December 31, 1999 was $ million, or $ per share of common stock, after giving effect to the automatic conversion of all outstanding shares of our preferred stock into an aggregate of 30,503,571 shares of common stock, which will occur upon the closing of this offering. After giving effect to the sale of the shares of common stock in this offering at an assumed initial public offering price of $ per share, assuming that the underwriters' over-allotment option is not exercised, and after deducting the estimated underwriting discounts, commissions and estimated offering expenses, our pro forma as adjusted net tangible book value at December 31, 1999 would be $ million, or $ per share.

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

Assumed initial public offering price per share	$
Pro forma net tangible book value per share at December 31, 1999	$
Increase per share attributable to this offering	
Pro forma as adjusted net tangible book value per share after offering	
Dilution per share to new investors	$

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

	Shares Purchased		Total Consideration		Average Price Per Share
	Number	Percent	Amount	Percent	
			(in thousands)		
Existing stockholders		%	$	%	$
New investors					
Total		%	$	%	

These tables assume no conversion of a convertible promissory note in favor of Pharmacia & Upjohn and no exercise of stock options and warrants outstanding at December 31, 1999. Pharmacia & Upjohn made us an interest-free loan of $7.5 million that is evidenced by a promissory note. This promissory note must be converted into shares of our common stock during the two-year period following this offering at a price per share equal to 120% of the initial public offering price, the time of such conversion to be determined by Pharmacia & Upjohn. At January 31, 2000, there were

7,046,914 shares of common stock issuable upon exercise of outstanding stock options at a weighted average exercise price of $0.34 per share and 851,786 shares of common stock issuable upon exercise of outstanding warrants at a weighted average exercise price of $1.30 per share. If any of these options or warrants are exercised, there will be further dilution to new public investors.

SELECTED CONSOLIDATED FINANCIAL DATA

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

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

	Year Ended December 31,				
	1995	1996	1997	1998	1999
	(in thousands, except per share data)				
Consolidated Statement of Operations Data:					
License revenues	$ --	$ --	$ --	$ 1,250	$ 3,050
Contract revenues	--	--	--	2,133	9,464
Total revenues	--	--	--	3,383	12,514
Operating expenses:					
Research and development	1,890	3,845	8,198	11,539	19,412
General and administrative	1,096	1,426	3,743	5,304	6,343
Amortization of deferred stock compensation	--	324	25	725	3,522
Total operating expenses	2,986	5,595	11,966	17,568	29,277
Loss from operations	(2,986)	(5,595)	(11,966)	(14,185)	(16,763)
Interest income (expense), net	33	284	470	(50)	46
Loss before equity in net loss of affiliated company	(2,953)	(5,311)	(11,496)	(14,235)	(16,717)
Equity in net loss of affiliated company	--	--	--	(320)	--
Net loss	$(2,953)	$(5,311)	$(11,496)	$(14,555)	$(16,717)
Basic and diluted net loss per share	$ (1.86)	$ (3.30)	$ (6.25)	$ (2.66)	$ (2.28)
Shares used in computing basic and diluted net loss per share	1,587	1,611	1,840	5,480	7,325
Pro forma basic and diluted net loss per share					$ (0.45)
Shares used in computing pro forma basic and diluted net loss per share					37,468

	December 31,				
	1995	1996	1997	1998	1999
	(in thousands)				
Consolidated Balance Sheet Data:					
Cash, cash equivalents and short-term investments	$ 345	$ 8,086	$ 9,715	$ 2,058	$ 6,904
Working capital	(57)	6,686	7,619	390	553
Total assets	1,224	9,747	15,349	8,981	18,901
Long-term obligations, less current portion	592	1,104	1,759	2,556	11,132
Mandatorily redeemable convertible preferred stock	3,730	16,030	31,780	38,138	46,780
Deferred stock compensation	(47)	(59)	(102)	(1,803)	(14,167)
Accumulated deficit	(2,953)	(8,844)	(20,340)	(34,895)	(51,612)
Total stockholders' (deficit) equity	166	(8,853)	(20,364)	(33,954)	(46,490)

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

The following discussion and analysis contains forward-looking statements that are based upon current expectations. These forward-looking statements fall within the meaning of the federal securities laws that relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "believe," "continue," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "should," "will" and the negative of these terms or other comparable terminology. Forward-looking statements involve risks and uncertainties. Our actual results and the timing of events could differ materially from those anticipated in our forward-looking statements as a result of many factors, including those set forth under "Risk Factors" and elsewhere in this prospectus. You should read the following discussion and analysis in conjunction with the "Selected Consolidated Financial Data" and the consolidated financial statements and notes thereto included in this prospectus.

Overview

Exelixis was founded in November 1994 and began operations in January 1995. Since that time, we have made significant investments in developing our capabilities in comparative genomics and model system genetics. Our proprietary technologies provide a rapid, efficient and cost-effective way to move beyond DNA sequence data to understand the function of genes and the proteins that they encode. We believe that our proprietary technologies are commercially applicable to all industries whose products can be enhanced by an understanding of DNA or proteins. To date, we have recognized revenues from research collaborations with large pharmaceutical and agrochemical companies. Our current collaborations are with Bayer, Pharmacia & Upjohn and Bristol-Myers Squibb. These agreements provide for committed funding of over $180 million through January 2008, of which $7.5 million in equity, $7.5 million in the form of a convertible promissory note and approximately $15.7 million in revenues have been received as of December 31, 1999. Additional revenues from these collaborations are anticipated from the attainment of research milestones and royalties from sales of our future products.

We have invested heavily in building our two core technologies, model system genetics and comparative genomics. These core technologies have enabled us to establish collaborations that contributed to revenue growth from zero in 1997 to $12.5 million in 1999. Our total headcount increased from 78 employees at December 31, 1997 to 168 employees at December 31, 1999, of which 77% were engaged in research and development activities.

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

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

We have incurred operating losses in each of the last three years with net losses of approximately $11.5 million in 1997, $14.6 million in 1998 and $16.7 million in 1999. As of December 31, 1999, we had an accumulated deficit of approximately $51.6 million. Our losses have resulted principally from costs associated with research and development activities, investment in core technologies and general and administrative functions. As a result of planned expenditures for future research and development activities, we expect to incur additional operating losses for the forseeable future.

Artemis Pharmaceuticals

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

MetaXen Asset Acquisition

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

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

Revenue Recognition

We recognize license and other upfront fees that are nonrefundable and do not require us to perform any future services when received. Milestone payments are recognized pursuant to the terms of our collaborative agreements upon the achievement of specified milestones. We recognize contract research revenues as services are performed in accordance with the terms of the agreements. Any amounts received in advance of performance are recorded as deferred revenue.

In December 1999, the SEC issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements." SAB 101 requires that license and other upfront fees from research collaborators be recognized over the term of the agreement unless the fee is in exchange for products delivered or services performed that represent the culmination of a separate earnings process. Accordingly, we will report a change in accounting principle for the fiscal quarter ending March 31, 2000. The cumulative effect of this change in accounting principle will result in an aggregate decrease to revenues previously recognized of approximately $3.1 million in the first quarter of 2000. This amount will be recognized as revenues prospectively over the remaining terms of the collaboration agreements.

Results of Operations

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

Total Revenues

Total revenues were $3.4 million for the year ended December 31, 1998, compared to $12.5 million in 1999. License and contract revenues earned in 1998 were related to our collaboration with Bayer. During 1999, revenues of $7.8 million and $4.1 million were earned under our collaborations with Pharmacia & Upjohn and Bayer, respectively.

Research and Development Expenses

Research and development expenses consist primarily of salaries and other personnel-related expenses, facility costs, supplies and depreciation of facilities and laboratory equipment. Research and development expenses were $8.2 million for the year ended December 31, 1997, compared to $11.5 million in 1998 and $19.4 million in 1999. The increases in these expenditures were due primarily to increased staffing and other personnel-related costs incurred to support new collaborative arrangements and our internal self-funded research efforts, including the acquisition of MetaXen. We expect to continue to devote substantial resources to research and development, and we expect that research and development expenses will continue to increase in absolute dollar amounts in the future.

General and Administrative Expenses

General and administrative expenses consist primarily of personnel costs to support our activities, facility costs and professional expenses, such as legal fees. General and administrative expenses were $3.7 million for the year ended December 31, 1997, compared to $5.3 million in 1998 and $6.3 million in 1999. The increase in general and administrative expenses in 1999 compared to 1998 related primarily to increased legal expenses, rent for facilities and lease expenses for equipment. The increase in general and administrative expense in 1998 compared to 1997 related primarily to California sales tax, salaries and legal expenses. We expect that our general and administrative expenses will increase in absolute dollar amounts in the future as we expand our business development, legal and accounting staff, add infrastructure and incur additional costs related to being a public company, including directors' and officers' insurance, investor relations programs and increased professional fees.

Deferred Stock Compensation

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

In connection with the grant of stock options to employees and consultants, we recorded deferred stock compensation of approximately $0.1 million in the year ended December 31, 1997, compared to $2.4 million in 1998 and $15.9 million in 1999. These amounts were recorded as a component of stockholders' (deficit) equity and are being amortized as charges to operations over the vesting periods of the options. We recorded amortization of deferred stock compensation of approximately $25,000 for the year ended December 31, 1997, compared to $0.7 million in 1998 and $3.5 million in 1999. For options granted through December 31, 1999, we expect to record additional amortization expense for deferred compensation as follows: $7.6 million in 2000, $3.9 million in 2001, $2.0 million in 2002 and $0.6 million in 2003. Amortization expense relates to options awarded to employees and consultants assigned to all operating expense categories in the statements of operations. We will also record an additional $3.6 million of deferred stock compensation related to options for 1,105,779 shares of common stock granted during January 2000. See Note 9 of Notes to Consolidated Financial Statements.

Interest Income (Expense), Net

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

Equity in Net Loss of Affiliated Company

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

Income Taxes

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

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

Liquidity and Capital Resources

Since inception, we have financed our operations primarily through private placements of preferred stock totaling $46.8 million, loans, equipment lease financings and other loan facilities of $10.9 million and revenues received from collaborators of $15.9 million. As of December 31, 1999, we had $6.9 million in cash, cash equivalents and short-term investments and $0.1 million available for future borrowings under an equipment financing line of credit.

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

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

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

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

Disclosure About Market Risk

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

Recent Accounting Pronouncements

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

Overview

Exelixis is a leader in model system genetics and comparative genomics. Recent advances in the genomics field have resulted in significant opportunities to develop novel products for the life sciences industries. With the sequencing of the human genome now substantially complete, the challenge facing the life sciences industries is no longer the identification of genes, but understanding their function and determining the consequences of their modulation. We believe that we have developed a faster and more efficient method to understand gene function and to select superior commercial product targets for the life sciences industries.

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

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

Background

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

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

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

Basic cellular function is largely mediated by the action of proteins. This process generally involves interactions between proteins as well as other molecules within a cell. This is a dynamic

process that responds to changes in both the internal and external cellular environments. Proteins have various roles in the cell such as structural building blocks, enzymes that catalyze reactions or receptors that sense the environment. Subsets of approximately 50 to 100 of these proteins act as functionally interconnected networks for the transmission of signals in and between cells. This process is known as signal transduction.

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

Genomics Phase I: Genome Sequence

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

Genomics Phase II: Gene Function

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

Rational Selection of Molecular Targets

The life sciences industries consist of pharmaceutical, agrochemical, agricultural, diagnostic and biotechnology companies. Many of the principal products of these industries were developed without knowledge of the specific protein or network affected, while others were developed against specific proteins whose impact on a signal transduction network was uncertain. As a result, product development in these industries is costly, time consuming and inefficient and is characterized by high

failure rates. Life sciences companies have turned to genomics technologies, especially the acquisition of sequence information, to help address these problems with respect to the selection of molecular targets. Despite this significant investment in genomics, there has not been appreciable improvement in the efficiency in selecting molecular targets. It is now clear that the rational selection of molecular targets requires knowledge about genes and their encoded proteins as well as their interaction with other components of signal transduction networks. Since the complete human sequence as well as the sequence of other commercially important genomes will soon be widely available, the competitive advantage for life sciences companies will become the capability to rapidly and accurately translate sequence information into knowledge about function.

The Exelixis Solution

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

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

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

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

Our Comparative Genomics and Model System Genetics Technologies

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

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

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

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

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

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

Our research involves a four-step process described below:

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

Step I: Definition of the Desired Outcome

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

Step II: Selection of a Model System

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

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

Step III: Genetic Assays

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

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

Compound-to-Target: Mechanism of Action. The molecular targets and mechanism of action for many promising or marketed pharmaceutical and agrochemical compounds are unknown. Determination of the target as well as mechanism of action for such compounds provides starting points for the development of new compounds that may retain the desired biological effect without the limitations previously identified in the original compound, such as high manufacturing costs or undesirable side effects. Alternatively, such information may provide a new commercial opportunity to develop a small molecule directed at a validated signaling network. Application of our technology and tools not only permits us to identify key targets and functions for existing compounds provided by our partners, but also serves as the basis for us to rapidly and more effectively develop our own unique compounds.

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

Step IV: Target Validation and Product Development

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

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

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

[DIAGRAM OF IDENTIFYING GENE IN MODEL SYSTEM]

The Exelixis Strategy

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

Enhance Our Leadership in Comparative Genomics and Model System Genetics

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

Maximize Opportunities in Multiple Markets

We believe that our model system genetics capabilities will enable us to develop products that address opportunities in the pharmaceutical, agrochemical, agricultural, diagnostic and biotechnology industries. We intend to address these opportunities through the establishment of collaborations with leading companies in their respective fields and through the development of our own proprietary products. We intend to enter into collaborations in order to fund the development of our core technologies and our own proprietary products, as well as provide us with the opportunity to receive significant future payments if our collaborators successfully market products that result from our collaborative work.

Retain Significant Rights in Each Collaboration

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

Establish Internal Programs to Capture Greater Value From Our Core Technologies

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

Current Status of Our Programs

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

We currently have active research programs in the following areas:

Human Pharmaceutical Research Programs

- Alzheimer's disease. Alzheimer's disease is a progressive neurological disease that results in the loss of cognitive functions, including memory. In collaboration with Pharmacia & Upjohn, we are applying our genetics technologies to understand the causes of Alzheimer's disease and to determine how to stop or reverse the progression of the disease. As a result of genetic screens performed to date, we have identified a target that may reduce the formation of structural abnormalities that are associated with Alzheimer's disease, and we have received a milestone payment for delivering this target to Pharmacia & Upjohn. We have also identified additional targets that are currently being evaluated for commercial application. Under the terms of our agreement with Pharmacia & Upjohn, we remain free to conduct research on our own behalf or in collaboration with third parties in other areas of central nervous system and cognitive disorders, such as Parkinson's disease, depression and schizophrenia.

- Angiogenesis and anti-angiogenesis. Angiogenesis is the formation of blood vessels. Products that promote angiogenesis could be used to treat coronary heart disease and vascular complications of diabetes. The ability to prevent the formation of new blood vessels could be used to kill cancer cells by depriving them of nutrients.

- Cancer. Cancer is a leading cause of death in developed countries. Cancer is caused by a number of genetic defects in cells resulting in unregulated cell growth. We are applying our genetics technologies to identify targets that will enable us to selectively kill cells in a broad range of solid tumors without damaging normal cells by using the cancer's genetic defects as a means of targeting treatment. As a result of genetic screens performed to date, we have identified several targets that may be used to develop new anti-cancer pharmaceutical products that have fewer side effects than current cancer treatments.

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

- Inflammation. Our inflammation program focuses on the innate immune system. The innate immune system is involved in diseases of inflammation, such as asthma and arthritis. We are applying our technologies to identify targets that control inflammation.

Agricultural Research Programs

- Animal Health. Livestock producers experience significant losses due to disease, and incur significant costs to control insects, parasites and other pests. Companion animals also represent a significant opportunity for products that control pests such as fleas, ticks and heartworms. During the course of conducting research in the area of insecticides and nematicides in our collaboration with Bayer, we have identified and will continue to identify targets that may be used to develop animal health products. Under the terms of our agreement with Bayer, we remain free to pursue animal health opportunities on our own behalf or in collaboration with third parties.

- Fungicides. Farmers experience significant crop losses due to fungal disease, which can destroy specific parts of the plant that are necessary for normal growth. The current market for fungicides is approximately $6 billion per year. We are developing fungal model systems, which we intend to use to identify targets that will lead to the development of new, more effective fungicides.

- Herbicides. Farmers experience significant reductions in crop yields due to weeds, which compete with crops for nutrients. The current market for herbicides is approximately $15 billion per year. We are developing plant model systems, which we intend to use to identify targets that will lead to the development of new, more effective herbicides.

- Insecticides. Farmers experience significant crop losses due to damage from insects. The current market for insecticides is approximately $9 billion per year. In collaboration with Bayer, we are applying our genetics technologies to identify targets that may be used to develop new, more effective insecticides. As a result of genetic screens performed to date, we have identified several targets that may be useful in developing new insecticides, and we have received milestone payments for delivering these targets to Bayer. We are currently developing assays that Bayer will use to develop the active component of new insecticides. Under the terms of our agreement with Bayer, we remain free to conduct research on our own behalf or in collaboration with third parties in pesticides other than insecticides or nematicides, as well as in the development of pest-resistant crops.

- Nematicides. Farmers experience significant crop losses due to damage from nematodes, which are small worms that infest plants. Currently, there are no products that effectively and safely control nematicides. In collaboration with Bayer, we are applying our genetics technologies to identify targets that may be used to develop new, more effective nematicides. We are in the process of taking the genetic tools we have developed for C. elegans, and applying these tools to various nematodes.

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

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

[DIAGRAM OF SUMMARY OF CURRENT STATUS OF RESEARCH PROJECTS]

Mechanism of Action Programs

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

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

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

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

[TABLE: MECHANISM OF ACTION STATUS]

Corporate Collaborations

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

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

Bayer Corporation

In December 1999, we established GenOptera LLC, a Delaware limited liability company, with Bayer Corporation to develop insecticides and nematicides for crop protection. As part of the formation of this joint venture, Bayer agreed to pay us, through GenOptera, license fees and research commitment fees of $20 million and to provide eight years of research funding at a minimum level of $10 million per year (for a total of $100 million of committed fees and research support). One-half, or $10 million, of these license and research commitment fees were received in January 2000, with the remaining amounts to be received in January 2001. Bayer owns 60% of GenOptera and Exelixis owns the remaining 40%. The formation of this joint venture is an outgrowth of, and replaces, the contractual collaboration we first established with Bayer AG (the corporate parent of Bayer Corporation) in May 1998. The funding committed as part of the formation of

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

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

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

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

- provide Bayer exclusive rights for the discovery and commercialization of compounds in the specified field of research;

- permit Bayer to market any resulting products for most nonpharmaceutical uses; and

- permit Exelixis to use the technology generated by Exelixis or GenOptera in the course of the joint venture's research for other purposes, although this work is subject to restrictions designed to protect Bayer's interests arising from the joint venture.

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

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

Pharmacia & Upjohn AB

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

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

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

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

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

Bristol-Myers Squibb

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

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

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

Relationship with Artemis

In June 1998, we purchased a minority interest in Artemis Pharmaceuticals GmbH, a genetics company located in Cologne, Germany, focusing on the development of vertebrate model genetic systems such as mice and zebrafish. We established this relationship with Artemis in order to expand our access to other model systems technology beyond our existing systems. The individual founders of Artemis include Professor Christianne Nusslein-Volhard, Ph.D., a geneticist and 1995 Nobel Laureate in medicine and physiology, Professor Klaus Rajewsky, Ph.D., professor and director of the Institute of Genetics at the University of Cologne, and Peter Stadler, Ph.D., the former head of pharma-biotechnology for Bayer AG's European operations. As of December 31, 1999, we own 24% of the outstanding equity of Artemis and, pursuant to a shareholders' agreement, we have appointed three of the five members of the Artemis shareholders' governing board. In January 2000, we agreed in principal with Artemis to amend the shareholders' agreement to increase the size of the Artemis shareholders' governing board to six members, of which we will have the right to appoint three members.

In September 1998, we also entered into a five-year cooperation agreement with Artemis under which we agreed to share technology and business opportunities as they arise. While either party

may terminate this agreement at any time, we believe that it provides a significant opportunity to access complementary genetic research. In addition to developing zebrafish and mouse model system technology, Artemis is studying cartilage biology, angiogenesis and cardiovascular biology. We and Artemis have developed an integrated research approach in the field of angiogenesis and are jointly marketing this capability.

Academic and Government Collaborations

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

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

Competition

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

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

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

Proprietary Rights

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

49 pending U.S. and foreign patent applications related to our technologies and specialized screens, and the application of these technologies to diverse industries including agriculture, pharmaceuticals, diagnostics, chemicals and small molecule therapeutics.

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

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

Legal Proceedings

We are not a party to any material legal proceedings.

Employees

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

Facilities

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

We are party to a lease arrangement for two new office and laboratory facilities totaling a maximum of 120,000 square feet. The first building lease, for 70,000 square feet, expires 17 years from the rent commencement date. Under this lease, we have two five-year options to extend the term prior to expiration. We exercised an option to obtain an additional 50,000 square feet in a building to be constructed across the street. Construction is required to begin following an agreement on the terms of a lease for this second building. We will move into the first building beginning in the second half of 2000 and believe that the new facilities, including the space in the building to be constructed, will be sufficient for a minimum of three years. Depending on our growth, we believe we may require additional space thereafter and will seek additional facilities.

Executive Officers and Directors

The following table sets forth information as of January 31, 2000 regarding our current executive officers and directors.

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

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

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

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

Lloyd M. Kunimoto has served as our Senior Vice President of Business Development since August 1999. From 1997 to 1999, Mr. Kunimoto served as Vice President of Commercial Development for the Nutrition and Consumer Products sector of Monsanto Company, a life sciences company. While at Monsanto, Mr. Kunimoto was responsible for directing Monsanto's genetic engineering program in the area of food ingredients. From 1996 to 1997, Mr. Kunimoto served as President and Chief Executive Officer of Calgene, Inc., an agricultural biotechnology company. Mr. Kunimoto holds a B.S. in Mathematics from Stanford University.

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

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

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

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

Jason S. Fisherman, M.D., has been a Director since March 1996. Dr. Fisherman has been a partner of Advent International Corporation since 1994. From 1991 to 1994, Dr. Fisherman served as Senior Director of Medical Research at Enzon, where he managed clinical programs in oncology, genetic diseases and blood substitutes. Dr. Fisherman is a director of Mediconsult.com, Inc., ILEX Oncology, Inc. and several private companies. Dr. Fisherman holds a B.A. in Molecular Biophysics and Biochemistry from Yale University, an M.D. from the University of Pennsylvania and an M.B.A. from the Wharton Graduate School of Business.

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

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

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

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

Scientific Advisory Board

The following individuals are members of our Scientific Advisory Board:

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

Board Composition

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

- the class I directors will be Drs. Cohen, Drews and Duyk, and their term will expire at the annual meeting of stockholders to be held in 2000;

- the class II directors will be Drs. Fisherman and Formela and Mr. Olivier, and their term will expire at the annual meeting of stockholders to be held in 2001; and

- the class III directors will be Drs. Papadopoulos, Scangos, Stadler and Willsey, and their term will expire at the annual meeting of stockholders to be held in 2002.

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

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

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

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

Board Committees

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

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

Compensation Committee Interlocks and Insider Participation

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

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

Director Compensation

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

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

Executive Compensation

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

Summary Compensation Table

	Annual Compensation		Long-Term Compensation Awards
Name and Principal Position	Salary	Bonus	Securities Underlying Options
George A. Scangos, Ph.D. President and Chief Executive Officer	$400,000	$250,000(1)	800,000
Geoffrey Duyk, M.D., Ph.D. Chief Scientific Officer	290,000	162,000(2)	500,000
Lloyd M. Kunimoto (3) Senior Vice President of Business Development	87,500	71,875	350,000
Glen Y. Sato (4) Chief Financial Officer, Vice President of Legal Affairs and Secretary	30,962	--	325,000
Lynne Zydowsky, Ph.D.(5)	162,500	48,000(6)	120,000

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

Option Grants in Fiscal Year 1999

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

The exercise price of each option is equal to the estimated fair market value of our common stock as determined by the board of directors on the date of grant. In determining the estimated fair market value of our common stock on the date of grant our board of directors considered many factors, including:

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

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

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

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

Percentages shown under "Percent of Total Options Granted to Employees in 1999" are based on an aggregate of 4,305,070 options granted to our employees, consultants and directors under our stock option plans during 1999.

	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
Name	Number of Securities Underlying Options Granted (#)	Percent of Total Options Granted to Employees in 1999 (%)	Exercise Price per Share ($)	Expiration Date	5%	10%
George A. Scangos, Ph.D.	800,000	18.6	0.20	08/04/09		
Geoffrey Duyk, M.D., Ph.D.	500,000	11.6	0.20	08/04/09		
Lloyd M. Kunimoto	300,000	7.0	0.20	08/01/09		
	50,000	1.2	1.00	12/16/09		
Glen Y. Sato	325,000	7.5	0.30	11/07/09		
Lynne Zydowsky, Ph.D.	80,000	1.9	0.20	06/03/09		
	40,000	0.9	0.30	10/31/09		

Option Values at December 31, 1999

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

Amounts shown under the column "Value of Unexercised In-the-Money Options at December 31, 1999" are based on the assumed initial public offering price of $, without taking into account any taxes that may be payable in connection with the transaction, multiplied by the number of shares underlying the option, less the exercise price payable for these shares.

			Number of Securities Underlying Unexercised Options at December 31, 1999(1)		Value of Unexercised In-the-Money Options at December 31, 1999(1)	
Name	Shares Acquired on Exercise (#)	Value Realized ($)	Exercisable/ Vested	Exercisable/ Unvested	Exercisable/ Vested	Exercisable/ Unvested
George A. Scangos, Ph.D.	--	--	175,000	675,000		
Geoffrey Duyk, M.D., Ph.D.	--	--	112,500	412,500		
Lloyd M. Kunimoto	--	--	--	350,000		
Glen Y. Sato	83,333	--	--	241,667		
Lynne Zydowsky, Ph.D.	56,354	--	84,854	133,792		

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

Employee Benefit Plans

2000 Equity Incentive Plan

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

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

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

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

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

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

Under certain conditions the board may grant an incentive stock option to a person who owns or is deemed to own stock possessing more than 10% of our total combined voting power or the total combined voting power of an affiliate of ours. In such a case, the exercise price of any such options must be at least 110% of the fair market value of the stock on the grant date, and the option term must be five years or less.

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

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

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

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

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

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

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

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

If a participant's service is either involuntarily terminated without cause or voluntarily terminated for good reason within the period of time beginning one month before and ending 13 months after a change in control, then the vesting of an award (and, if applicable, the exercisability of the award) will accelerate by one year.

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

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

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

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

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

Prior Option Grants. As of December 31, 1999, under the 1997 Equity Incentive Plan and 1994 Employee, Director and Consultant Stock Plan, options to purchase 5,991,135 shares of common stock were outstanding under these plans, 500,000 of which were granted subject to stockholder approval of an increase in the available share reserve, and options to purchase 3,101,584 shares of common stock had been exercised.

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

2000 Non-Employee Directors' Stock Option Plan

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

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

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

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

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

Eligibility. We will automatically issue options to our non-employee directors under the directors' plan as follows:

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

- In addition, on the day after each of our annual meetings of the stockholders each non-employee director will automatically receive an annual grant for 5,000 shares. This annual grant is exercisable immediately but will vest monthly over the following year. If the non-employee director is appointed to the board after the annual meeting, the annual grant will be pro rated.

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

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

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

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

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

- a sale, lease or other disposition of all or substantially all of our assets;

- a merger or consolidation in which we are not the surviving corporation;

- a reverse merger in which we are the surviving corporation but the shares of our common stock outstanding immediately preceding the merger are converted by virtue of the merger into other property; and

- an acquisition of the beneficial ownership of our securities representing at least 50% of the combined voting power entitled to vote in the election of our directors.

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

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

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

2000 Employee Stock Purchase Plan

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

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

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

- 0.75% of our outstanding shares on a fully-diluted basis; or

- that number of shares subject to stock awards granted under the incentive plan during the prior 12-month period.

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

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

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

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

- 85% of the fair market value of a share on the purchase date.

The first offering will begin on the effective date of the closing of this offering. The fair market value of the shares will be the initial public offering price. Thereafter, the fair market value will be the

closing sales price (rounded up where necessary to the nearest whole cent) for our shares (or the closing bid, if no sales were reported) as quoted on the Nasdaq National Market on the last trading day prior to the relevant determination date, as reported in The Wall Street Journal.

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

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

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

Other Provisions. A participant's right to purchase our stock under our purchase plan, plus any other purchase plans established by us or by our affiliates, is limited. An employee may not accrue the right to purchase stock at a rate of more than $25,000 of the fair market value of our stock for each calendar year in which the purchase right is outstanding. We determine the fair market value of our stock, for the purpose of this limitation, as of the first day of the offering.

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

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

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

401(k) Plan

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

Limitations of Liability and Indemnification Matters

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

- any breach of duty of loyalty to us or our stockholders;

- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;

- unlawful payment of dividends or unlawful stock repurchases or redemptions; or

- any transaction from which the director derived an improper personal benefit.

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

We have entered into agreements to indemnify our directors and executive officers, in addition to the indemnification provided for in our amended and restated bylaws. These agreements, among other things, indemnify our directors and executive officers for certain expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by any such person in any action or proceeding, including any action by us, arising out of such person's services as a director or executive officer with respect to Exelixis, any of our subsidiaries or any other company or enterprise to which the person provides services at our request. We believe that these provisions and agreements are necessary to attract and retain qualified persons as directors and executive officers.

Change in Control Arrangements and Employment Agreements

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

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

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

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

CERTAIN TRANSACTIONS

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

The following executive officers, directors and holders of more than five percent of our voting securities purchased securities in the amounts shown below.

	Common Stock	Shares of Preferred Stock			
		Series A	Series B	Series C	Series D
Directors and Executive Officers					
George A. Scangos.....	1,500,000	--	--	--	--
Geoffrey Duyk.....	900,000	--	--	--	--
Glen Y. Sato.....	83,333	--	--	--	--
Stelios Papadopoulos.....	150,000	42,857	50,000	50,000	--
Charles Cohen.....	200,000	--	--	--	--
Lance Willsey.....	--	--	--	50,000	--
5% Stockholders					
Atlas Venture Fund II, L.P. (1).....	80,000	1,428,571	1,667,000	266,696	134,752
Atlas Venture Europe Fund B.V. (1).....	40,000	714,286	833,000	133,304	67,376
Pharmacia & Upjohn AB.....	--	--	--	--	2,500,000
Oxford Bioscience Partners, L.P. (2).....	--	1,006,491	704,545	168,300	84,803
Oxford Bioscience Management Partners (2)..	120,000	--	--	--	--
Oxford Bioscience Partners (Adjunct) L.P. (2).....	--	142,860	100,000	--	--
Oxford Bioscience Partners (Bermuda) L.P.(2).....	--	279,220	195,455	46,700	23,531
Advent International Investors II, L.P.(3)....	--	--	5,000	--	--
Advent Partners L.P.(3)...	--	--	78,000	6,731	3,846
Advent Performance Materials, L.P. (3).....	--	--	350,000	30,202	17,259
Adwest L.P.(3).....	--	--	200,000	17,259	9,862
Rovent II L.P.(3).....	--	--	1,400,000	120,808	69,033
Hambrecht & Quist Healthcare Investors.....	--	--	1,100,000	150,000	
Hambrecht & Quist Life Science Investors.....	--	--	900,000	100,000	
PaineWebber Capital, Inc. (4).....	--	428,572	1,000,000	150,000	47,128
PW Partners 1993, L.P. (4).....	--	428,571	--	--	--
Price per share.....	$ 0.001 to $ 1.00	$ 0.70	$ 1.00	$ 2.00	$ 3.00
Date(s) of purchase.....	Dec 95 to Dec 99	Jan 95 to Mar 95	Mar 96	Apr 97	Aug 98 to Feb 99

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(1) Jean-Francois Formela, one of our directors, is a general partner of Atlas Venture.
(2) Edmund Olivier, one of our directors, is a partner of Oxford Bioscience Partners.
(3) Jason S. Fisherman, one of our directors, is a partner of Advent International Corporation.
(4) Stelios Papadopoulos, one of our directors, is an investment banker at PaineWebber Incorporated.

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

preferred stock. This provision derives from agreements entered into in April 1997 in connection with the issuance of the Series C preferred stock.

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

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

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

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

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

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

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

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

PRINCIPAL STOCKHOLDERS

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

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

Beneficial ownership of shares is determined under the rules of the Securities and Exchange Commission and generally includes any shares over which a person exercises sole or shared voting or investment power. Except as indicated by footnote, and subject to applicable community property laws, each person identified in the table possesses sole voting and investment power with respect to all shares of common stock held by them. Shares of common stock subject to options currently exercisable or exercisable within 60 days of December 31, 1999 as of that date are deemed outstanding for calculating the percentage of outstanding shares of the person holding these options, but are not deemed outstanding for calculating the percentage of any other person. Applicable percentage ownership in the following table is based on 38,848,739 shares of common stock outstanding as of December 31, 1999, after giving effect to the conversion of all outstanding shares of preferred stock into common stock upon the closing of this offering, and shares of common stock outstanding immediately following the completion of this offering. Unless otherwise indicated, the address of each individual listed in the table is in care of Exelixis, Inc., 260 Littlefield Avenue, South San Francisco, California 94080.

	Beneficial Ownership as of December 31, 1999				
		Shares Issuable Pursuant to Options and Warrants Exercisable		Percentage Beneficially Owned	
Name and Address of Beneficially Owned	Number of Shares Beneficially Owned	within 60 days of December 31, 1999	Shares Exelixis May Repurchase within 60 days of December 31, 1999	Before Offering	After Offering
Directors and Executive Officers					
George A. Scangos, Ph.D.	1,500,000	1,150,000	1,078,125	6.6%	
Geoffrey Duyk, M.D., Ph.D.	900,000	725,000	898,437	4.1	
Lloyd M. Kunimoto	--	350,000	350,000	*	*
Glen Y. Sato	83,333	241,667	325,000	*	*
Lynne Zydowsky, Ph.D.	118,229	156,771	130,855	*	*
Stelios Papadopoulos, Ph.D(1)	2,347,128	171,429	--	6.5	
Charles Cohen, Ph.D(2)	282,857	160,000	--	1.1	*
Jurgen Drews, M.D(3)	1,666,667	--	--	4.3	
Jason S. Fisherman, M.D(4)	2,308,000	--	--	5.9	
Jean-Francois Formela, M.D(5)	5,364,985	--	--	13.8	
Edmund Olivier de Vezin(6)	2,871,905	--	--	7.4	
Lance Willsey, M.D	50,000	--	--	*	*
Peter Stadler, Ph.D	--	300,000	125,000	*	*
5% Stockholders			--		
Atlas Venture(5)	5,364,985	--	--	13.8	
Oxford Bioscience Partners(6)	2,871,905	--	--	7.4	
Pharmacia & Upjohn AB(7)	2,500,000	--	--	6.4	
Advent International Group(4)	2,308,000	--	--	5.9	
Hambrecht & Quist Capital Management, Inc.(8)	2,250,000	--	--	5.8	
PaineWebber Incorporated(1)	2,054,271	--	--	5.3	
All directors and executive officers as a group (13 persons)(9)	17,493,104	3,254,867	2,907,417	49.3%	%

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* Represents beneficial ownership of less than 1 percent.

(1) Includes 1,625,700 shares held by PaineWebber Capital, Inc. and 428,571 shares held by PW Partners 1993, L.P. Dr. Papadopoulos is an investment banker at PaineWebber Incorporated and disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in these shares. PaineWebber Incorporated is located at 1285 Avenue of the Americas, New York, NY 10019.

(2) Includes 142,857 shares held by Creative BioMolecules, Inc. Dr. Cohen is a director of Creative BioMolecules, Inc. and disclaims beneficial ownership of these shares. Creative BioMolecules, Inc. is located at 101 Huntington Avenue, Suite 2400, Boston, MA 02199.

(3) Includes 1,666,667 shares held by FEI Biomedicine Private Equity Holding Inc., an investment company managed by International Biomedicine Management Partners Inc. ("IBMP"). Dr. Drews is the Chairman of the Board of IBMP and disclaims beneficial ownership of these shares except to the extent of his pecuniary interest in these shares. IBMP is located at House of Commerce, Aeschenplatz 7, Basel, Switzerland.

(4) Includes 1,589,841 shares held by Rovent II L.P., 397,461 shares held by Advent Performance Materials, L.P., 227,121 shares held by Adwest L.P., 88,577 shares held by Advent Partners L.P. and 5,000 shares held by Advent International Investors II, L.P. Advent International Corporation, the venture capital firm that is the manager of the funds affiliated with Advent International Group, exercises sole voting and investment power with respect to all shares held by these funds. Dr. Fisherman is a partner of Advent International Corporation and disclaims beneficial ownership of these shares except for 22,738 shares that are indirectly beneficially owned by Dr. Fisherman. Advent International Corporation is located at 75 State Street, Boston, MA 02109.

(5) Consists of 3,577,019 shares held by Atlas Venture Fund II, L.P. and 1,787,966 shares held by Atlas Venture Europe Fund B.V. Atlas Venture Fund II, L.P. and Atlas Venture Europe Fund B.V are part of the Atlas Venture, a group of funds under common control. Dr. Formela is a general partner of Atlas Venture. No general partner of Altas Venture is deemed to have voting and investment power with respect to such shares and Dr. Formela disclaims beneficial ownership of these shares. Atlas Venture is located at 222 Berkeley Street, Suite 1950, Boston, MA 02116.

(6) Consists of 1,964,139 shares held by Oxford Bioscience Partners, L.P., 544,906 shares held by Oxford Bioscience Partners (Bermuda) L.P., 242,860 shares held by Oxford Bioscience Partners (Adjunct) L.P. and 120,000 shares held by Oxford Bioscience Management Partners. Mr. Olivier is a general partner of Oxford Bioscience Partners and disclaims beneficial ownership of these shares except to the extent of his proportionate partnership interest in these shares. Oxford Bioscience Partners is located at 650 Town Center Drive, Suite 810, Costa Mesa, CA 92626.

(7) Pharmacia & Upjohn is entitled to additional shares of common stock by virtue of an interest free loan of $7.5 million made to Exelixis in 1999 that is evidenced by a convertible promissory note. The promissory note must be converted into shares of our common stock during the two-year period following this offering at a price per share equal to 120% of the initial public offering price, the time of such conversion prior to March 2002 to be determined by Pharmacia & Upjohn.

(8) Consists of 1,250,000 shares held by Hambrecht & Quist Healthcare Investors and 1,000,000 shares held by Hambrecht & Quist Life Science Investors, closed-end registered investment companies for which Hambrecht & Quist Capital Management, Inc. ("HQCM") is the investment adviser. HQCM is wholly owned by Chase H&Q Group, which is owned by the Chase Manhattan Bank. HQCM is located at 50 Rowes Wharf, Boston, MA 02110.

(9) Total number of shares includes 14,408,685 shares of common stock held by entities affiliated with directors and executive officers. See footnotes 1 through 6 above.

DESCRIPTION OF CAPITAL STOCK

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

Common Stock

As of December 31, 1999, there were 38,848,739 shares of common stock outstanding that were held of record by approximately 202 stockholders after giving effect to the conversion of our preferred stock into common stock at a one-to-one ratio. There will be shares of common stock outstanding (assuming no exercise of the underwriters' over-allotment option and no exercise of outstanding options) after giving effect to the sale of the shares of common stock offered by this prospectus.

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

Preferred Stock

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

Warrants

As of December 31, 1999, warrants to purchase 188,214 shares of Series A preferred stock were outstanding at an exercise price of $0.70 per share. These warrants were immediately exercisable upon issuance and expire upon the later of July 20, 2005 or five years after completion of this offering. The warrants contain provisions for the adjustment of the exercise price and the aggregate number of shares that may be issued upon the exercise of the warrant if a stock dividend, stock split, reorganization, reclassification or consolidation occurs. Upon the closing of this offering, the warrants to purchase Series A preferred stock will become exercisable for common stock at the rate of one share of common stock for each share of preferred stock underlying the warrants.

As of December 31, 1999, warrants to purchase 357,143 shares of Series B preferred stock were outstanding at an exercise price of $0.85 per share. The warrants expire upon the later of

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

As of December 31, 1999, warrants to purchase a total of 327,858 shares of common stock were outstanding. During 1995, we issued warrants to purchase 92,858 shares of our common stock at an exercise price of $0.70 per share to two stockholders. During January 2000, one warrant to purchase 21,429 shares was exercised. These warrants expire in January 2005. In September 1997, we issued warrants to purchase 85,000 shares of our common stock at an exercise price of $2.00 per share as part of an equipment lease financing arrangement. These warrants expire upon the earlier of September 25, 2007 or five years after completion of this offering. In May 1999, we issued warrants to purchase 150,000 shares of our common stock at an exercise price of $3.00 per share in connection with a building lease. These warrants expire five years after completion of this offering. Each warrant contains provisions for the adjustment of the exercise price and the aggregate number of shares that may be issued upon the exercise of the warrants if a stock dividend, stock split, reorganization, reclassification or consolidation occurs.

Registration Rights of Stockholders

Upon completion of this offering, holders of an aggregate of 30,503,571 shares of common stock and holders of warrants to purchase an aggregate of 545,357 shares of common stock will be entitled to rights to register these shares under the Securities Act. These rights are provided under the Fourth Amended and Restated Securityholders' Agreement, dated January 28, 1999, under the Fourth Amended and Restated Registration Rights Agreement, dated February 26, 1999, and under agreements with similar registration rights. If we propose to register any of our securities under the Securities Act, either for our own account or for the account of others, the holders of these shares are entitled to notice of the registration and are entitled to include, at our expense, their shares of common stock in the registration and any related underwriting, provided, among other conditions, that the underwriters may limit the number of shares to be included in the registration and in some cases, including this offering, exclude these shares entirely. In addition, the holders of these shares may require us, at our expense and on not more than two occasions at any time beginning six months from the date of the closing of the offerings, to file a registration statement under the Securities Act with respect to their shares of common stock, and we will be required to use our best efforts to effect the registration. Further, the holders may require us at our expense to register their shares on Form S-3 when this form becomes available.

Anti-Takeover Provisions of Delaware Law and Charter Provisions

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

- prior to that date, our board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

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

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

Section 203 defines "business combination" to include:

- any merger or consolidation involving the corporation and the interested stockholder;

- any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;

- subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; and

- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

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

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

- substantially limits the use of cumulative voting in the election of directors;

- provides that the authorized number of directors may be changed only by resolution of our board of directors; and

- authorizes our board of directors to issue blank check preferred stock to increase the amount of outstanding shares.

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

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

Transfer Agent and Registrar

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

National Market Listing

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

SHARES ELIGIBLE FOR FUTURE SALE

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

Upon completion of this offering, we will have outstanding shares of common stock. Of these shares, all of the shares sold in this offering will be freely tradable without restriction or further registration under the Securities Act, unless these shares are purchased by our "affiliates," as that term is defined in Rule 144 under the Securities Act. In general, affiliates include officers, directors or 10% stockholders. The remaining 38,848,739 shares outstanding are "restricted securities" within the meaning of Rule 144. These restricted securities may be sold in the public market only if registered or if they qualify for an exemption from registration under Rules 144, 144(k) or 701 promulgated under the Securities Act, which are summarized below. Sales of the restricted securities in the public market, or the availability of these shares for sale, could adversely affect the market price of our common stock.

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

Taking into account these lock-up agreements, and assuming Goldman, Sachs & Co. does not release stockholders from their agreements, the following shares will be eligible for sale in the public market at the following times:

- 863,520 shares will be eligible for sale upon completion of this offering;
- 37,854,758 shares will be eligible for sale upon the expiration of lock-up agreements, beginning 180 days after the date of this prospectus; and
- 1,519,605 shares will be eligible for sale upon the exercise of vested options 180 days after the date of this prospectus.

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

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

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

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

Registration Rights. Upon completion of this offering, the holders of 30,503,571 shares of our common stock and holders of warrants to purchase an aggregate of 545,357 shares of our common stock, or their transferees, will be entitled to rights with respect to the registration of their shares under the Securities Act. Registration of their shares under the Securities Act would result in these shares becoming freely tradable without restriction under the Securities Act, except for shares purchased by affiliates, immediately upon the effectiveness of this registration.

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

VALIDITY OF THE COMMON STOCK

The validity of the common stock offered hereby will be passed upon by our counsel, Cooley Godward LLP, Palo Alto, California and for the underwriters by Sullivan & Cromwell, Los Angeles, California.

EXPERTS

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

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

WHERE YOU CAN FIND MORE INFORMATION

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

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

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

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

EXELIXIS, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT ACCOUNTANTS

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

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

/s/ PricewaterhouseCoopers LLP

San Jose, California
January 31, 2000

EXELIXIS, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 31,		Pro Forma Stockholders' Equity December 31,
	1998	1999	1999
			(unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 2,058	$ 5,400	
Short-term investments	--	1,504	
Other receivables	150	185	
Other current assets	423	943	
Total current assets	2,631	8,032	
Property and equipment, net	5,744	9,498	
Notes and other receivables	458	619	
Other assets	148	752	
Total assets	$ 8,981	$ 18,901	
LIABILITIES, MANDATORILY REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' (DEFICIT) EQUITY			
Current liabilities:			
Accounts payable and accrued expenses	$ 584	$ 3,648	
Current portion of capital lease obligations	924	735	
Current portion of notes payable	504	1,554	
Deferred revenue	229	1,542	
Total current liabilities	2,241	7,479	
Capital lease obligations	973	229	
Notes payable	1,583	3,299	
Convertible promissory note	--	7,500	
Other long-term liability	--	104	
Total liabilities	4,797	18,611	
Commitments (Note 11)			
Mandatorily redeemable convertible preferred stock, $0.001 par value; 35,000,000 shares authorized; issued and outstanding: 27,623,110 shares in 1998, 30,503,571 shares in 1999 and none pro forma (aggregate liquidation preference $46,780,000)	38,138	46,780	$ --
Stockholders' (deficit) equity:			
Common stock, $0.001 par value; 50,000,000 shares authorized; issued and outstanding: 5,365,386 shares in 1998, 8,345,168 shares in 1999 and 38,848,739 pro forma	5	8	39
Class B common stock, $0.001 par value; 526,819 shares authorized; shares issued and outstanding: 526,819 shares in 1998, none in 1999 and pro forma	1	--	--
Additional paid-in-capital	2,978	19,521	66,270
Notes receivable from stockholders	(240)	(240)	(240)
Deferred stock compensation	(1,803)	(14,167)	(14,167)
Accumulated deficit	(34,895)	(51,612)	(51,612)
Total stockholders' (deficit) equity	(33,954)	(46,490)	$ 290
Total liabilities, mandatorily redeemable convertible preferred stock and stockholders' (deficit) equity	$ 8,981	$ 18,901	

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

EXELIXIS, INC.

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

	Year Ended December 31,		
	1997	1998	1999
Revenues:			
License	$ --	$ 1,250	$ 3,050
Contract	--	2,133	9,464
Total revenues	--	3,383	12,514
Operating expenses:			
Research and development	8,198	11,539	19,412
General and administrative	3,743	5,304	6,343
Amortization of deferred stock compensation	25	725	3,522
Total operating expenses	11,966	17,568	29,277
Loss from operations	(11,966)	(14,185)	(16,763)
Interest income	689	266	571
Interest expense	(219)	(316)	(525)
Loss before equity in net loss of affiliated company	(11,496)	(14,235)	(16,717)
Equity in net loss of affiliated company	--	(320)	--
Net loss	$(11,496)	$(14,555)	$(16,717)
Net loss per share, basic and diluted	$ (6.25)	$ (2.66)	$ (2.28)
Shares used in computing net loss per share, basic and diluted	1,840	5,480	7,325
Pro forma net loss per share, basic and diluted	--	--	$ (0.45)
Shares used in computing pro forma net loss per share	--	--	37,468

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

EXELIXIS, INC.

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

	Common Stock		Class B Common Stock		Additional Paid-in Capital	Notes Receivable from Stockholders	Deferred Stock Compensation	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount					
Balance at January 1, 1997	1,690,245	$ 2	526,819	$ 1	$ 146	$ --	$ (59)	$ (8,844)	$ (8,754)
Exercise of stock options	320,183	--	--	--	7	--	--	--	7
Deferred stock compensation	--	--	--	--	68	--	(68)	--	--
Amortization of deferred stock compensation	--	--	--	--	--	--	25	--	25
Net loss	--	--	--	--	--	--	--	(11,496)	(11,496)
Balance at December 31, 1997	2,010,428	2	526,819	1	221	--	(102)	(20,340)	(20,218)
Exercise of stock options	3,354,958	3	--	--	331	--	--	--	334
Issuance of notes to stockholders for the exercise of stock options	--	--	--	--	--	(240)	--	--	(240)
Deferred stock compensation	--	--	--	--	2,426	--	(2,426)	--	--
Amortization of deferred stock compensation	--	--	--	--	--	--	725	--	725
Net loss	--	--	--	--	--	--	--	(14,555)	(14,555)
Balance at December 31, 1998	5,365,386	5	526,819	1	2,978	(240)	(1,803)	(34,895)	(33,954)
Exercise of stock options	1,379,782	1	--	--	267	--	--	--	268
Issuance of stock purchase warrants	--	--	--	--	391	--	--	--	391
Deferred stock compensation	--	--	--	--	15,886	--	(15,886)	--	--
Amortization of deferred stock compensation	--	--	--	--	--	--	3,522	--	3,522
Conversion of Class B common stock into common stock	1,600,000	2	(526,819)	(1)	(1)	--	--	--	--
Net loss	--	--	--	--	--	--	--	(16,717)	(16,717)
Balance at December 31, 1999	8,345,168	$ 8	--	$ --	$ 19,521	$ (240)	$ (14,167)	$ (51,612)	$ (46,490)

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

EXELIXIS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	1997	1998	1999
Cash flows from operating activities:			
Net loss	$(11,496)	$(14,555)	$(16,717)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	731	1,529	2,166
Loss on disposal of property and equipment	19	--	--
Amortization of deferred stock compensation	25	725	3,522
Changes in assets and liabilities:			
Other receivables	(52)	(98)	(35)
Other current assets	40	(397)	(497)
Other assets	(103)	(6)	(81)
Notes and other receivables	(635)	177	(161)
Accounts payable and accrued expenses	706	(334)	3,064
Deferred revenue	--	229	1,313
Other long-term liabilities	--	--	104
Net cash used in operating activities	(10,765)	(12,730)	(7,322)
Cash flows used in investing activities:			
Acquisition, net	--	--	(870)
Purchases of property and equipment	(3,973)	(2,494)	(4,100)
Proceeds from short-term investments	--	1,997	--
Purchase of short-term investments	(1,997)	--	(1,504)
Net cash used in investing activities	(5,970)	(497)	(6,474)
Cash flows from financing activities:			
Proceeds from sale of mandatorily redeemable convertible preferred stock	15,703	6,333	8,642
Proceeds from exercise of stock options	7	94	268
Proceeds from capital lease financing	1,838	179	--
Principal payments on capital lease obligations	(461)	(899)	(933)
Proceeds from issuance of notes payable	--	2,315	10,066
Principal payments on note payable	(720)	(455)	(905)
Net cash provided by financing activities	16,367	7,567	17,138
Net increase (decrease) in cash and cash equivalents	(368)	(5,660)	3,342
Cash and cash equivalents, at beginning of year	8,086	7,718	2,058
Cash and cash equivalents, at end of year	$ 7,718	$ 2,058	$ 5,400
Supplemental cash flow disclosure:			
Property and equipment acquired under capital leases	$ 1,169	$ --	$ --
Cash paid for interest	219	316	525

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

Note 1 The Company and a Summary of Significant Accounting Policies

The Company

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

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All significant intercompany transactions and balances have been eliminated in consolidation.

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

Use of Estimates

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

Initial Public Offering

In January 2000, the Board of Directors authorized management of the Company to file a registration statement with the Securities and Exchange Commission to sell shares of its common stock to the public. If the initial public offering is completed under the terms presently anticipated, all outstanding shares of mandatorily redeemable convertible preferred stock will automatically convert into 30,503,571 shares of common stock. Unaudited pro forma stockholders' equity adjusted for the assumed conversion of the preferred stock is set forth on the consolidated balance sheets.

Concentration of Credit Risk

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

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company invests its excess cash in high grade short-term commercial paper and money market funds which invest in U.S. Treasury securities that are

subject to minimal credit and market risk. The Company had $1.8 million and $1.0 million of high grade short-term commercial paper which was included in cash and cash equivalents at December 31, 1998 and 1999, respectively. These investments are carried at cost, which approximates fair market value.

Short-term Investments

The Company classifies all short-term investments as available-for-sale in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company's short-term investments consist of high grade corporate securities maturing one year or less from the date of purchase. At December 31, 1998 and 1999, these investments are carried at cost, which approximates fair value. Material unrealized gains or losses, if any, are reported in stockholders' deficit and included in other comprehensive loss. The cost of securities sold is based on the specific identification method.

Property and Equipment

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

Long-lived Assets

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

Income Taxes

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

Fair Value of Financial Instruments

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

Revenue Recognition

The Company recognizes license and other upfront fees, which are nonrefundable and do not require the Company to perform any future services, when received. Milestone payments are recognized pursuant to the terms of the agreement upon the achievement of the specified milestones. The Company recognizes contract research revenues as services are performed, pursuant to the terms of the agreements. Any amounts received in advance of performance are recorded as deferred revenue.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 requires that license and other upfront fees received from research collaborators be recognized over the term of the agreement unless the fee is in exchange for products delivered or services performed that represent the culmination of a separate earnings process. Accordingly, the Company will report a change in accounting principle for the fiscal quarter ending March 31, 2000. The cumulative effect of the change in accounting principle will approximate $3.1 million. This amount will be recognized as revenue prospectively over the remaining terms of the collaboration agreements.

Research and Development Expenses

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

Net Loss per Share

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

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

	Year Ended December 31,		
	1997	1998	1999
Preferred stock	23,206,696	26,298,398	30,143,513
Options to purchase common stock	5,422,552	5,384,814	5,043,352
Common stock subject to repurchase	435,190	2,204,088	1,326,209
Conversion of note payable	--	--	2,291,667
Warrants	663,007	723,215	816,965
	29,727,445	34,610,515	39,621,706

Pro Forma Net Loss per Share (Unaudited)

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

Stock-based Compensation

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

Comprehensive Income

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

Recent Accounting Pronouncements

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

Note 2 Research and Collaboration Agreements

Bayer

In May 1998, the Company entered into a six-year research collaboration agreement with Bayer AG (including its affiliates, "Bayer") to identify novel screening targets for the development of new pesticides for use in crop protection. The Company will provide research services directed towards identifying and investigating molecular targets in insects and nematodes that may be useful in developing and commercializing pesticide products. The Company received a $1.2 million license

fee upon execution of the agreement and will receive annual research funding of approximately $2.8 million. The Company can earn additional payments under the agreement upon the achievement of certain milestones. The Company can also earn royalties on the future sale by Bayer of pesticide products incorporating compounds developed under the agreement. The agreement also provides Bayer an exclusive royalty free option to use certain technology developed under the agreement in the development of fungicides and herbicides.

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

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

Revenues recognized under these agreements approximated $3.4 million and $4.1 million during the years ended December 31, 1998 and 1999, respectively.

Artemis Pharmaceuticals

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

Pharmacia & Upjohn

In February 1999, the Company entered into a five-year research collaboration agreement with Pharmacia & Upjohn AB ("Pharmacia & Upjohn") focused on the identification of novel targets that

may be useful in the development of pharmaceutical products in the areas of Alzheimer's disease and metabolic syndrome. Pharmacia & Upjohn agreed to pay the Company a $5 million non-refundable license fee, $3 million of which was received upon entering into the agreement with the remaining $2 million to be received in February 2000. Under the terms of the agreement, as expanded and amended in October 1999, the Company will also receive future research funding during the first three years of the agreement. The Company can also earn additional amounts under the agreement upon the achievement of certain milestones. The Company can also earn royalties on the future sales by Pharmacia & Upjohn of human therapeutic products incorporating compounds developed under the agreement. Revenues recognized under this agreement approximated $7.8 million during the year ended December 31, 1999.

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

Bristol-Myers Squibb

In September 1999, the Company entered into a three-year research and technology transfer agreement with Bristol-Myers Squibb Company ("Bristol-Myers Squibb") to identify the mechanisms of action of compounds delivered to the Company by Bristol-Myers Squibb. Bristol-Myers Squibb agreed to pay the Company a $250,000 technology access fee. Under the terms of the agreement, the Company will receive research funding ranging from $1.3 million in the first year to as much as $2.5 million in later years. The Company can also earn additional amounts under the agreement upon the achievement of certain milestones. The Company can also earn royalties on the future sale by Bristol-Myers Squibb of human products incorporating compounds developed under the agreement. The agreement also includes technology transfer and licensing terms which call for Bristol-Myers Squibb and the Company to license and share certain core technologies in genomics and lead optimization. Revenues recognized under this agreement approximated $418,000 during the year ended December 31, 1999.

Note 3 Notes and Other Receivables

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

Note 4 Property and Equipment

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

	December 31,	
	1998	1999
Laboratory equipment	$ 1,588	$ 4,301
Computer equipment and software	1,667	2,837
Furniture and fixtures	525	1,018
Leasehold improvements	1,820	2,537
Equipment under capital leases	2,773	2,773
Construction in-progress	--	827
	8,373	14,293
Less accumulated depreciation and amortization	(2,629)	(4,795)
	$ 5,744	$ 9,498

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

Note 5 Notes Payable

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

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

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

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

Note 6 Convertible Promissory Note

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

Note 7 Mandatorily Redeemable Convertible Preferred Stock

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

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

The preferred stock has the following characteristics:

Conversion

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

Dividends

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

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

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

Holders of Series A preferred stock are entitled to receive a dividend of one twentieth (1/20th) of one share of common stock (the "Special Series A Dividend") under certain circumstances. If the consummation of either (1) the consolidation, merger, liquidation or sale of all or substantially all of the assets of the Company, or (2) the closing of an initial public offering of the Company's common stock at a price at or above the Per Share Threshold Amount ($3.00 at December 31, 1999), as defined, occurs on or before March 31, 2000, then the Special Series A Dividend shall be payable to holders of Series A preferred stock immediately prior to such event.

Mandatory Redemption

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

Liquidation Preference

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

Voting Rights

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

Amended and Restated Securityholders' Agreement

In January 1999, the Company and the Series A, Series B, Series C and Series D preferred stockholders entered into an amended and restated securityholders' agreement. The agreement provides that in the event of an underwritten public offering, the Company will use its best efforts to

cause the underwriters to reserve up to 10% of the shares included in the public offering for purchase by individuals who hold Series C preferred stock and do not hold shares of any other class of our capital stock.

Note 8 Common Stock and Warrants

Stock Repurchase Agreements

In January 1995, the Company sold to certain founders and members of its Scientific Advisory Board (the "SAB") and to a consultant 1,770,000 shares of common stock at a price of $0.001 per share. In June 1995, 1,600,000 of these shares held by three founders of the Company were converted into 526,819 shares of Class B common stock. Simultaneously, these founders entered into Restated Stock Purchase and Repurchase Agreements (the "Restated Agreements"). In April 1999, 526,819 shares of Class B common stock were converted into 1,600,000 shares of common stock pursuant to the terms of the Restated Agreements.

Under the terms of the 1997 Equity Incentive Plan (the "1997 Plan"), options are exercisable when granted and such shares are subject to repurchase upon termination of employment. Repurchase rights lapse over the vesting periods which are generally three to four years. Should the employment of the holders of common stock subject to repurchase terminate prior to full vesting of the outstanding shares, the Company may repurchase all unvested shares at a price per share equal to the original exercise price. At December 31, 1999, 2,173,047 shares were subject to such repurchase terms.

Warrants

During 1995, the Company issued warrants to purchase 92,858 shares of the Company's common stock at an exercise price of $0.70 per share to two shareholders of the Company. During January 2000, warrants to purchase 21,429 shares were exercised. The warrants expire in January 2005. The fair value of these warrants was not material and, accordingly, no value was ascribed to them for financial reporting purposes.

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

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

In September 1997, the Company issued warrants to purchase 85,000 shares of common stock at an exercise price of $2.00 per share as part of a $2 million equipment lease financing arrangement. These warrants expire upon the earlier of September 2007 or five years from the effective date of an initial public offering. The fair value of these warrants was not material and, accordingly, no value has been ascribed to them for financial reporting purposes.

In May 1999, the Company issued warrants to purchase 150,000 shares of common stock at an exercise price of $3.00 per share in connection with a building lease. The Company determined the

fair value of these warrants using the Black-Scholes option pricing model with the following assumptions: expected life of five years; a weighted average risk-free rate of 6.1%; expected dividend yield of zero; volatility of 50% and a deemed value of the common stock of $4.28 per share. The fair value of the warrants has been capitalized and will be amortized as rent expense over the term of the lease.

All such warrants are currently exercisable.

Reserved Shares

At December 31, 1999, the Company has reserved 39,925,118 shares of common stock for future issuance upon the conversion of its preferred stock, and the convertible promissory note, as well as for use in the Company's stock plans and exercise of outstanding warrants.

Note 9 Employee Benefit Plans

In January 1995, the Company adopted the 1994 Employee, Director and Consultant Stock Option Plan (the "1994 Plan"). The 1994 Plan provides for the issuance of incentive stock options, non-qualified stock options and stock purchase rights to key employees, directors, consultants and members of the SAB. In September 1997, the Company adopted the 1997 Plan. The 1997 Plan amends and supercedes the 1994 Plan. The total number of shares which may be issued under the 1997 Plan, as amended, is 9,142,000. The Board of Directors is responsible for administration of the Company's stock plans and determines the term of each option, exercise price and the vesting terms. The Company may not grant an employee incentive stock options that are exercisable during any one year with an estimated fair value in excess of $100,000. Incentive stock options may be granted at an exercise price per share at least equal to the estimated fair value per underlying common share on the date of grant (not less than 110% of the estimated fair value in the case of holders of more than 10% of the Company's voting stock). Options granted under the 1997 Plan are exercisable when granted and generally expire ten years from the date of grant (five years for incentive stock options granted to holders of more than 10% of the Company's voting stock).

A summary of all option activity is presented below:

	Shares	Weighted-Average Exercise Price
Options outstanding at December 31, 1996	2,563,739	$ 0.05
Granted	2,786,638	0.15
Exercised	(320,183)	0.02
Cancelled	(64,479)	0.02
Options outstanding at December 31, 1997	4,965,715	0.09
Granted	2,604,101	0.20
Exercised	(3,354,958)	0.10
Cancelled	(472,937)	0.20
Options outstanding at December 31, 1998	3,741,921	0.19
Granted	3,805,070	0.24
Exercised	(1,379,782)	0.20
Cancelled	(226,074)	0.20
Options outstanding at December 31, 1999	5,941,135	0.22

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

Options Outstanding and Exercisable			
Exercise Prices	Number	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price
$ 0.01	49,500	6.34	$ 0.01
0.10	143,017	7.02	0.10
0.20	5,035,571	8.81	0.20
0.30	586,067	9.81	0.30
0.60	56,980	9.94	0.60
1.00	70,000	9.96	1.00
	5,941,135	8.95	0.22

At December 31, 1999, 2,173,047 shares of common stock purchased under the 1994 and 1997 Plans were subject to repurchase by the Company at a weighted average price of $0.20 per share.

Had compensation cost been determined based on the fair value of the options at the grant date consistent with the provisions of SFAS No. 123, the Company's pro forma net loss for the years ended December 31, 1997, 1998 and 1999 would have been approximately $11.5 million, $15.0 million and $17.1 million, respectively. Since options vest over several years and additional option grants are expected to be made in future years, the pro forma impact on the results of operations for the three years ended December 31, 1999 is not representative of the pro forma effects on the results of operations for future periods.

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

Deferred Stock Compensation

During the period from January 1, 1997 through December 31, 1999, the Company recorded $18.4 million of deferred stock compensation in accordance with APB 25, SFAS 123 and Emerging Issues Task Force 96-18, related to stock options granted to consultants and employees. The Company will record an additional $3.6 million of deferred stock compensation related to 1,105,779 options granted to employees during January 2000. For options granted to consultants, the Company determined the fair value of the options using the Black-Scholes option pricing model with the following assumptions: expected lives of four years; a weighted average risk-free rate of 5.75%; expected dividend yield of zero percent; volatility of 50% and deemed values of common stock between $0.45 and $9.41 per share. Stock compensation expense is being recognized in accordance with FIN 28 over the vesting periods of the related options, generally four years. The Company recognized stock compensation expense of $25,000, $725,000 and $3.5 million for the years ended December 31, 1997, 1998 and 1999, respectively.

2000 Equity Incentive Plan

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

2000 Non-Employee Directors' Stock Option Plan

In January 2000, the Company adopted, subject to stockholder approval, the 2000 Non-Employees Directors' Stock Option Plan. This plan provides for the automatic grant of options to purchase shares of common stock to non-employee directors. A total of 500,000 shares of common stock were initially authorized for issuance under this plan.

2000 Employee Stock Purchase Plan

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

Note 10 Income Taxes

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

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

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

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

Note 11 Commitments

Leases

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

Year ending December 31,	Operating Leases	Capital Leases
2000	$ 3,061	$ 793
2001	2,531	235
2002	2,489	--
2003	2,566	--
2004	2,621	--
Thereafter	23,778	--
	37,046	1,028
Less amount representing interest	--	(64)
Present value of minimum lease payments	$37,046	964
Less current portion		(735)
Long-term portion		$ 229

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

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

In September 1997, the Company entered into a lease line of credit arrangement (the "Arrangement") which allows the Company to purchase $2.0 million of equipment. The term of each borrowing under the Arrangement is 42 months and each bears interest at a minimum of 9.0%. At December 31, 1999, $839,000 was outstanding under the Arrangement. In connection with the Arrangement, the Company granted warrants to purchase 85,000 shares of its common stock (see Note 8).

Licensing Agreements

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

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

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

Consulting agreements

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

Note 12 Acquisition

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

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

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

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

	Year Ended December 31,	
	1998	1999
	(unaudited)	
Total revenues	$ 8,133	$14,811
Net loss	(18,018)	(18,324)
Net loss per share, basic and diluted	(3.29)	(2.50)

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Members of
MetaXen, LLC

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

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

/s/ PricewaterhouseCoopers LLP

San Jose, California
February 10, 1999

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

BALANCE SHEETS

	December 31,	
	1998	1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 216,000	$ 124,000
Other current assets	121,000	130,000
Total current assets	337,000	254,000
Property and equipment, net	3,132,000	1,487,000
Other assets	320,000	160,000
	$ 3,789,000	$1,901,000
LIABILITIES AND MEMBERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 369,000	$ 306,000
Accrued expenses	1,415,000	244,000
Deferred revenue	502,000	--
Intercompany payable	227,000	3,000
Intercompany loan	3,035,000	--
Current portion of long-term liabilities	380,000	250,000
Total current liabilities	5,928,000	803,000
Long-term liabilities	788,000	707,000
Total liabilities	6,716,000	1,510,000
Commitments (Note 9)		
Members' equity (deficit):		
Preferred stock--Class A; 1,766,000 shares issued and outstanding at December 31, 1998 and 1997	(3,068,000)	391,000
Preferred stock--Class B; 120,000 shares issued and outstanding at December 31, 1998 and 1997	--	--
Preferred stock--Class C; 345,000 and 300,000 shares issued and outstanding at December 31, 1998 and 1997, respectively	141,000	--
Total members' equity (deficit)	(2,927,000)	391,000
	$ 3,789,000	$1,901,000

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

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

STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	1998	1997
Contract revenues	$ 4,750,000	$ --
Operating expenses:		
General and administrative	1,348,000	1,268,000
Research and development	6,626,000	2,937,000
Total operating expenses	7,974,000	4,205,000
Loss from operations	(3,224,000)	(4,205,000)
Interest income	35,000	46,000
Interest expense	(274,000)	(30,000)
Net loss	$(3,463,000)	$(4,189,000)

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

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

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

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

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

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

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	1998	1997
Cash flow used in operating activities:		
Net loss	$(3,463,000)	$(4,189,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	659,000	314,000
Loss on disposal of property and equipment	104,000	--
Stock compensation expense	141,000	--
Changes in assets and liabilities:		
Other current assets	9,000	(95,000)
Other assets	(160,000)	(160,000)
Accounts payable	63,000	236,000
Accrued expenses	1,171,000	212,000
Deferred revenue	502,000	--
Intercompany payable	224,000	--
Net cash used in operating activities	(750,000)	(3,682,000)
Cash flow used in investing activities:		
Purchases of property and equipment	(2,408,000)	(1,731,000)
Cash flow provided by financing activities:		
Proceeds from issuance of Class A Preferred Stock	--	4,000,000
Proceeds from issuance of Class C Preferred Stock	5,000	--
Repurchase of Class C Preferred Stock	(1,000)	(2,000)
Proceeds from equipment line of credit	254,000	1,000,000
Repayments under equipment line of credit	(43,000)	(43,000)
Increase in intercompany loan	3,035,000	--
Net cash provided by financing activities	3,250,000	4,955,000
Net increase (decrease) in cash and cash equivalents	92,000	(458,000)
Cash and cash equivalents at beginning of year	124,000	582,000
Cash and cash equivalents at end of year	$ 216,000	$ 124,000

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

NOTES TO FINANCIAL STATEMENTS

Note 1--The Company and Significant Accounting Policies:

Nature of business

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

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

Need for additional financing

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

Cash and cash equivalents

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

Property and equipment

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

Revenue recognition

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

Research and development expenses

Research and development costs are expensed as incurred.

Stock-based compensation

The Company has adopted the pro forma disclosure requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). SFAS 123 requires that the Company determine the fair value of stock-based compensation and either deduct the fair value of such amounts from the results of operations or disclose pro forma results of operations as if it had done so.

Use of estimates

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

Note 2--Property and Equipment:

Property and equipment consists of the following:

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

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

Note 3--Other Assets:

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

Note 4--Income Taxes:

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

Note 5--Debt:

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

Future payments under this loan are as follows:

Year Ending December 31,	
1999	$ 500,000
2000	500,000
2001	367,000
2002	148,000
	1,515,000
Less interest	(347,000)
	1,168,000
Less current portion	(380,000)
Long-term portion	$ 788,000

Note 6--Members' Equity:

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

Allocations and distributions

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

Net losses of the Company are first allocated (i) 80% to the holders of Class A Preferred Stock; and (ii) 20% to the holders of the Class B and C Preferred Stock, to the extent that cumulative net profits (if any) allocated to the holders of Class B and C Preferred Stock in prior years exceeds the cumulative net losses allocated to such holders in prior years. Any remaining net losses of the Company are then allocated (i) to the holders of Class B Preferred Stock to the extent that this would not cause such holders to have a deficit in their Member equity at the end of the year; then (ii) to the holders of Class A Preferred Stock to the extent that this would not cause such holders to have a deficit in their Members equity account at the end of the year; and then (a) 80% to the holders of Class A Preferred Stock; and (b) 20% to the holders of Class B and C Preferred Stock. However, in the event of the members having received a distribution of the type described below in connection with a winding up of the Company, the Member equity accounts of the holders of Class B and C Preferred Stock and Common Stock shall be adjusted to reflect the aggregate net loss that would have been allocated to such holders if the holders of Common Stock had participated with the holders of Class B and C Preferred Stock under (b) above from the date of the acquisition of such Common Stock.

Net profits of the Company are first allocated to the holders of Class A, B and C Preferred Stock to the extent that cumulative net losses allocated to such holders in prior years exceed the cumulative net profits allocated to such holders in prior years. Any remaining net profits are then allocated (i) to the holders of Class A Preferred Stock to the extent that cumulative net losses allocated to such holders in provision (ii) on the allocation of losses above exceed cumulative net profits allocated under this provision; then (ii) to the holders of Class B Preferred Stock to the extent that cumulative net losses allocated to such holders in provision (i) on the allocation of losses above exceed cumulative net profits allocated under this provision; and then (a) 80% to the holders of Class A Preferred Stock; and (b) 20% to the holders of Class B and C Preferred Stock. However, in the event of the members having received a distribution of the type described below in connection with a winding up of the Company, the Member equity accounts of the holders of Class B and C Preferred Stock and Common Stock shall be adjusted to reflect the aggregate net profit that would have been allocated to such holders if the holders of Common Stock had participated with the holders of Class B and C Preferred Stock under (b) above from the date of the acquisition of such Common Stock. Furthermore, in the event of the Members receiving a distribution of the type described below describing distributions upon the winding up of the Company, the holders of Common Stock shall be allocated the portion of net profit associated with the remaining distributable assets distributed to the holders of such Common Stock.

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

Class A Preferred Stock

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

Class B Preferred Stock

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

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

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

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

Class C Preferred Stock

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

In the event that a holder of Class C Preferred Stock (i) terminates his or her employment with the Company in certain circumstances; or (ii) in the case of any person acquiring Class C Preferred Stock prior to commencing employment with the Company, where the person failed to execute an employment agreement and commence employment with the Company prior to September 4, 1997, the Company has the option to repurchase all or a portion of that person's Class C Preferred Stock. The portion of the person's Class C Preferred Stock that the Company may purchase depends upon the length of time that has passed since the September 1996 merger.

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

Class D Preferred Stock

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

Class E Preferred Stock

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

Stock Warrants

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

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

A nominal value was ascribed to the warrants outlined above.

Common Stock

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

Note 7--Stock Option Plan:

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

Activity under the 1996 Plan is summarized as follows:

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

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

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

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

Note 8--Research and License Agreement:

The Company and Xenova signed a research and license agreement with Eli Lilly and Company ("Eli Lilly") on February 16, 1998. The Company and Xenova are providing research services to Eli Lilly in the form of screening certain compounds for accelerated drug discovery and development. Eli Lilly will have certain license rights to any compounds resulting from efforts completed under the agreement. The Company and Xenova receive amounts quarterly under the agreement which approximate cost reimbursement for amounts incurred pursuant to the agreement. Milestone payments can also be earned by the Company and Xenova, as defined in the agreement. For the year ended December 31, 1998, the Company recorded total contract revenues of $4,750,000, consisting of a $1,000,000 non-refundable license fee and $3,750,000 of research fees. Costs incurred by the Company under the agreement in 1998 approximated $4,409,000.

Note 9--Commitments:

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

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

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

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

Note 10--Related Party Transactions:

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

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

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

EXELIXIS, INC.

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENT

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

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

EXELIXIS, INC.

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

	Year Ended December 31, 1999		
	As Reported	MetaXen	Pro Forma
Revenues:			
License	$ 3,050	$ --	$ 3,050
Contract	9,464	2,297	11,761
Total revenues	12,514	2,297	14,811
Operating expenses:			
Research and development	19,412	2,408	21,820
General and administrative	6,343	1,425	7,768
Amortization of deferred stock compensation	3,522	--	3,522
Total operating expenses	29,277	3,833	33,110
Loss from operations	(16,763)	(1,536)	(18,299)
Interest and other income	571	21	592
Interest expense	(525)	(92)	(617)
Net loss	$(16,717)	$(1,607)	$(18,324)
Basic and diluted net loss per share	$ (2.28)		$ (2.50)
Shares used in computing basic and diluted net loss per share	7,325		7,325

EXELIXIS, INC.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENT
(UNAUDITED)

Note 1 Basis of Presentation:

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

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

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

There were no pro forma adjustments required to be recorded in the unaudited pro forma combined financial statement.

Note 2 Net Loss Per Share:

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

UNDERWRITING

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

Underwriters	Number of Shares
Goldman, Sachs & Co.	
Credit Suisse First Boston Corporation	
SG Cowen Securities Corporation	
Total	

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

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

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

Paid by Exelixis	No Exercise	Full Exercise
Per share	$	$
Total	$	$

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Shares

Exelixis, Inc.

Common Stock

[LOGO OF EXELIXIS]

Goldman, Sachs & Co.

Credit Suisse First Boston

SG Cowen

Representatives of the Underwriters

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

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

SEC registration fee	$ 26,400
NASDAQ filing fee	10,500
Nasdaq National Market listing fee	*
Blue Sky Fees and expenses	5,000
Transfer Agent and registrar fees	10,000
Accounting fees and expenses	275,000
Legal fees and expenses	425,000
Printing and engraving costs	270,000
Miscellaneous expenses	*
Total	$ *

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*To be filed by amendment.

Item 14. Indemnification of Directors and Officers

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

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

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

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

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

Item 15. Recent Sales of Unregistered Securities

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

(1) From January 1997 through January 2000, Exelixis has granted stock options to purchase 10,301,588 shares of common stock, at a weighted average exercise price of $0.29, to employees, consultants and directors. Of these stock options, 892,135 shares have been cancelled or have lapsed without being exercised, 6,467,955 shares have been exercised for common stock and 5,505,237 shares remain outstanding.

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

(3) In September 1997, Exelixis issued one warrant to purchase 85,000 shares of common stock to one purchaser at an exercise price of $2.00 per share.

(4) From August 1998 to June 1998, Exelixis issued an aggregate of 2,500,000 shares of Series D preferred stock to 11 accredited investors at $3.00 per share, for an aggregate purchase price of $7,500,000. In this period, Exelixis issued an additional 2,500,000 shares of Series D preferred stock to Pharmacia & Upjohn, Inc. as payment for services rendered pursuant to the terms of a development agreement dated February 26, 1999. Shares of Series D preferred stock are convertible at the rate of one share of common stock for each share of Series D preferred stock outstanding.

(5) In November 1999 Exelixis issued warrants to purchase an aggregate of 150,000 shares of common stock to three purchasers at an exercise price of $3.00 per share.

Item 16. (A) Exhibits and Financial Statement Schedules

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

4.8	Warrant, dated November 15,1999, to Purchase 135,000 shares of Common Stock in favor of Slough Estates USA, Inc.
4.9	Warrant, dated November 15, 1999, to Purchase 3,000 shares of Common Stock in favor of Laurence and Magdalena Shushan FamilyTrust.
5.1*	Opinion of Cooley Godward LLP.
10.1*	Form of Indemnity Agreement.
10.2	1994 Employee, Director and Consultant Stock Plan.
10.3	1997 Equity Incentive Plan.
10.4*	2000 Equity Incentive Plan.
10.5*	2000 Non-Employee Directors' Stock Option Plan.
10.6*	2000 Employee Stock Purchase Plan.
10.7+	Collaboration Agreement, dated December 16, 1999, between Registrant, Bayer Corporation and GenOptera LLC.
10.8+	Operating Agreement, dated December 15, 1999, between Registrant, Bayer Corporation and GenOptera LLC.
10.9	Cooperation Agreement, dated September 15, 1998, between Registrant and Artemis Pharmaceuticals, GmbH.
10.10	Sublease Agreement, dated June 1, 1997, between Arris Pharmaceutical Corporation and Registrant.
10.11	Lease, dated May 12, 1999, between Registrant and Britannia Pointe Grand Limited Partnership.
10.12	Master Services Agreement, dated November 15, 1999, between Registrant and Artemis Pharmaceuticals GmbH.
10.13+*	Research Collaboration and Technological Transfer Agreement, dated September 14, 1999, between Registrant and Bristol-Myers Squibb.
10.14+	Corporate Collaboration Agreement, dated February 26, 1999, between Registrant and Pharmacia & Upjohn AB.
10.15+	Amendment to Corporate Collaboration Agreement, dated October, 1999, between Registrant and Pharmacia & Upjohn AB.
10.16	Asset Purchase Agreement, dated July 11, 1999, between Registrant and MetaXen/Xenova.
10.17	Employment Agreement, dated September 13, 1996, between Registrant and George Scangos, Ph.D.
10.18	Employment Agreement, dated April 14, 1997, between Registrant and Geoffrey Duyk, M.D., Ph.D.
10.19	Employment Agreement, dated October 19, 1999, between Registrant and Glen Y. Sato, Chief Financial Officer and Vice President of Legal Affairs.
23.1	Consent of Independent Accountants (Exelixis).
23.2	Consent of Independent Accountants (MetaXen).
23.3*	Consent of Cooley Godward LLP (included in Exhibit 5.1).
24.1	Power of Attorney (contained on signature page).
27.1	Financial Data Schedule.

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

(b) Financial Statement Schedules

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

Item 17. Undertakings

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

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

The undersigned registrant hereby undertakes that:

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

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

SIGNATURES

Pursuant to the requirements of the Securities Act of 1993, as amended, the Registrant has caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the County of South San Francisco, State of California on the 4th day of February, 2000.

Exelixis, Inc.

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

POWER OF ATTORNEY

Each person whose signature appears below constitutes and appoints George A. Scangos, Ph.D. and Glen Y. Sato as his true and lawful attorney-in-fact and agent, each acting alone, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any or all amendments (including post-effective amendments) to this Registration Statement on Form S-1, and to sign any registration statement filed under Rule 462 under the Securities Act of 1933, as amended, including post-effective amendments) thereto, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ George A. Scangos, Ph.D. George A. Scangos, Ph.D.	President, Chief Executive Officer and Director (principal executive officer)	February 4, 2000
/s/ Glen Y. Sato Glen Y. Sato	Chief Financial Officer (principal financial and accounting officer)	February 4, 2000
/s/ Stelios Papadopoulos, Ph.D. Stelios Papadopoulos, Ph.D.	Chairman of the Board of Directors	February 4, 2000
/s/ Charles Cohen, Ph.D. Charles Cohen, Ph.D.	Director	February 4, 2000
/s/ Jurgen Drews, M.D. Jurgen Drews, M.D.	Director	February 4, 2000

Signature	Title	Date
/s/ Geoffrey Duyk, M.D., Ph.D. Geoffrey Duyk, M.D., Ph.D.	Director	February 4, 2000
/s/ Jason S. Fisherman, M.D. Jason S. Fisherman, M.D.	Director	February 4, 2000
/s/ Jean-Francois Formela, M.D. Jean-Francois Formela, M.D.	Director	February 4, 2000
/s/ Edmund Olivier Edmund Olivier	Director	February 4, 2000
/s/ Lance Willsey, M.D. Lance Willsey, M. D.	Director	February 4, 2000
/s/ Peter Stadler, Ph.D. Peter Stadler, Ph.D.	Director	February 4, 2000

Exhibit Index

Exhibit Number	Description
1.1*	Form of Underwriting Agreement.
3.1	Certificate of Amendment of the Restarted Certificate of Incorporation of Exelixis Pharmaceuticals, Inc., dated February 2, 2000.
3.2*	Form Amended and Restated Certificate of Incorporation of Registrant to be filed upon the closing of the offering made in connection with this Registration Statement.
3.3*	Amended and Restated Bylaws of Registrant to be filed upon the closing of the offering made in connection with this Registration Statement.
4.1*	Specimen Common Stock Certificate.
4.2	Fourth Amended and Restated Registration Rights Agreement, dated February 26, 1999 among Exelixis and Certain Stockholders of Exelixis.
4.3	Warrant, dated August 17, 1998, to Purchase 167,728 shares of Series A Preferred Stock in favor of Comdisco, Inc.
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5.1*	Opinion of Cooley Godward LLP.
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10.5*	2000 Non-Employee Directors' Stock Option Plan.
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10.19	Employment Agreement, dated October 19, 1999, between Registrant and Glen Y. Sato, Chief Financial Officer and Vice President of Legal Affairs.
23.1	Consent of Independent Accountants (Exelixis).
23.2	Consent of Independent Accountants (MetaXen).
23.3*	Consent of Cooley Godward LLP (included in Exhibit 5.1).
24.1	Power of Attorney (contained on signature page).
27.1	Financial Data Schedule.

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

EXHIBIT 3.1

CERTIFICATE OF AMENDMENT
OF THE
RESTATED CERTIFICATE OF INCORPORATION
OF
EXELIXIS PHARMACEUTICALS, INC.

George A. Scangos, Ph.D. and Glen Y. Sato hereby certify that:

ONE: They are the duly elected and acting President and Secretary, respectively, of Exelixis Pharmaceuticals, Inc., a Delaware corporation.

TWO: The original Certificate of Incorporation of Exelixis Pharmaceuticals, Inc. was filed with the Secretary of State of the State of Delaware on November 15, 1994. The Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on January 25, 1999. The current name of this corporation is Exelixis Pharmaceuticals, Inc.

THREE: The Board of Directors of the Corporation, acting in accordance with the provisions of Sections 141 and 242 of the General Corporation Law of the State of Delaware, adopted resolutions amending its Restated Certificate of Incorporation as follows:

Article FIRST shall be amended and restated to read in its entirety as follows:

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

FOUR: Thereafter pursuant to a resolution of the Board of Directors, this Certificate of Amendment was submitted to the stockholders of the Corporation for their approval, and was approved, in accordance with Sections 228 and 242 of the General Corporation Law of the State of Delaware.

FIFTH: All other provisions of the Restated Certificate of Incorporation shall remain in full force and effect.

IN WITNESS WHEREOF, Exelixis Pharmaceuticals, Inc. has caused this Certificate of Amendment of the Restated Certificate of Incorporation to be signed by its President and Secretary in South San Francisco, California this 2nd day of February, 2000.

EXELIXIS PHARMACEUTICALS, INC.

/s/ George A. Scangos

George A. Scangos, Ph.D.
President

Attest:

/s/ Glen Y. Sato
- ---
Name: Glen Y. Sato
Title: Secretary

FOURTH AMENDED AND RESTATED REGISTRATION RIGHTS AGREEMENT

This Fourth Amended and Restated Registration Rights Agreement (the "Agreement"), which amends and restates that certain Third Amended and Restated Registration Rights Agreement, dated as of August 21, 1998 (the "Prior Agreement"), is entered into as of February 26, 1999, by and among Exelixis Pharmaceuticals, Inc., a Delaware corporation (the "Company"), the investors listed on Exhibit A hereto (the "Series A Investors"), the investors listed on Exhibit B hereto (the "Series B Investors"), the investors listed on Exhibit C hereto (the "Series C Investors") and the investors listed on Exhibit D hereto (the "Series D Investors").

Whereas, the Company issued and sold (i) 5,328,571 shares of its Series A Convertible Preferred Stock, $.001 par value, at a purchase price of $.70 per share ("Series A Preferred Stock") on January 27, 1995 and March 31, 1995 to the Series A Investors, (ii) 12,300,000 shares of its Series B Convertible Preferred Stock, $.001 par value, at a purchase price of $1.00 per share ("Series B Preferred Stock") on March 27, 1996 to the Series B Investors and (iii) 7,875,000 shares of Series C Convertible Preferred Stock, $.001 par value, at a price of $2.00 per share (the "Series C Preferred Stock) on April 8, 1997 and is issuing up to 5,000,000 shares of Series D Convertible Preferred Stock, $.001 par value at a purchase price of $3.00 per share ("Series D Preferred Stock") to the Series D Investors, pursuant to the Series D Convertible Preferred Stock Purchase Agreement dated August 21, 1998 and February 10, 1999(the "Purchase Agreement") among the Company and the Series D Investors; and

Whereas, one of the conditions to the consummation of the transactions contemplated by the Purchase Agreement entered into by the Series D Investors is the amendment and restatement of the Prior Agreement to provide for registration rights for the shares of Series D Preferred Stock purchased by the Series D Investors as set forth herein;

Whereas, the Company and Pharmacia & Upjohn AB ("P&U") desire to enter into a stock purchase agreement providing for the issuance and sale by the Company to P&U of up to 2,500,000 shares of Series D Preferred Stock (the "P&U Purchase Agreement"); and

Whereas, this Agreement supersedes and amends and restates the Prior Agreement in its entirety, and holders of at least 66-2/3 % of the shares of Restricted Stock (as defined in the Prior Agreement) and the Company hereby consent and agree to the amendment and restatement of the Prior Agreement and the Series D Investors in their capacity as purchasers of shares of the Series D Preferred Stock desire to enter into this Agreement.

Now, Therefore, in consideration of the mutual covenants and agreements contained herein and the purchase of the Series D Preferred Stock by the Series D Investors under the Purchase Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Certain Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

"Commission" shall mean the Securities and Exchange Commission, or any other federal agency at the time administering the Securities Act.

"Common Stock" shall mean the Common Stock, $.001 par value of the Company, as constituted as of the date of this Agreement.

"Conversion Shares" shall mean shares of Common Stock issued upon conversion of the Preferred Stock.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Investors" shall mean the Series A Investors, the Series B Investors, the Series C Investors and the Series D Investors. Notwithstanding anything to the contrary in this Agreement, any purchaser of Series D Preferred Stock under the Purchase Agreement or the P&U Purchase Agreement, may become a party to this Agreement by signing a counterpart hereto. Each such Investor shall be deemed to be a "Series D Investor" for all purposes under this Agreement.

"Preferred Stock" shall mean the shares of Series A Preferred Stock, Series B Preferred Stock, Series C Preferred Stock and Series D Preferred Stock.

"Restricted Stock" shall mean the Conversion Shares and all other shares of Common Stock now or hereafter acquired by any of the Investors or any of their affiliates, but excluding shares of Common Stock which have been (a) registered under the Securities Act pursuant to an effective registration statement fried thereunder and disposed of in accordance with the registration statement coveting them or (b) publicly sold pursuant to Rule 144 under the Securities Act; provided, however, that the term "Restricted Stock" shall be deemed to include (i) all shares of any class or series of the capital stock of the Company and (ii) all securities convertible into or exchangeable for any shares of any class or series of the capital stock of the Company, in either case held by any of the Investors or their affiliates.

"Securities Act" shall mean the Securities Act of 1933, as amended, or any similar federal statute, and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

"Selling Expenses" shall mean the expenses so described in Section 7 hereof.

2. Restrictive Legend. Each certificate representing Preferred Stock or Conversion Shares shall, except as otherwise provided in Section 3, be stamped or otherwise imprinted with a legend substantially in the following form:

"THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR APPLICABLE STATE SECURITIES LAWS AND MAY NOT BE TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT COVERING SUCH SHARES UNDER THAT ACT AND ANY APPLICABLE STATE SECURITIES LAWS, UNLESS, IN THE OPINION OF COUNSEL SATISFACTORY TO THE COMPANY, AN EXEMPTION FROM REGISTRATION THEREUNDER IS AVAILABLE."

3. Required Registration.

(a) At any time after the earlier of December 31, 1999 or six months after the effective date of the initial public offering of securities of the Company pursuant to an effective registration statement under the Securities Act, the holders of Restricted Stock constituting at least 20% of the total shares of Restricted Stock then owned beneficially or of record by Investors and Investor Transferees (as such term is hereinafter defined) may require the Company to register under the Securities Act all or any portion of the shares of Restricted Stock held by such requesting holder or holders for sale in the manner specified in such notice, provided that the reasonably anticipated aggregate price to the public of such public offering would exceed $5,000,000. Notwithstanding the foregoing, the only securities that the Company shall be required to register pursuant hereto shall be shares of Common Stock; provided, however, that in any underwritten public offering contemplated by this Agreement, the holders of Preferred Stock shall be entitled to sell such Preferred Stock to the underwriters for conversion and sale of the shares of Common Stock issued upon conversion thereof. Notwithstanding anything to the contrary contained herein, the Company shall not be required to cause a registration pursuant to this Subsection 3(a) to become effective prior to the date which is 180 days after the effective date of a registration statement filed by the Company covering a firm commitment underwritten public offering of securities of the Company under the Securities Act.

(b) Following receipt of any notice under this Section 3, the Company shall immediately notify all Investors and Investor Transferees from whom notice has not been received and shall use its best efforts to register under the Securities Act, for public sale in accordance with the method of disposition specified in such notice from requesting holders, the number of shares of Restricted Stock specified in such notice (and in all notices received by the Company from other holders within 30 days after the giving of such notice by the Company). If such method of disposition shall be an underwritten public offering, the holders of a majority of the shares of Restricted Stock to be sold in such offering may designate the managing underwriter of such offering, subject to the approval of the Company, which approval shall not be unreasonably withheld or delayed. The Company shall be obligated to register Restricted Stock pursuant to this Section 3 on two occasions only; provided, however, that such obligation shall be deemed satisfied only when a registration statement covering all shares of Restricted Stock specified in notices received as aforesaid, for sale in accordance with the method of disposition specified by the requesting holders, shall have become effective and, if such method of disposition is a firm commitment underwritten public offering, all such shares shall have been sold pursuant thereto.

(c) In the event that any registration statement pursuant to this Section 3 shall be, in whole or in part, an underwritten public offering of Common Stock, the number of shares of Restricted Stock to be included in such an underwriting may be reduced (pro rata among the requesting holders based upon the number of shares of Restricted Stock owned by such holders) if and to the extent that the managing underwriter shall be of the opinion (and shall provide a written opinion) that the inclusion of some of the Restricted Stock would adversely affect the marketing of the securities to be sold therein; provided, however, that (1) no shares of Restricted Stock which are not then subject to volume restrictions under Rule 144 under the Securities Act and (2) no shares of Common Stock to be sold by the Company for its own account, shall be included in such public offering unless all the shares of Restricted Stock requested to be included in such public offering which (i) are held by holders who are not affiliates of the Company and (ii) are subject to such restrictions, are included in such public offering.

(d) Subject to Subsection 3(c), the Company shall be entitled to include in any registration statement referred to in this Section 3, for sale in accordance with the method of disposition specified by the requesting holders, shares of Common Stock to be sold by the Company for its own account, except as and to the extent that, in the reasonable opinion of the managing underwriter (if such method of disposition shall be an underwritten public offering), such inclusion would materially adversely affect the marketing of the Restricted Stock to be sold.

Except for registration statements on Form S-4, S-8 or any successor thereto, the Company will not file with the Commission any other registration statement with respect to its Common Stock, whether for its own account or that of other stockholders, from the date of receipt of a notice from requesting holders pursuant to this Section 3 until the later of 120 days from the effective date of the registration statement or completion of the period of distribution of the shares of Restricted Stock registered thereby.

4. Incidental Registration. If the Company at any time (other than pursuant to Section 3 or Section 5) proposes to register any of its securities under the Securities Act for sale to the public, whether for its own account or for the account of other security holders or both (except with respect to registration statements on Forms S-4, S-8 or another form not available for registering the Restricted Stock for sale to the public), each such time it will give written notice to all holders of outstanding Restricted Stock of its intention so to do and of the proposed method of distribution of such securities. Upon the written request of any such holder, received by the Company within 30 clays after the giving of any such notice by the Company, to register any of its Restricted Stock, the Company will use its best efforts to cause the Restricted Stock as to which registration shall have been so requested to be included in the securities to be covered by the registration statement proposed to be filed by the Company, all to the extent and under the conditions such registration is permitted under the Securities Act. In the event that any registration pursuant to this Section 4 shall be, in whole or in part, an underwritten public offering of Common Stock, the number of shares of Restricted Stock to be included in such an underwriting may be reduced (pro rata among the requesting holders based upon the number of shares of Restricted Stock owned by such holders) if and to the extent that the managing underwriter shall be of the opinion (and shall provide a written opinion) that the inclusion of some or all of the Restricted Stock would adversely affect the marketing of the securities to be sold by the Company therein; provided, however, that such number of shares of Restricted Stock shall not be reduced if any shares are to be included in such underwriting for the account of any

person other than the Company or requesting holders of Restricted Stock. Notwithstanding the foregoing provisions, the Company may withdraw any registration statement referred to in this Section 4 without thereby incurring any liability to the holders of Restricted Stock.

5. Registration on Form S-3. If at any time (i) a holder or holders of Preferred Stock or Restricted Stock holding, in the aggregate, in excess of two percent (2%) of the then-outstanding Common Stock (including Conversion Shares) request that the Company file a registration statement on Form S-3 or any successor thereto for a public offering of all or any portion of the shares of Restricted Stock held by such requesting holder or holders, the reasonably anticipated aggregate price to the public (net of underwriting discounts and commissions) of which would exceed $1,000,000 and (ii) the Company is a registrant entitled to use Form S-3 or any successor thereto to register such shares, then the Company shall use its best efforts to register under the Securities Act on Form S-3 or any successor thereto, for public sale in accordance with the method of disposition specified in such notice, the number of shares of Restricted Stock specified in such notice. Whenever the Company is required by this Section 5 to use its best efforts to effect the registration of Restricted Stock, each of the procedures and requirements of Section 3 (including but not limited to the requirement that the Company notify all holders of Restricted Stock from whom notice has not been received and provide them with the opportunity to participate in the offering) shall apply to such registration, provided, however, that the requirements contained in the last sentence of Section 3(a) and in the last sentence of Section 3(b) shall not apply to any registration on Form S-3 that may be requested and obtained under this Section 5.

6. Registration Procedures. If and whenever the Company is required by the provisions of Sections 3, 4 or 5 to use its best efforts to effect the registration of any shares of Restricted Stock under the Securities Act, the Company will, as expeditiously as possible:

(a) Prepare and file with the Commission, within 90 days from the Company's receipt of notice from the Investors requesting such registration, a registration statement (which, in the case of an underwritten public offering pursuant to Section 3, shall be on Form S-1 or other form of general applicability satisfactory to the managing underwriter selected as therein provided) with respect to such securities and use its best efforts to cause such registration statement to become and remain effective for the period of the distribution contemplated thereby (determined as hereinafter provided);

(b) Prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement effective for the period specified in Section 6(a) above and comply with the provisions of the Securities Act with respect to the disposition of all Restricted Stock covered by such registration statement in accordance with the sellers' intended method of disposition set forth in such registration statement for such period;

(c) Furnish to each seller of Restricted Stock and to each underwriter such number of copies of the registration statement and the prospectus included therein (including each preliminary prospectus) as such persons reasonably may request in order to facilitate the public sale or other disposition of the Restricted Stock covered by such registration statement;

(d) Use its best efforts to register or qualify the Restricted Stock covered by such registration statement under the securities or "blue sky" laws of such jurisdictions as the sellers of Restricted Stock or, in the case of an underwritten public offering, the managing underwriter reasonably shall request; provided, however, that the Company shall not for any such purpose be required to qualify generally to transact business as a foreign corporation in any jurisdiction where it is not so qualified or to consent to general service of process in any such jurisdiction;

(e) Use its best efforts to list the Restricted Stock covered by such registration statement with any securities exchange or quotation system on which the Common Stock of the Company is then listed;

(f) Immediately notify each seller of Restricted Stock and each underwriter under such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event of which the Company has knowledge as a result of which the prospectus contained in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances then existing. The Sellers of Restricted Stock agree upon receipt of such notice forthwith to cease making offers and sales of Restricted Stock pursuant to such registration statement or deliveries of the prospectus contained therein for any purpose until the Company has prepared and furnished such amendment or supplement to the prospectus as may be necessary so that, as thereafter delivered to purchasers of such Restricted Stock, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(g) If the offering is underwritten and at the request of any seller of Restricted Stock, use its best efforts to furnish on the date that Restricted Stock is delivered to the underwriters for sale pursuant to such registration (i) an opinion dated such date of counsel representing the Company for the purposes of such registration, in form and substance as is customarily given by Company counsel to the underwriters in an underwritten public offering, addressed to the underwriters and to such seller, stating, among other things, that such registration statement has become effective under the Securities Act and that (A) no stop order suspending the effectiveness thereof has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the Securities Act, (B) the registration statement, the related prospectus and each amendment or supplement thereof comply as to form in all material respects with the requirements of the Securities Act (except that such counsel need not express any opinion as to financial statements and the notes thereto and the schedules and other financial and statistical data contained therein) and including a statement that nothing has come to the attention of such counsel which has caused it to believe that, at the time the registration statement became effective, the registration statement (other than the financial statements and the notes thereto and the schedules and other financial and statistical data contained therein) contained any untrue statement of a

material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the prospectus (other than the financial statements and the notes thereto and the schedules and other financial and statistical data contained therein), contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (C) to such other effects as reasonably may be requested by counsel for the underwriters or by such seller or its counsel and (ii) a letter dated such date from the independent public accountants retained by the Company, addressed to the underwriters and to such seller, stating that they are independent public accountants within the meaning of the Securities Act and that, in the opinion of such accountants, the financial statements of the Company included in the registration statement or the prospectus, or any amendment or supplement thereof, comply as to form in all material respects with the applicable accounting requirements of the Securities Act, and such letter shall additionally cover such other financial matters (including information as to the period ending no more than five business days prior to the date of such letter) with respect to such registration as such underwriters reasonably may request; and

(h) Make available for inspection upon reasonable notice during the Company's regular business hours by each seller of Restricted Stock, any underwriter participating in any distribution pursuant to such registration statement, and any attorney, accountant or other agent retained by such seller or underwriter, all financial and other records, pertinent corporate documents and properties of the Company, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such registration statement.

For purposes of Section 6(a) and 6(b) and of Section 3(d), the period of distribution of Restricted Stock in a firm commitment underwritten public offering shall be deemed to extend until each underwriter has completed the distribution of all securities purchased by it, and the period of distribution of Restricted Stock in any other registration shall be deemed to extend until the earlier of the sale of all Restricted Stock covered thereby and a period of 120 days has elapsed while such distribution is ongoing after the effective date thereof.

In connection with each registration hereunder, the sellers of Restricted Stock shall (a) provide such information and execute such documents as may reasonably be required in connection with such registration, (b) agree to sell Restricted Stock on the basis provided in any underwriting arrangements and (c) complete and execute all questionnaires, powers of attorney, indemnities, underwriting agreements and other documents required under the terms of such underwriting arrangements, which arrangements shall not be inconsistent herewith.

In connection with each registration pursuant to Sections 3, 4, or 5 covering an underwritten public offering, the Company and each seller agree to enter into a written agreement with the managing underwriter selected in the manner herein provided in such form and containing such provisions as are customary in the securities business for such an arrangement between such underwriter and companies of the Company's size and investment stature.

7. Expenses. All expenses incurred by the Company in complying with Sections 3, 4, and 5, including, without limitation, all registration and filing fees, printing expenses, fees and disbursements of counsel and independent public accountants for the Company, fees and expenses (including counsel fees) incurred in connection with complying with state securities or "blue sky" laws, fees of the National Association of Securities Dealers, Inc., transfer taxes, fees

of transfer agents and registrars, and fees and disbursements of one counsel for the sellers of Restricted Stock, but excluding any Selling Expenses, are called "Registration Expenses." All underwriting discounts and selling commissions applicable to the sale of Restricted Stock are called "Selling Expenses."

The Company will pay all Registration Expenses in connection with each registration statement under Sections 3, 4, or 5. All Selling Expenses in connection with each registration statement under Sections 3, 4 or 5 shall be borne by the participating sellers in proportion to the number of shares sold by each, or by such participating sellers other than the Company (except to the extent the Company shall be a seller) as they may agree.

8. Indemnification and Contribution.

(a) In the event of a registration of any of the Restricted Stock under the Securities Act pursuant to Sections 3, 4, or 5, the Company will indemnify and hold harmless each seller of such Restricted Stock thereunder, each underwriter of such Restricted Stock thereunder and each other person, if any, who controls such seller or underwriter within the meaning of the Securities Act, against any losses, claims, damages or liabilities, joint or several, to which such seller, underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such Restricted Stock was registered under the Securities Act pursuant to Sections, 3, 4 or 5, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will pay the legal fees and other expenses of each such seller, each such underwriter and each such controlling person incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company will not be liable in any such case if and to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in reliance upon and in conformity with information furnished by any such seller, any such underwriter or any such controlling person in writing specifically for use in such registration statement or prospectus and provided, further, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of or is based upon an untrue or alleged untrue statement or omission or an alleged omission made in any preliminary prospectus or final prospectus if (1) such holder failed to send or deliver a copy of the final prospectus or prospectus supplement provided by the Company with or prior to the delivery of written confirmation of the sale of the Restricted Stock, and (2) the final prospectus or prospectus supplement would have corrected such untrue statement or omission.

(b) In the event of a registration of any of the Restricted Stock under the Securities Act pursuant to Section 3, 4 or 5, each seller of such Restricted Stock thereunder, severally and not jointly, will indemnify and hold harmless the Company, each person, if any, who controls the Company within the meaning of the Securities Act, each officer of the Company who signs the registration statement, each director of the Company, each underwriter and each person who controls any underwriter within the meaning of the Securities Act, against

all losses, claims, damages or liabilities, joint or several, to which the Company or such officer, director, underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the registration statement under which such Restricted Stock was registered under the Securities Act pursuant to Sections 3, 4 or 5, any preliminary prospectus or final prospectus contained therein, or any amendment or supplement thereof, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will pay the legal fees and other expenses of the Company and each such officer, director, underwriter and controlling person incurred by them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that such seller will be liable hereunder in any such case if and only to the extent that any such loss, claim damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with information furnished in writing to the Company by such seller specifically for use in such registration statement or prospectus and provided, further, however, that the liability of each seller hereunder shall be limited to the proportion of any such loss, claim, damage, liability or expenses that is equal to the proportion that the public offering price of the shares sold by such seller under such registration statement bears to the total public offering price of all securities sold thereunder, but not in any event to exceed the proceeds received by such seller from the sale of Restricted Stock covered by such registration statement,

(c) Promptly after receipt by an indemnified party hereunder of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party hereunder, notify the indemnifying party in writing thereof, but the omission so to notify the indemnifying party shall not relieve it from any liability that it may have to such indemnified party other than under this Section 8 and shall only relieve it from any liability that it may have to such indemnified party under this Section 8 if and to the extent the indemnifying party is prejudiced by such omission. In case any such action shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate in and, to the extent it shall wish, to assume and undertake the defense thereof with counsel satisfactory to such indemnified party, and, after notice from the indemnifying party to such indemnified party of its election so to assume and undertake the defense thereof, the indemnifying party shall not be liable to such indemnified party under this Section 8 for any legal expenses subsequently incurred by such indemnified party in connection with the defense thereof; provided, however, that, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded (based on the advice of counsel) that there may be reasonable defenses available to it which are different from or additional to those available to the indemnifying party or if the interests of the indemnified party reasonably may be deemed to conflict with the interests of the indemnifying party, the indemnified party shall have the right to select a separate counsel and to assume such legal defenses and otherwise to participate in the defense of such action, with the expenses and fees of such separate counsel and other expenses related to such participation to be reimbursed by the indemnifying as incurred, it being understood, however, that the indemnifying party shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the fees and expenses of more

than one separate firm of attorneys (together with appropriate local counsel as required by the local rules of such jurisdiction) at any time for all such indemnified parties.

(d) In order to provide for just and equitable contribution to joint liability under the Securities Act in any case in which either (i) any holder of Restricted Stock exercising rights under this Agreement, or any controlling person of any such holder, makes a claim for indemnification pursuant to this Section 8 but it is judicially determined Coy the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case notwithstanding the fact that this Section 8 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any such selling holder or any such controlling person in circumstances for which indemnification is provided under this Section 8; then, and in each such case, the Company and such holder will contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (after contribution from others) in such proportion so that such holder is responsible for the portion represented by the percentage that the public offering price of its Restricted Stock offered by the registration statement bears to the public offering price of all securities offered by such registration statement, and the Company is responsible for the remaining portion: provided, however,, that, in any such case, (A) no such holder will be required to contribute any amount in excess of the public offering price of all such Restricted Stock offered by it pursuant to such registration statement and (B) no person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person or entity who was not guilty of such fraudulent misrepresentation.

(e) No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement of any pending or threatened action, suit or proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such action, suit or proceeding.

9. Changes in Common Stock or Preferred Stock. If, and as often as, there is any change in the Common Stock or the Preferred Stock by way of a stock split, stock dividend, combination or reclassification, or through a merger, consolidation, reorganization or recapitalization, or by any other means, appropriate adjustment shall be made in the provisions hereof so that the rights and privileges granted hereby shall continue with respect to the Common Stock or the Preferred Stock as so changed.

10. Rule 144 Reporting and Rule 144A Information. With a view to making available the benefits of certain rules and regulations of the Commission that may at any time permit the resale of the Restricted Stock without registration, the Company will:

(a) At all times after 90 days after any registration statement covering a public offering of securities of the Company under the Securities Act shall have become effective:

(i) Make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act;

(ii) Use its best efforts to file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(iii) Furnish to each holder of Restricted Stock forthwith upon request a written statement by the Company as to its compliance with the reporting requirements of such Rule 144 and of the Securities Act and the Exchange Act, a copy of the most recent annual or quarterly report of the Company, and such other reports and documents so filed by the Company as such holder may reasonably request in availing itself of any role or regulation of the Commission allowing such holder to sell any Restricted Stock without registration: and

(b) At any time, at the request of any holder of Preferred Stock or shares of Restricted Stock, make available to such holder and to any prospective transferee of such Preferred Stock or shares of Restricted Stock the information concerning the Company described in Rule 144A(d)(4) under the Securities Act.

11. Representations and Warranties of the Company. The Company represents and warrants to the Investors as follows:

(a) The execution, delivery and performance of this Agreement by the Company have been duly authorized by all requisite corporate action and will not cause a material violation of any provision of any law applicable to the Company, any order of any court or other agency of government applicable to the Company, the Charter or By-laws of the Company or any provision of any indenture, agreement or other instrument to which it or any or its properties or assets is bound, conflict with, result in a breach of or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement or other instrument or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Company; and

(b) This Agreement has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company, enforceable in accordance with its terms, subject to laws of general application from time to time in effect affecting creditors' rights and the exercise of judicial discretion in accordance with general equitable principles.

12. Miscellaneous.

(a) All covenants and agreements contained in this Agreement by or on behalf of any of the parties hereto shall bind and inure to the benefit of the respective successors and assigns of the parties hereto (including without limitation transferees of any Preferred Stock or Restricted Stock), whether so expressed or not; provided, however, that registration rights conferred herein on the holders of Restricted Stock may not be transferred and registration rights conferred herein on the Investors shall only inure to the benefit of a transferee of Preferred Stock or Restricted Stock if (i) there is transferred to such transferee at least 250,000 shares of Restricted Stock or (ii) such transferee is a partner or shareholder of an Investor (the transferee in either such case being referred to as an "Investor Transferee").

(b) All notices, requests, consents and other communications hereunder shall be in writing, shall be addressed to the receiving party's address set forth below or to such other address as a party may designate by notice hereunder, and shall be either (i) delivered by hand, (ii) made by telex, telecopy or facsimile transmission, (iii) sent by overnight courier, or (iv) sent by registered or certified mail, return receipt requested, postage prepaid.

If to the Company, to it at its principal place of business;

If to any other party hereto, to such party at the address of such party as shown on the books of the Company; and

If to any Investor Transferee, to it at such address as may have been furnished to the Company in writing by such Investor Transferee;

All notices, requests, consents and other communications hereunder shall be deemed to have been given either (i) if by hand, at the time of the delivery thereof to the receiving party at the address of such party set forth above, (ii) if made by telex, telecopy or facsimile transmission, at the time that receipt thereof has been acknowledged by electronic confirmation or otherwise, (iii) if sent by overnight courier, on the next business day following the day such notice is delivered to the courier service, or (iv) if sent by registered or certified mail, on the fifth (5th) business day following the day such mailing is made.

(c) This Agreement shall be governed by and construed in accordance with the internal law of the state of Delaware without giving effect to the conflict of law principles thereof.

(d) This Agreement may not be amended or modified, and no provision hereof may be waived, without the written consent of the Company and the holders of at least sixty-six and two-thirds percent (66-2/3%) of all of the outstanding shares of Restricted Stock; provided, however, that any amendment which affects any Series of the Preferred Stock differently from any other Series of the Preferred Stock must also be approved by holders of at least sixty-six and two-thirds percent (66-2/3 %) of all of the outstanding shares of such Series of Preferred Stock. Notwithstanding the foregoing, the Company may, without any such written consent, amend or modify the Schedule of Investors attached hereto as Exhibit D to include new Series D Investors.

(e) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(f) If requested in writing by the underwriters for an underwritten public offering of securities of the Company, each holder of Restricted Stock who is a party to this Agreement shall agree not to sell publicly any shares of Restricted Stock or any other shares of Common Stock (other than shares of Restricted Stock or other shares of Common Stock being registered in such offering), without the consent of such underwriters, for a period not to exceed 180 days following the effective date of the registration statement relating to such offering; provided, however, that all persons entitled to registration rights with respect to shares of Common Stock who are not parties to this Agreement, all other persons selling shares of Common Stock in such offering and all executive officers and directors of the Company shall

also have agreed not to sell publicly their Common Stock under the circumstances and pursuant to the terms set forth in this Section 12(f) and provided, further, that the Company shall use reasonable efforts to exclude short selling or other forms of hedging from the restrictions imposed during such 180 day period.

(g) The Company shall not grant to any third party any registration rights more favorable than, or inconsistent with, any of those contained herein, so long as any of the registration rights under this Agreement remains in effect.

(h) If any provision of this Agreement shall be held to be illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall attach only to such provision and shall not in any manner affect or render illegal, invalid or unenforceable any other provision of this Agreement and this Agreement shall be carded out as if any such illegal, invalid or unenforceable provision were not contained herein.

(i) This Agreement and the rights granted herein shall terminate on the tenth anniversary of the effective date of the initial public offering of securities of the Company pursuant to an effective registration statement under the Securities Act.

(j) By execution hereof, the undersigned who were parties to the Prior Agreement, as the holder of at least 66-2/3 % of all of the outstanding shares of Restricted Stock (as defined in the Prior Agreement), hereby consent to and approve of the amendment and restatement of the Prior Agreement as set forth herein.

(k) Limitation of Investors' Liability. The name H&Q Healthcare Investors is the designation of the Trustees for the time being under an Amended and Restated Declaration of Trust dated April 21, 1987, as amended, and all persons dealing with H&Q Healthcare Investors must look solely to the trust property for the enforcement of any claim against H&Q Healthcare Investors, as neither the Trustees, officers nor shareholders assume any personal liability for obligations entered into on behalf of H&Q Healthcare Investors. The name H&Q Life Sciences Investors is the designation of the Trustees for the time being under a Declaration of Trust dated February 20, 1992, as amended, and all persons dealing with H&Q Life Sciences Investors must look solely to the trust property for the enforcement of any claim against H&Q Life Sciences Investors, as neither the Trustees, officers nor shareholders assume any personal liability for obligations entered into on behalf of H&Q Life Sciences Investors.

In Witness Whereof, the parties hereto have executed this Agreement as of the date first written above.

Exelixis Pharmaceuticals, Inc.

By:_____

Title:_____

Series A Investor

Name:_____

By:_____

Title:_____

Series B Investor

Name:_____

By:_____

Title:_____

Series C Investor

Name:_____

By:_____

Title:_____

Series D Investor

Name:_____

By:_____

Title:_____

Exhibit A

SERIES A INVESTORS

OXFORD BIOSCIENCE PARTNERS, L.P.

OXFORD BIOSCIENCE PARTNERS (ADJUNCT), L.P.

OXFORD BIOSCIENCE PARTNERS (BERMUDA) LIMITED PARTNERSHIP

ATLAS VENTURE FUND II, L.P.

ATLAS VENTURE EUROPE FUND B.V.

Stelios Papadopoulos

CREATIVE BIOMOLECULES, INC.

EVOLUTION PARTNERS

PW PARTNERS 1993 L.P.

PAINEWEBBER CAPITAL, INC.

PAINEWEBBER CAPITAL INCORPORATED

Exhibit B

SERIES B INVESTORS

ADWEST LIMITED PARTNERSHIP

ADVENT PARTNERS LIMITED PARTNERSHIP

ADVENT PERFORMANCE MATERIALS LIMITED PARTNERSHIP

ADVENT INTERNATIONAL INVESTORS II LIMITED PARTNERSHIP

ROVENT II LIMITED PARTNERSHIP

OXFORD BIOSCIENCE PARTNERS L.P.

OXFORD BIOSCIENCE PARTNERS (ADJUNCT) L.P.

OXFORD BIOSCIENCE PARTNERS (BERMUDA) LIMITED PARTNERSHIP

ATLAS VENTURE FUND II, L.P.

ATLAS VENTURE EUROPE FUND B.V.

Stelios Papadopoulos

PAINEWEBBER CAPITAL, INC.

AXIOM VENTURE PARTNERS, L.P.

GIMV INVESTMENT COMPANY

HAMBRECHT & QUIST HEALTH CARE INVESTORS

HAMBRECHT & QUIST LIFE SCIENCES INVESTORS

NEW YORK LIFE INSURANCE COMPANY

Remi Barbier

Jeffrey M. Wiesen

Larry Abrams

Spyridon Artavanis-Tsakonas

Louis A. Mascelli

Exhibit C

SERIES C INVESTORS

Bowman Capital Management
Pirate Ship & Co.
The Retirement Program of Farley Inc.
Biotechvest, L.P.
Fruit Of The Loom, Inc., Senior Executive Officer Deferred Compensation Plan
Maverick Fund USA, LTD.
Maverick Fund, LTD.
GLS L.P. Investment 1 Limited
Atlas Venture Fund II, L.P.
Atlas Venture Europe Fund B.V.
Oxford Bioscience Partners, L.P.
Oxford Bioscience Partners (Bermuda) Limited Partnership
H&Q Healthcare Investors
H&Q Life Science Investors
Prince Capital Master Fund, L.P.
Rovent H Limited Partnership
Advent Performance Materials Limited Partnership
Adwest Limited Partnership
Advent Partners Limited Partnership
PaineWebber Capital, Inc.
Moss Forest Venture
Armen Partners, L.P.
Armen Offshore
Axiom Venture Partners, L.P.
New York Life Insurance Company
Art Cohen
Steven Shapiro
Lance Willsey, MD
GIMV n.v.
Bayview Investors, LTD.
Stelios Papadopoulos
Eric Sichel, MD
David Williams
Joe Healy
Stuart Weisbrod
David Musket
Spyridon Artavanis-Tsakonas
Jim Dougherty, MD
Tom McAuley
R. Randolph Scott
Michael Gottlieb

Exhibit D

SERIES D INVESTORS

Pharmacia & Upjohn AB
FEI Biomedicine Private Equity Holding Inc.
Advent Partners Limited Partnership
Advent International Investors II Limited Partnership
Advent Performance Materials Limited Partnership
Rovent II Limited Partnership
Atlas Venture Fund II, L.P.
Atlas Venture Europe Fund B.V.
Oxford Bioscience Partners, L.P.
Oxford Bioscience Partners (Bermuda) Limited Partnership
GIMV n.v.
Lynwood Corporation
Pharmacia & Upjohn AB
PainWebber Capital, Inc.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL (WHICH MAY BE COMPANY COUNSEL) REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS.

WARRANT AGREEMENT

To Purchase Shares of the Series A Preferred Stock of

EXELIXIS PHARMACEUTICALS, INC.

Originally Dated as of July 20, 1995 (the "Effective Date")
Re-Issued as of August 17, 1998

Whereas, Exelixis Pharmaceuticals, Inc., a Delaware corporation (the "Company"), has entered into a Master Lease Agreement dated as of June 12, 1995, Equipment Schedules No. VL-1 dated as of May 3, 1995, and Equipment Schedules No. VL-2 and VL.-3 dated as of June 12, 1995, and related Schedules (collectively the "Leases") with Comdisco, Inc., a Delaware corporation (the "Warrantholder"); and

Whereas, in consideration for such Leases, the Company entered into a Warrant Agreement dated as of July 20, 1995 (the "Original Warrant Agreement"), whereby the Company granted the Warrantholder the right to purchase 188,214 shares of its Series A Preferred Stock; and

Whereas, pursuant to and in accordance with the Original Warrant Agreement, the Warrantholder has transferred to Gregory Stento, effective as of August 17, 1998, the Warrantholder's rights under the Original Warrant Agreement with respect to the purchase of 20,486 shares of the Company's Series A Preferred Stock (the "Warrant Transfer"); and

Whereas, the Company and the Warrantholder acknowledge the Warrant Transfer and, accordingly, the Company is reissuing, as of August 17, 1998, the Warrants provided for in the Original Warrant Agreement, and the Company and the Warrantholder are entering into this Warrant Agreement, to reflect the Warrant Transfer and the Warrantholder's right to purchase 167,728 shares of Series A Preferred Stock as set forth herein;

Now, Therefore, in consideration of the foregoing, and the mutual covenants and agreements contained herein, the Company and Warrantholder agree as follows:

1. Grant Of The Right To Purchase Preferred Stock.

The Company hereby grants to the Warrantholder, and the Warrantholder is entitled, upon the terms and subject to the conditions hereinafter set forth, to subscribe to and purchase, from the Company, 167,728 fully paid and non-assessable shares of the Company's Preferred

Stock at a purchase price of $.70 per share (the "Exercise Price"). The number and purchase price of such shares are subject to adjustment as provided in Section 8 hereof.

2. Term Of The Warrant Agreement.

Except as otherwise provided for herein, the term of this Warrant Agreement and the right to purchase Preferred Stock as granted herein shall commence on the Effective Date and shall be exercisable for a period of (i) ten (10) years or (ii) five (5) years from the effective date of the Company's initial public offering, whichever is longer. Notwithstanding anything to the contrary contained above, in the event that this Warrant has not been exercised on or before the Company's initial public offering, this Warrant shall automatically convert to a Warrant for shares of the Company's Common Stock, and the Company and the Warrantholder agree to execute a new Warrant Agreement reflecting such conversion.

3. Exercise Of The Purchase Rights.

The purchase rights set forth in this Warrant Agreement are exercisable by the Warrantholder, in whole or in part (but not for a fraction of a share), at any time, or from time to time, prior to the expiration of the term set forth in Section 2 above, by tendering to the Company at its principal office a notice of exercise in the form attached hereto as Exhibit I (the "Notice of Exercise"), duly completed and executed. Promptly upon receipt of the Notice of Exercise and the payment of the purchase price in accordance with the terms set forth below, and in no event later than thirty (30) days thereafter, the Company shall issue to the Warrantholder a certificate for the number of shares of Preferred Stock purchased and shall execute the Notice of Exercise indicating the number of shares which remain subject to future purchases, if any.

The Exercise Price for the number of shares of Preferred Stock to be purchased by the Warrantholder may be paid at the Warrantholder's election either (i) by cash or check, or (ii) by surrender of warrants ("Net Issuance") as determined below. If the Warrantholder elects the Net Issuance method, the Company will issue Preferred Stock in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where: X = the number of shares of Preferred Stock to be issued to the Warrantholder.

Y = the number of shares of Preferred Stock requested to be exercised under this warrant Agreement.

A = the fair market value of one (1) share of Common Stock.

B = the Exercise Price.

As used herein, current fair market value of common Stock as of a particular date (the "Determination Date") shall mean with respect to each share of Common Stock:

(i) if the exercise is in connection with an initial public offering, and if the company's Registration Statement relating to such public offering has been declared effective by the Securities and Exchange Commission ("SEC"), then the initial "Price to Public" specified in the final prospectus with respect to the offering;

(ii) if this Warrant is exercised after, and not in connection with the company's initial public offering, and:

(a) if traded on a securities exchange, the fair market value shall be deemed to be the average of the closing prices over a twenty-one (21) day period ending three days before the Determination Date; or

(b) if actively traded over-the-counter, the fair market value shall be deemed to be the average of the closing bid and asked prices quoted on the NASDAQ system (or similar system) over the twenty-one (21) day period ending three days before the Determination Date;

(iii) if at any time the Common Stock is not listed on any securities exchange or quoted in the NASDAQ System or the over-the-counter market, the current fair market value of Common Stock shall be the highest price per share which the Company could obtain from a willing buyer (not a current employee or director) for shares of Common Stock sold by the Company, from authorized but unissued shares, as determined in good faith by its Board of Directors, unless the Company shall become subject to a merger, acquisition or other consolidation pursuant to which the Company is not the surviving party, in which case the fair market value of Common Stock shall be deemed to be the value received by the holders of the Company's Preferred Stock on a common equivalent basis pursuant to such merger or acquisition.

Upon partial exercise of this Warrant by either cash or Net Issuance, the Company shall promptly issue an amended Warrant Agreement representing the remaining number of shares purchasable hereunder. All other terms and conditions of such amended Warrant Agreement shall be identical to those contained herein, including, but not limited to the Effective Date hereof.

4. Reservation Of Shares.

(a) Authorization and Reservation of Shares. During the term of this Warrant Agreement, the Company will at all times have authorized and reserved a sufficient number of shares of its Preferred Stock to provide for the exercise of the rights to purchase Preferred Stock as provided for herein.

(b) Registration or Listing. If any shams of Preferred Stock required to be reserved hereunder require registration with or approval of any governmental authority under any Federal or State law (other than any registration under the Securities Act of 1933, as amended (the "1933 Act") as then in effect, or any similar Federal statute then enforced, or any state securities law, required by reason of any transfer involved in such conversion), or listing on any domestic securities exchange, before such shares may be issued upon conversion, the Company will, at its expense and as expeditiously as possible, use its best efforts to cause such shares to be duly

registered, listed or approved for listing on such domestic securities exchange, as the case maybe.

5. No Fractional Shares Or Scrip.

No fractional shares or scrip representing fractional shares shall be issued upon the exercise of the Warrant, but in lieu of such fractional shares the Company shall make a cash payment therefor upon the basis of the Exercise Price then in effect.

6. No Rights As Shareholder.

This Warrant Agreement does not entitle the Warrantholder to any voting rights or other rights as a shareholder of the Company prior to the exercise of the Warrant. No dividends or interest shall be payable or accrued in respect of this warrant or the interest represented hereby or the shares purchasable hereunder until, and only to the extent that this Warrant shall have been exercised.

7. Warrantholder Registry.

The Company shall maintain a registry showing the name and address of the registered holder of this Warrant Agreement.

8. Adjustment Rights.

The Exercise Price and the number of shares of Preferred Stock purchasable hereunder are subject to adjustment, as follows:

(a) Merger and Sale of Assets. If at any time there shall be a capital reorganization of the shares of the Company's stock (other than a combination, reclassification, exchange or subdivision of shares otherwise provided for herein), or a merger or consolidation of the Company with or into another corporation when the Company is not the surviving corporation, or the sale of all or substantially all of the Company's properties and assets to any other person (hereinafter referred to as a "Merger Event"), then, as a part of such Merger Event, lawful provision shall be made so that the Warrantholder shall thereafter be entitled to receive, upon exercise of the Warrant, the number of shares of preferred stock or other securities of the successor corporation resulting from such Merger Event, equivalent in value to that which would have been issuable if Warrantholder had exercised this Warrant immediately prior to the Merger Event. In any such case, appropriate adjustment (as determined in good faith by the Company's Board of Directors) shall be made in the application of the provisions of this Warrant Agreement with respect to the rights and interest of the Warrantholder after the Merger Event to the end that the provisions of this Warrant Agreement (including adjustments of the Exercise Price and number of shares of Preferred Stock purchasable) shall be applicable to the greatest extent possible.

(b) Reclassification of Shares. If the Company at any time shall, by combination, reclassification, exchange or subdivision of securities or otherwise, change any of the securities as to which purchase rights under this Warrant Agreement exist into the same or a different number of securities of any other class or classes, this Warrant Agreement shall thereafter

represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities which were subject to the purchase rights under this Warrant Agreement immediately prior to such combination, reclassification, exchange, subdivision or other change.

(c) Subdivision or Combination of Shares. If the Company at any time shall combine or subdivide its Preferred Stock, the Exercise Price shall be proportionately decreased in the case of a subdivision, or proportionately increased in the case of a combination.

(d) Stock Dividends. If the Company at any time shall pay a dividend payable in, or make any other distribution (except any distribution specifically provided for in the foregoing subsections (a) or (b)) of the Company's stock, then the Exercise Price shall be adjusted, from and after the record date of such dividend or distribution, to that price determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction (i) the numerator of which shall be the total number of all shares of the Company's stock outstanding immediately prior to such dividend or distribution, and (ii) the denominator of which shall be the total number of all shares of the Company's stock outstanding immediately after such dividend or distribution. The Warrantholder shall thereafter be entitled to purchase, at the Exercise Price resulting from such adjustment, the number of shares of Preferred Stock (calculated to the nearest whole share) obtained by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of shares of Preferred Stock issuable upon the exercise hereof immediately prior to such adjustment and dividing the product thereof by the Exercise Price resulting from such adjustment.

(e) Antidilution Rights. Additional antidilution rights applicable to the Preferred Stock purchasable hereunder are as sat forth in the Company's Restated Certificate of Incorporation, as amended through the Effective Date, a true and complete copy of which is attached hereto as Exhibit III (the "Charter"). The Company shall promptly provide the Warrantholder with any restatement, amendment, modification or waiver of the Charter. The Company shall provide Warrantholder with prior written notice of any issuance of its stock or other equity security to occur after the Effective Date of this Warrant, to the extent that the Company is required to notify the holders of its Preferred Stock.

(f) Notice of Adjustments. If: (i) the Company shall declare any dividend or distribution upon its stock, whether in cash, property, stock or other securities; (ii) the Company shall offer for subscription pro rata to the holders of any class of its Preferred or other convertible stock any additional shares of stock of any class or other rights; (iii) there shall be any Merger Event; or (iv) there shall be any voluntary or involuntary dissolution, liquidation or winding up of the Company; then, in connection with each such event, the Company shall send to the Warrantholder: (A) at least fifteen (15) days' prior written notice of the date on which the books of the Company shall close or a record shall be taken for such dividend, distribution, subscription rights (specifying the date on which the holders of Preferred Stock shall be entitled thereto) or for determining rights to vote in respect of such Merger Event, dissolution, liquidation or winding up; and (B) in the case of any such Merger Event, dissolution, liquidation or winding up, at least fifteen (15) days' prior written notice of the date when the same shall take place (and specifying the date on which the holders of Preferred Stock shall be entitled to exchange their Preferred Stock for securities or other property deliverable upon such Merger Event, dissolution,

liquidation or winding up). In the case of a public offering, the Company shall give Warrantholder at least fifteen (15) days written notice prior to the effective date thereof.

Each such written notice shall set forth, in reasonable detail, (i) the event requiring the adjustment, (ii) the amount of the adjustment, (iii) the method by which such adjustment was calculated, (iv) the Exercise Price, and (v) the number of shares subject to purchase hereunder after giving effect to such adjustment, and shall be given by first class mail, postage prepaid, addressed to the Warrantholder, at the address as shown on the books of the Company.

(g) Timely Notice. Failure to timely provide such notice required by subsection (g) above shall entitle Warrantholder to retain the benefit of the applicable notice period notwithstanding anything to the contrary contained in any insufficient notice received by Warrantholder. The notice period shall begin on the date Warrantholder actually receives a written notice containing all the information specified above.

(h) No Adjustments. No adjustment of the Exercise Price or the number of shares of Preferred Stock purchasable under this Warrant Agreement shall be effected with respect to: (i) shares of Common Stock issued or issuable upon conversion of shares of Preferred Stock; (ii) shares of Common Stock issued or issuable to officers, employees or directors of, or consultants to, the Company pursuant to a stock purchase or option plan or other employee stock bonus arrangement (collectively, the "Plans") approved by the Board of Directors; (iii) shares of common Stock or Preferred Stock issuable pursuant to warrants outstanding as of the date hereof (notwithstanding any subsequent transfer of all or part of such warrants); (iv) shares of Common Stock or Preferred Stock issued or issuable pursuant to warrants issued in connection with the establishment of credit facilities for the Company (including, without limitation, in connection with equipment leasing arrangements); or (v) shares of Common Stock or Preferred Stock issued in connection with corporate partnering relationships or joint ventures approved by the Company's Board of Directors.

9. Representations, Warranties And Covenants Of The Company.

(a) Reservation of Preferred Stock. The Preferred Stock issuable upon exercise of the Warrantholder's rights has been duly and validly reserved and, when issued and paid for by the Warrantholder in accordance with the provisions of this Warrant Agreement, will be validly issued, fully paid and non-assessable, and will be free of any taxes, liens, charges or encumbrances of any nature whatsoever, provided, however, that the Preferred Stock issuable pursuant to this Warrant Agreement may be subject to restrictions on transfer under state and/or Federal securities laws. The Company has made available to the Warrantholder true, correct and complete copies of its Charter and Bylaws, as amended, and minutes of all Board of Directors (including all committees of the Board of Directors, if any) and Shareholder meetings from January, 1995 through July, 1995. The issuance of certificates for shares of Preferred Stock upon exercise of the Warrant Agreement shall be made without charge to the Warrantholder for any issuance tax in respect thereof, or other cost incurred by the Company in connection with such exercise and the related issuance of shares of Preferred Stock. The Company shall not be required to pay any tax which may be payable in respect of any transfer involved and the issuance and delivery of any certificate in a name other than that of the Warrantholder.

(b) Due Authority. The execution and delivery by the Company of this Warrant Agreement and the performance of all obligations of the Company hereunder, including the issuance to Warrantholder of the right to acquire the shares of Preferred Stock, have been duly authorized by all necessary corporate action on the part of the Company, and the Leases and this Warrant Agreement are not inconsistent with the Company's Charter or Bylaws, do not contravene any material law or governmental rule, regulation or order applicable to it, do not and will not contravene any provision of, or constitute a default under, any material indenture, mortgage, contract or other instrument to which it is a party or by which it is bound, and the Leases and this Warrant Agreement constitute legal, valid and binding agreements of the Company, enforceable in accordance with their respective terms, subject to laws of general application from time to time in effect affecting creditor's rights and the exercise of judicial discretion in accordance with general equitable principles.

(c) Consents and Approvals. No consent or approval of, giving of notice to, registration with, or taking of any other action in respect of any state, Federal or other governmental authority or agency is required with respect to the execution, delivery and performance by the Company of its obligations under this Warrant Agreement, except for the filing of notices as required by applicable federal and state securities laws, which filings will be effective by the time required thereby.

(d) Issued Securities. All issued and outstanding shares of Common Stock, Preferred Stock or any other securities of the Company have been duly authorized and validly issued and are fully paid and nonassessable. All outstanding shares of Common Stock, Preferred Stock and any other securities were issued in full compliance with, or were exempt from, all Federal and state securities laws, assuming the accuracy of all representations made by the purchasers thereof. In addition, as of the Effective Date:

(i) The authorized capital of the Company consists of (A) 20,000,000 shares of Common Stock, of which 950,000 shares we issued and outstanding, (B) 526,819 shares of Class B Common Stock, all of which are issued and outstanding, and (C) 7,000,000 shares of Preferred Stock, of which 5,328,571 shares are issued and outstanding and are convertible into 5,328,517 shares of Common Stock at $0.70 per share.

(ii) The Company has reserved 1,350,000 shares of Common Stock for issuance under its 1994 Employee, Director and Consultant Stock Plan, under which 665,000 options or rights to purchase Common Stock are currently outstanding. Except for 92,858 warrants to purchase Common Stock outstanding as of the date hereof and Common Stock conversion rights and certain rights of first refusal in favor of the current holders of the Preferred Stock, there are no other options, warrants, conversion privileges or other rights presently outstanding to purchase or otherwise acquire any authorized but unissued shares of the Company's capital stock or other securities of the Company.

(iii) Except for certain rights of first refusal in favor of currant holders of the Preferred Stock, no shareholder of the Company has preemptive rights to purchase new issuances of the Company's capital stock.

(e) Insurance. The Company has in full force and effect insurance policies, with extended coverage, insuring the Company and its property and business against such material losses and risks, and in such amounts, as are customary for corporations engaged in a similar business and similarly situated and as otherwise may be required pursuant to the terms of any other contract or agreement.

(f) Other Commitments to Register Securities. As of the Effective Date, except as set forth in this Warrant Agreement and its Registration Rights Agreement with current holders of its Preferred Stock, the Company is not, pursuant to the terms of any other agreement currently in existence, under any obligation to register under the 1933 Act any of its presently outstanding securities or any of its securities which may hereafter be issued.

(g) Exempt Transaction. Subject to the accuracy of the Warrantholder's representations in Section 10 hereof, the issuance of the Preferred Stock upon exercise of this Warrant will constitute a transaction exempt from (i) the registration requirements of Section 5 of the 1933 Act, in reliance upon Section 4(2) thereof, and (ii) applicable state securities laws.

(h) Compliance with Rule 144. At the written request of the Warrantholder, who proposes to sell Preferred Stock issuable upon the exercise of the Warrant in compliance with Rule 144 promulgated by the Securities and Exchange Commission, the Company shall furnish to the Warrantholder, within ten days after receipt of such request, a written statement indicating if the Company is in compliance with the filing requirements of the Securities and Exchange Commission as set forth in such Rule, as such Rule may be amended from time to time.

10. Representations And Covenants Of The Warrantholder.

This Warrant Agreement has been entered into by the Company in reliance upon the following representations and covenants of the Warrantholder:

(a) Investment Purpose. The right to acquire Preferred Stock or the Preferred Stock issuable upon exercise of the Warrantholder's rights contained herein will be acquired for investment and not with a view to the sale or distribution of any part thereof, and the Warrantholder has no present intention of selling or engaging in any public distribution of the same except pursuant to a registration or exemption.

(b) Private Issue. The Warrantholder understands (i) that the Preferred Stock issuable upon exercise of this Warrant is not registered under the 1933 Act or qualified under applicable state securities laws on the ground that the issuance contemplated by this Warrant Agreement will be exempt from the registration and qualifications requirements thereof, and (ii) that the Company's reliance on such exemption is predicated on the representations set forth in this Section 10.

(c) Disposition of Warrantholder's Rights. In no event will the Warrantholder make a disposition of any of its rights to acquire Preferred Stock or Preferred Stock issuable upon exercise of such rights unless and until (i) it shall have notified the Company of the proposed disposition, and (ii) if requested by the Company, it shall have furnished the Company with an opinion of counsel (which counsel may either be inside or outside counsel to the Warrantholder) satisfactory to the Company and its counsel to the effect that (A) appropriate

action necessary for compliance with the 1933 Act has been taken, or (B) an exemption from the registration requirements of the 1933 Act is available. Notwithstanding the foregoing, the restrictions imposed upon the transferability of any of its rights to acquire Preferred Stock or Preferred Stock issuable on the exercise of such rights do not apply to transfers from the beneficial owner of any of the aforementioned securities to its nominee or from such nominee to its beneficial owner, and shall terminate as to any particular share of Preferred Stock when (1) such security shall have been effectively registered under the 1933 Act and sold by the holder thereof in accordance with such registration or (2) such security shall have been sold without registration in compliance with Rule 144 under the 1933 Act, or (3) a letter shall have been issued to the Warrantholder at its request by the staff of the SEC or a ruling shall have been issued to the Warrantholder at its request by the SEC stating that no action shall be recommended by such staff or taken by the SEC, as the case may be, if such security is transferred without registration under the 1933 Act in accordance with the conditions set forth in such letter or ruling and such letter or ruling specifies that no subsequent restrictions on transfer we required. Whenever the restrictions imposed hereunder shall terminate, as hereinabove provided, the Warrantholder or holder of a share of Preferred Stock then outstanding as to which such restrictions have terminated shall be entitled to receive from the Company, without expense to such holder, one or more new certificates for the Warrant or for such shares of Preferred Stock not bearing any restrictive legend.

(d) Financial Risk. The Warrantholder has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment, and has the ability to bear the economic risks of its investment.

(e) Risk of No Registration. The Warrantholder understands that if the Company does not register with the SEC pursuant to Section 12 of the 1933 Act, or file reports pursuant to Section 15(d), of the Securities Exchange Act of 1934 (the "1934 Act"), or if a registration statement covering the securities under the 1933 Act is not in effect when it desires to sell (i) the rights to purchase Preferred Stock pursuant to this Warrant Agreement, or (ii) the Preferred Stock issuable upon exercise of the right to purchase, it may be required to hold such securities for an indefinite period. The Warrantholder also understands that any sale of its rights of the Warrantholder to purchase Preferred Stock or Preferred Stock which might be made by it in reliance upon Rule 144 under the 1933 Act may be made only in accordance with the terms and conditions of that Rule.

11. Transfers.

Subject to the terms and conditions contained in Section 10 hereof, this Warrant Agreement and all rights hereunder are transferable in whole or in part by the Warrantholder and any successor transferee, provided, however, in no event shall the number of transfers of the rights and interests in all of the Warrants exceed three (3) transfers. The transfer shall be recorded on the books of the Company upon receipt by the Company of a notice of transfer in the form attached hereto as Exhibit II (the "Transfer Notice"), at its principal offices and the payment to the Company of all transfer taxes and other governmental charges imposed on such transfer. When this Warrant shall have been so transferred pursuant to Section 11, the holder hereof may be treated by the Company and all other persons dealing with this Warrant as the absolute owner and holder hereof for any purpose and as the person entitled to exercise the rights represented by

this Warrant, or to the registration of transfer hereof on the books of the Company;, and until due presentment for registered holders hereof as the owner and holder for all purposes, and the Company shall not be affected by notice to the contrary.

12. Miscellaneous.

(a) Effective Date. The provisions of this Warrant Agreement shall be construed and shall be given effect in all respects as if it had been executed and delivered by the Company on the date hereof. This Warrant Agreement shall be binding upon any successors or assigns of the Company.

(b) Attorney's Fees. In any litigation, arbitration or court proceeding between the Company and the Warrantholder relating hereto, the prevailing party shall be entitled to attorneys' fees and expenses and all costs of proceedings incurred in enforcing this Warrant Agreement.

(c) Governing Law. This Warrant Agreement shall be governed by and construed for all purposes under and in accordance with the laws of the State of Illinois.

(d) Counterparts. This Warrant Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(e) Notices. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, facsimile transmission (provided that the original is sent by personal delivery or mail as hereinafter set forth) or seven (7) days after deposit in the United States mail, by registered or certified mail, addressed (i) to the Warrantholder at 6111 North River Road, Rosemont, Illinois 60018, attention: James Labe, Venture Leasing Director, cc: Legal Department (and/or, if by facsimile, (847) 518-5465) and (ii) to the Company at One Kendall Square, Building 600, Cambridge, Massachusetts 02139, attention: President (and/or if by facsimile, (650) 825-2205) or at such other address as any such party may subsequently designate by written notice to the other party.

(f) Remedies. In the event of any default hereunder, the non-defaulting party may proceed to protect and enforce its rights either by suit in equity and/or by action at law, including but not limited to an action for damages as a result of any such default, and/or an action for specific performance for any default where such non-defaulting party will not have an adequate remedy at law and where damages will not be readily ascertainable. The Company expressly agrees that it shall not oppose an application by the Warrantholder or any other person entitled to the benefit of this Agreement requiring specific performance of any or all provisions hereof or enjoining the Company from continuing to commit any such breach of this Agreement.

(g) No Impairment of Rights. The Company will not, by amendment of its Charter or through any other means, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate in order to protect the rights of the Warrantholder against impairment.

(h) Survival. The representations, warranties, covenants and conditions of the respective parties contained herein or made pursuant to this Warrant Agreement shall survive the execution and delivery of this Warrant Agreement.

(i) Severability. In the event any one or more of the provisions of this Warrant Agreement shall for any reason be held invalid, illegal or unenforceable, the remaining provisions of this Warrant Agreement shall be unimpaired, and the invalid, illegal or unenforceable provision shall be replaced by a mutually acceptable valid, legal and enforceable provision, which comes closest to the intention of the parties underlying the invalid, illegal or unenforceable provision.

(j) Amendments; Headings. Any provision of this Warrant Agreement may be amended by a written instrument signed by the Company and by the Warrantholder. The headings in this Warrant Agreement are for purposes of reference only, and shall not limit or otherwise affect any of the terms hereof.

(k) Additional Documents. The Company, upon execution of this Warrant Agreement, shall provide the Warrantholder with certified resolutions with respect to the representations, warranties and covenants set forth in subparagraphs (a) through (d), (f) and (g) of Section 9 above. The Company shall also supply such other documents as the Warrantholder may from time to time reasonably request

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In Witness Whereof, the parties hereto have caused this Warrant Agreement to be executed by its officers thereunto duly authorized as of the Effective Date.

Company: EXELIXIS PHARMACEUTICALS, INC.

By: /s/ George A. Scangos

Title: President, CEO

Warrantholder, COMDISCO, INC.

By: /s/ Joel J. Vosicky

Title: Senior Vice President and Chief Financial Officer

EXHIBIT I

NOTICE OF EXERCISE

To:_____

(1) The undersigned Warrantholder hereby elects to purchase _____ shares of the Series A Preferred Stock of Exelixis Pharmaceuticals, Inc., pursuant to the terms of the Warrant Agreement dated the 17th day of August, 1998 (the "Warrant Agreement") between Exelixis Pharmaceuticals, Inc. and the Warrantholder, and tenders herewith payment of the purchase price for such shares in full, together with all applicable transfer taxes, if any.

(2) In exercising its rights to purchase the Preferred Stock of Exelixis Pharmaceuticals, Inc., the undersigned hereby confirms and acknowledges the investment representations and warranties made in Section 10 of the Warrant Agreement.

(3) Please issue a certificate or certificates representing said shares of Series A Preferred Stock in the name of the undersigned or in such other name as is specified below.

_____

(Name)

_____

(Address)

Warrantholder: COMDISCO, INC.

By:_____

Title:_____

Date:_____

ACKNOWLEDGMENT OF EXERCISE

The undersigned _____, hereby acknowledges receipt of the "Notice of Exercise" from Comdisco, Inc., to purchase shares of the Series A Preferred Stock of Exelixis Pharmaceuticals, Inc., pursuant to the terms of the Warrant Agreement and further acknowledges that _____ shares remain subject to purchase under the terms of the Warrant Agreement

Company: Exelexis Pharmaceuticals, Inc.

By:_____

Title:_____

Date:_____

EXHIBIT II

TRANSFER NOTICE

(To transfer or assign the foregoing Warrant Agreement execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant Agreement and all rights evidenced thereby are hereby transferred and assigned to

_____

(Please Print)

whose address is_____

_____

Dated_____

Holder's Signature_____

Holder's Address_____

Signature Guaranteed:_____

NOTE: The signature to this Transfer Notice must correspond with the name as it appears on the face of the Warrant Agreement. Without alteration or enlargement or any change whatever. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant Agreement.

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS. THEY MAY NOT BE SOLD, OFFERED FOR SALE, PLEDGED, OR HYPOTHECATED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT RELATED THERETO OR AN OPINION OF COUNSEL (WHICH MAY BE COMPANY COUNSEL) REASONABLY SATISFACTORY TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES LAWS.

WARRANT AGREEMENT

To Purchase Shares of the Series A Preferred Stock of

EXELIXIS PHARMACEUTICALS, INC.

Originally Dated as of July 20, 1995 (the 'Effective Date")
Re-Issued as of August 17, 1998

Whereas, Exelixis Pharmaceuticals, Inc., a Delaware corporation (the "Company"), has entered into this Warrant Agreement dated as of July 20, 1995 (the "Original Warrant Agreement") with Comdisco, Inc. (the "Original Warrantholder"), whereby the Company granted the Original Warrantholder the right to purchase shares of the Company's Series A Preferred Stock;

Whereas, pursuant to and in accordance with the Original Warrant Agreement, the Original Warrantholder has transferred to Gregory Stento (the "Warrantholder"), effective as of August 17, 1998, the Original Warrantholder's rights under the Original Warrant Agreement with respect to the purchase of 20,486 shares of the Company's Series A Preferred Stock (the Warrant Transfer'); and

Whereas, the Company and the Warrantholder acknowledge the Warrant Transfer and, accordingly, are entering into this Warrant Agreement to reflect the Warrant Transfer and the Warrantholder's right to purchase 20,486 shares of Series A Preferred Stock as set forth herein;

Now, Therefore, in consideration of mutual covenants and agreements contained herein, the Company and Warrantholder agree as follows:

1. Grant Of The Right To Purchase Preferred Stock.

The Company hereby grants to the Warrantholder, and the Warrantholder is entitled, upon the terms and subject to the conditions hereinafter set forth, to subscribe to and purchase, from the Company, 20,486 fully paid and non-assessable shares of the Company's Preferred Stock at a purchase price of $.70 per share (the "Exercise Price"). The number and purchase price of such shares are subject to adjustment as provided in Section 8 hereof.

2. Term of The Warrant Agreement.

Except as otherwise provided for herein, the term of this Warrant Agreement and the right to purchase Preferred Stock as granted herein shaft commence on the Effective Date and shaft be exercisable for a period of (i) ten (10) years or (ii) five (5) years from the effective date of the Company's initial public offering, whichever is longer. Notwithstanding anything to the contrary contained above, in the event that this Warrant has not been exercised on or before the Company's initial public offering, this Warrant shall automatically convert to a Warrant for shares of the Company's Common Stock, and the Company and the Warrantholder agree to execute a new Warrant Agreement reflecting such conversion.

3. Exercise of The Purchase Rights.

The purchase rights set forth in this Warrant Agreement are exercisable by the Warrantholder, in whole or in part (but not for a fraction of a share), at any time, or from time to time, prior to the expiration of the term set forth in Section 2 above, by tendering to the Company at its principal office a notice of exercise in the form attached hereto as Exhibit I (the "Notice of Exercise"), duly completed and executed. Promptly upon receipt of the Notice of Exercise and the payment of the purchase price in accordance with the terms set forth below, and in no event later than thirty (30) days thereafter, the Company shall issue to the Warrantholder a certificate for the number of shams of Preferred Stock purchased and shall execute the Notice of Exercise indicating the number of shares which remain subject to future purchases, if any.

The Exercise Price for the number of shares of Preferred Stock to be purchased by the Warrantholder may be paid at the Warrantholder's election either (i) by cash or check, or (ii) by surrender of Warrants ("Net Issuance") as determined below. If the Warrantholder elects the Net Issuance method, the Company will issue Preferred Stock in accordance with the following formula:

$$X = \frac{Y(A-B)}{A}$$

Where: X = the number of shares of Preferred Stock to be issued to the Warrantholder.

Y = the number of shares of Preferred Stock requested to be exercised under this Warrant Agreement.

A = the fair market value of one (1) share of Common Stock.

B = the Exercise Price.

As used herein, current fair market value of Common Stock as of a particular date (the "Determination Date") shall mean with respect to each share of Common Stock:

(i) if the exercise is in connection with an initial public offering, and if the Company's Registration Statement relating to such public offering has been declared effective by the Securities and Exchange Commission ("SEC"), then the initial "Price to Public" specified in the final prospectus with respect to the offering;

(ii) if this Warrant is exercised after, and not in connection with the Company's initial public offering, and:

(a) if traded on a securities exchange, the fair market value shall be deemed to be the average of the closing prices over a twenty-one (21) day period ending three days before the Determination Date; or

(b) if actively traded over-the-counter, the fair market value shall be deemed to be the average of the closing bid and asked prices quoted on the NASDAQ system (or similar system) over the twenty-one (21) day period ending three days before the Determination Date;

(iii) if at any time the Common Stock is not listed on any securities exchange or quoted in the NASDAQ System or the over-the-counter market, the current fair market value of Common Stock shall be the highest price per share which the Company could obtain from a willing buyer (not a current employee or director) for shares of Common Stock sold by the Company, from authorized but unissued shares, as determined in good faith by its Board of Directors, unless the Company shall become subject to a merger, acquisition or other consolidation pursuant to which the Company is not the surviving party, in which case the fair market value of Common Stock shall be deemed to be the value received by the holders of the Company's Preferred Stock on a common equivalent basis pursuant to such merger or acquisition.

Upon partial exercise of this Warrant by either cash or Net Issuance, the Company shall promptly issue an amended Warrant Agreement representing the remaining number of shares purchasable hereunder. All other terms and conditions of such amended Warrant Agreement shall be identical to those contained herein, including, but not limited to the Effective Date hereof.

4. Reservation of Shares.

(a) Authorization and Reservation Shares. During the term of this Warrant Agreement, the Company will at all times have authorized and reserved a sufficient number of shares of its Preferred Stock to provide for the exercise of the rights to purchase Preferred Stock as provided for herein.

(b) Registration or Listing. If any shares of Preferred Stock required to be reserved hereunder require registration with or approval of any governmental authority under any Federal or State law (other than any registration under the Securities Act of 1933, as amended (the "1933 Act") as then in effect, or any similar Federal statute then enforced, or any state securities law, required by reason of any transfer involved in such conversion), or listing on any domestic securities exchange, before such shares may be issued upon conversion, the Company will, at its expense and as expeditiously as possible, use its best efforts to cause such shares to be duly registered, listed or approved for listing on such domestic securities exchange, as the case may be.

5. No Fractional Shares Or Scrip.

No fractional shares or scrip representing fractional shares shall be issued upon the exercise of the Warrant, but in lieu of such fractional shares the Company shall make a cash payment therefor upon the basis of the Exercise Price then in effect.

6. No Rights As Shareholder.

This Warrant Agreement does not entitle the Warrantholder to any voting rights or other rights as a shareholder of the Company prior to the exercise of the Warrant. No dividends or interest shall be payable or accrued in respect of this Warrant or the interest represented hereby or the shares purchasable hereunder until, and only to the extent that this Warrant shall have been exercised.

7. Warrantholder Registry.

The Company shall maintain a registry showing the name and address of the registered holder of this Warrant Agreement.

8. Adjustment Rights.

The Exercise Price and the number of shares of Preferred Stock purchasable hereunder are subject to adjustment, as follows:

(a) Merger and Sale of Assets. If at any time there shall be a capital reorganization of the shares of the Company's stock (other than a combination, reclassification, exchange or subdivision of shares otherwise provided for herein), or a merger or consolidation of the Company with or into another corporation when the Company is not the surviving corporation, or the sale of all or substantially all of the Company's properties and assets to any other person (hereinafter referred to as a "Merger Event"), then, as a part of such Merger Event, lawful provision shall be made so that the Warrantholder shall thereafter be entitled to receive, upon exercise of the Warrant, the number of shares of preferred stock or other securities of the successor corporation resulting from such Merger Event, equivalent in value to that which would have been issuable if Warrantholder had exercised this Warrant immediately prior to the Merger Event. In any such case, appropriate adjustment (as determined in good faith by the Company's Board of Directors) shall be made in the application of the provisions of this Warrant Agreement with respect to the rights and interest of the Warrantholder after the Merger Event to the end that the provisions of this Warrant Agreement (including adjustments of the Exercise Price and number of shares of Preferred Stock purchasable) shall be applicable to the greatest extent possible.

(b) Reclassification of Shares. If the Company at any time shall, by combination, reclassification, exchange or subdivision of securities or otherwise, change any of the securities as to which purchase rights under this Warrant Agreement exist into the same or a different number of securities of any other class or classes, this Warrant Agreement shall thereafter represent the right to acquire such number and kind of securities as would have been issuable as the result of such change with respect to the securities which were subject to the purchase rights

under this Warrant Agreement immediately prior to such combination, reclassification, exchange, subdivision or other change.

(c) Subdivision or Combination of Shares. If the Company at any time shall combine or subdivide its Preferred Stock, the Exercise Price shall be proportionately decreased in the case of a subdivision, or proportionately increased in the case of a combination.

(d) Stock Dividends. If the Company at any time shall pay a dividend payable in, or make any other distribution (except any distribution specifically provided for in the foregoing subsections (a) or (b)) of the Company's stock, then the Exercise Price shall be adjusted, from and after the record date of such dividend or distribution, to that price determined by multiplying the Exercise Price in effect immediately prior to such record date by a fraction (i) the numerator of which shall be the total number of all shares of the Company's stock outstanding immediately prior to such dividend or distribution, and (ii) the denominator of which shall be the total number of all shares of the Company's stock outstanding immediately after such dividend or distribution. The Warrantholder shall thereafter be entitled to purchase, at the Exercise Price resulting from such adjustment, the number of shares of Preferred Stock (calculated to the nearest whole share) obtained by multiplying the Exercise Price in effect immediately prior to such adjustment by the number of shares of Preferred Stock issuable upon the exercise hereof immediately prior to such adjustment and dividing the product thereof by the Exercise Price resulting from such adjustment.

(e) Antidilution Rights. Additional antidilution rights applicable to the Preferred Stock purchasable hereunder are as set forth in the Company's Restated Certificate of Incorporation as amended through the Effective Date, a true and complete copy of which is attached hereto as Exhibit III (the "Charter"). The Company shall promptly provide the Warrantholder with any restatement, amendment, modification or waiver of the Charter. The Company shall provide Warrantholder with prior written notice of any issuance of its stock or other equity security to occur after the Effective Date of this Warrant, to the extent that the Company is required to notify the holders of its Preferred Stock.

(f) Notice of Adjustments. If: (i) the Company shall declare any dividend or distribution upon its stock, whether in cash, property, stock or other securities; (ii) the Company shall offer for subscription prorata to the holders of any class of its Preferred or other convertible stock any additional shares of stock of any class or other rights; (iii) there shall be any Merger Event; or (iv) there shall be any voluntary or involuntary dissolution, liquidation or winding up of the Company; then, in connection with each such event, the Company shall send to the Warrantholder: (A) at least fifteen (15) days' prior written notice of the date on which the books of the Company shall close or a record shall be taken for such dividend, distribution, subscription rights (specifying the date on which the holders of Preferred Stock shall be entitled thereto) or for determining rights to vote in respect of such Merger Event, dissolution, liquidation or winding up; and (B) in the case of any such Merger Event, dissolution, liquidation or winding up, at least fifteen (15) days' prior written notice of the date when the same shall take place (and specifying the date on which the holders of Preferred Stock shall be entitled to exchange their Preferred Stock for securities or other property deliverable upon such Merger Event, dissolution, liquidation or winding up). In the case of a public offering, the Company shall give Warrantholder at least fifteen (15) days written notice prior to the effective date thereof.

Each such written notice shall set forth, in reasonable detail, (i) the event requiring the adjustment, (ii) the amount of the adjustment, (iii) the method by which such adjustment was calculated, (iv) the Exercise Price, and (v) the number of shares subject to purchase hereunder after giving effect to such adjustment, and shall be given by first class mail, postage prepaid, addressed to the Warrantholder, at the address as shown on the books of the Company.

(g) Timely Notice. Failure to timely provide such notice required by subsection (g) above shall entitle Warrantholder to retain the benefit of the applicable notice period notwithstanding anything to the contrary contained in any insufficient notice received by Warrantholder. The notice period shall begin on the date Warrantholder actually receives a written notice containing all the information specified above.

(h) No Adjustments. No adjustment of the Exercise Price or the number of shares of Preferred Stock purchasable under this Warrant Agreement shall be effected with respect to: (I) shares of Common Stock issued or issuable upon conversion of shares of Preferred Stock; (ii) shares of Common Stock issued or issuable to officers, employees or directors of, or consultants to, the Company pursuant to a stock purchase or option plan or other employee stock bonus arrangement (collectively, the "Plans") approved by the Board of Directors; (ii) shares of Common Stock or Preferred Stock issuable pursuant to warrants outstanding as of the date hereof (notwithstanding any subsequent transfer of all or part of such warrants); (iv) shares of Common Stock or Preferred Stock issued or issuable pursuant to warrants issued in connection with the establishment of credit facilities for the Company (including, without limitation, in connection with equipment leasing arrangements); or (v) shares of Common Stock or Preferred Stock issued in connection with corporate partnering relationships or joint ventures approved by the Company's Board of Directors.

9. Representations, Warranties and Covenants of the Company.

(a) Reservation of Preferred Stock. The Preferred Stock issuable upon exercise of the Warrantholder's rights has been duly and validly reserved and when issued and paid for by the Warrantholder in accordance with the provisions of this Warrant Agreement, will be validly issued, fully paid and non-assessable, and will be free of any taxes, liens, charges or encumbrances of any nature whatsoever; provided, however, that the Preferred Stock issuable pursuant to this Warrant Agreement may be subject to restrictions on transfer under state and/or Federal securities laws. The Company has made available to the Warrantholder true, correct and complete copies of its Charter and Bylaws, as amended, and minutes of all Board of Directors (including all committees of the Board of Directors, if any) and Shareholder meetings from January, 1995 through July, 1995. The issuance of certificates for shares of Preferred Stock upon exercise of the Warrant Agreement shall be made without charge to the Warrantholder for any issuance tax in respect thereof, or other cost incurred by the Company in connection with such exercise and the related issuance of shares of Preferred Stock. The Company shall not be required to pay any tax which may be payable in respect of any transfer involved and the issuance and delivery of any certificate in a name other than that of the Warrantholder.

(b) Due Authority. The execution and delivery by the Company of this Warrant Agreement and the performance of all obligations of the Company hereunder, including the issuance to Warrantholder of the right to acquire the shares of Preferred Stock, have been duly

authorized by all necessary corporate action on the part of the Company, and this Warrant Agreement is not inconsistent with the Company's Charter or Bylaws, does not contravene any material law or governmental rule, regulation or order applicable to it, does not and will not contravene any provision of, or constitute a default under, any material indenture, mortgage, contract or other instrument to which it is a party or by which it is bound, and this Warrant Agreement constitutes a legal, valid and binding agreement of the Company, enforceable in accordance with its terms, subject to laws of general application from time to time in effect affecting creditor's rights and the exercise of judicial discretion in accordance with general equitable principles.

(c) Consents and Approvals. No consent or approval of, giving of notice to, registration with, or taking of any other action in respect of any state, Federal or other governmental authority or agency is required with respect to the execution, delivery and performance by the Company of its obligations under this Warrant Agreement, except for the filing of notices as required by applicable federal and state securities laws, which filings will be effective by the time required thereby.

(d) Issued Securities. All issued and outstanding shares of Common Stock, Preferred Stock or any other securities of the Company have been duly authorized and validly issued and are fully paid and nonassessable. All outstanding shares of Common Stock, Preferred Stock and any other securities were issued in full compliance with, or were exempt from, all Federal and state securities laws, assuming the accuracy of all representations made by the purchasers thereof. In addition, as of the Effective Date:

(i) The authorized capital of the Company consists of (A) 20,000,000 shares of Common Stock, of which 950,000 shares are issued and outstanding, (B) 526,819 shares of Class B Common Stock, all of which are issued and outstanding, and (C) 7,000,000 shares of Preferred Stock, of which 5,328,571 shares are issued and outstanding and are convertible into 5,328,517 shares of Common Stock at $0.70 per share.

(ii) The Company has reserved 1,350,000 shares of Common Stock for issuance under its 1994 Employee, Director and Consultant Stock Plan, under which 665,000 options or rights to purchase Common Stock are currently outstanding. Except for 92,858 warrants to purchase Common Stock outstanding as of the date hereof and Common Stock conversion rights and certain rights of first refusal in favor of the current holders of the Preferred Stock, there are no other options, warrants, conversion privileges or other rights presently outstanding to purchase or otherwise acquire any authorized but unissued shares of the Company's capital stock or other securities of the Company.

(iii) Except for certain rights of first refusal in favor of current holders of the Preferred Stock, no shareholder of the Company has preemptive rights to purchase new issuances of the Company's capital stock.

(e) Insurance. The Company has in full force and effect insurance policies, with extended coverage, insuring the Company and its property and business against such material losses and risks, and in such amounts, as are customary for corporations engaged in a similar

business and similarly situated and as otherwise may be required pursuant to the terms of any other contract or agreement.

(f) Other Commitments to Register Securities. As of the Effective date, except as set forth in this Warrant Agreement and its Registration Rights Agreement with current holders of its Preferred Stock, the Company is not, pursuant to the terms of any other agreement currently in existence, under any obligation to register under the 1933 Act any of its presently outstanding securities or any of its securities which may hereafter be issued.

(g) Exempt Transaction. Subject to the accuracy of the Warrantholder's representations in Section 10 hereof, the issuance of the Preferred Stock upon exercise of this Warrant will constitute a transaction exempt from (i) the registration requirements of Section 5 of the 1933 Act, in reliance upon Section 4(2) thereof, and (ii) applicable state securities laws.

(h) Compliance with Rule 144. At the written request of the Warrantholder, who proposes to sell Preferred Stock issuable upon the exercise of the Warrant in compliance with Rule 144 promulgated by the Securities and Exchange Commission, the Company shall furnish to the Warrantholder, within ten days after receipt of such request, a written statement indicating if the Company is in compliance with the filing requirements of the Securities and Exchange Commission as set forth in such Rule, as such Rule may be amended from time to time.

10. Representations And Covenants Of The Warrantholder.

This Warrant Agreement has been entered into by the Company in reliance upon the following representations and covenants of the Warrantholder:

(a) Investment Purpose. The right to acquire Preferred Stock or the Preferred Stock issuable upon exercise of the Warrantholder's rights contained herein will be acquired for investment and not with a view to the sale or distribution of any part thereof, and the Warrantholder has no present intention of selling or engaging in any public distribution of the same except pursuant to a registration or exemption.

(b) Private Issue. The Warrantholder understands (i) that the Preferred Stock issuable upon exercise of this Warrant is not registered under the 1933 Act or qualified under applicable state securities laws on the ground that the issuance contemplated by this Warrant Agreement will be exempt from the registration and qualifications requirements thereof, and (ii) that the Company's reliance on such exemption is predicated on the representations set forth in this Section 10.

(c) Disposition of Warrantholder's Rights. In no event will the Warrantholder make a disposition of any of its rights to acquire Preferred Stock or Preferred Stock issuable upon exercise of such rights unless and until (i) it shall have notified the Company of the proposed disposition, and (ii) if requested by the Company, it shall have furnished the Company with an opinion of counsel (which counsel may either be inside or outside counsel to the Warrantholder) satisfactory to the Company and its counsel to the effect that (A) appropriate action necessary for compliance with the 1933 Act has been taken, or (B) an exemption from the registration requirements of the 1933 Act is available. Notwithstanding the foregoing, the restrictions imposed upon the transferability of any of its rights to acquire Preferred Stock or

Preferred Stock issuable on the exercise of such rights do not apply to transfers from the beneficial owner of any of the aforementioned securities to its nominee or from such nominee to its beneficial owner, and shall terminate as to any particular share of Preferred Stock when (1) such security shall have been effectively registered under the 1933 Act and sold by the holder thereof in accordance with such registration or (2) such security shall have been sold without registration in compliance with Rule 144 under the 1933 Act, or (3) a letter shall have been issued to the Warrantholder at its request by the staff of the SEC or a ruling shall have been issued to the Warrantholder at its request by the SEC stating that no action shall be recommended by such staff or taken by the SEC, as the case may be, if such security is transferred without registration under the 1933 Act in accordance with the conditions set forth in such letter or ruling and such letter or ruling specifies that no subsequent restrictions on transfer are required. Whenever the restrictions imposed hereunder shall terminate, as hereinabove provided, the Warrantholder or holder of a share of Preferred Stock then outstanding as to which such restrictions have terminated shall be entitled to receive from the Company, without expense to such holder, one or more new certificates for the Warrant or for such shares of Preferred Stock not bearing any restrictive legend.

(d) Financial Risk. The Warrantholder has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment, and has the ability to bear the economic risks of its investment

(e) Risk of No Registration. The Warrantholder understands that if the Company does not register with the SEC pursuant to Section 12 of the 1933 Act, or file reports pursuant to Section 15(d), of the Securities Exchange Act of 1934 (the "1934 Act"), or if a registration statement covering the securities under the 1933 Act is not in effect when it desires to sell (i) the rights to purchase Preferred Stock pursuant to this Warrant Agreement, or (ii) the Preferred Stock issuable upon exercise of the right to purchase, it may be required to hold such securities for an indefinite period. The Warrantholder also understands that any sale of its rights of the Warrantholder to purchase Preferred Stock or Preferred Stock which might be made by it in reliance upon Rule 144 under the 1933 Act may be made only in accordance with the terms and conditions of that Rule.

11. Transfers.

Subject to the terms and conditions contained in Section 10 hereof, this Warrant Agreement and all rights hereunder are transferable in whole or in part by the Warrantholder and any successor transferee, provided, however, in no event shall the number of transfers of the rights and interests in all of the Warrants exceed three (3) transfers. The transfer shall be recorded on the books of the Company upon receipt by the Company of a notice of transfer in the form attached hereto as Exhibit II (the "Transfer Notice"), at its principal offices and the payment to the Company of all transfer taxes and other governmental charges imposed on such transfer. When this Warrant shall have been so transferred pursuant to Section 11, the holder hereof may be treated by the Company and all other persons dealing with this Warrant as the absolute owner and holder hereof for any purpose and as the person entitled to exercise the rights represented by this Warrant, or to the registration of transfer hereof on the books of the Company; and until due presentment for registered holders hereof as the owner and holder for all purposes, and the company shall not be affected by notice to the contrary.

12. Miscellaneous.

(a) Effective Date. The provisions of this Warrant Agreement shall be construed and shall be given effect in all respects as if it had been executed and delivered by the Company on the date hereof. This Warrant Agreement shall be binding upon any successors or assigns of the Company.

(b) Attorney's Fees. In any litigation, arbitration or court proceeding between the Company and the Warrantholder relating hereto, the prevailing party shall be entitled to attorneys' fees and expenses and all costs of proceedings incurred in enforcing this Warrant Agreement.

(c) Governing Law. This Warrant Agreement shall be governed by and construed for all purposes under and in accordance with the laws of the State of Illinois.

(d) Counterparts. This Warrant Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(e) Notices. Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery, facsimile transmission (provided that the original is sent by personal delivery or mail as hereinafter set forth) or seven (7) days alter deposit in the United States mail, by registered or certified mail, addressed (i) to the Warrantholder at 49 Tanglewood Road, Wellesley, MA 02481, attention: Gregory Stento and (ii) to the Company at One Kendall Square, Building 600, Cambridge, Massachusetts 02139, attention: President (and/or if by facsimile, (650) 825-2205) or at such other address as any such party may subsequently designate by written notice to the other party.

(f) Remedies. In the event of any default hereunder, the non-defaulting party may proceed to protect and enforce its rights either by suit in equity and/or by action at law, including but not limited to an action for damages as a result of any such default, and/or an action for specific performance for any default where such non-defaulting party will not have an adequate remedy at law and where damages will not be readily ascertainable. The Company expressly agrees that it shall not oppose an application by the Warrantholder or any other person entitled to the benefit of this Agreement requiring specific performance of any or all provisions hereof or enjoining the Company from continuing to commit any such breach of this Agreement

(g) No Impairment of Rights. The Company will not, by amendment of its Charter or through any other means, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate in order to protect the rights of the Warrantholder against impairment.

(h) Survival. The representations, warranties, covenants and conditions of the respective parties contained herein or made pursuant to this Warrant Agreement shall survive the execution and delivery of this Warrant Agreement

(i) Severability. In the event any one or more of the provisions of this warrant Agreement shall for any reason be held invalid, illegal or unenforceable, the remaining provisions of this warrant Agreement shall be unimpaired, and the invalid, illegal or unenforceable provision shall be replaced by a mutually acceptable valid, legal and enforceable provision, which comes closest to the intention of the parties underlying the invalid, illegal or unenforceable provision.

(j) Amendments; Headings. Any provision of this Warrant Agreement may be amended by a written instrument signed by the Company and by the Warrantholder. The headings in this Warrant Agreement are for purposes of reference only, and shall not limit or otherwise affect any of the terms hereof.

(k) Additional Documents. The Company, upon execution of this warrant Agreement, shall provide the Warrantholder with certified resolutions with respect to the representations, warranties and covenants set forth in subparagraphs (a) through (d), (f) and (g) of Section 9 above. The Company shall also supply such other documents as the Warrantholder may from time to time reasonably request.

[THE REMAINDER OF THIS PAGE WAS INTENTIONALLY LEFT BLANK]

In Witness Whereof, the parties hereto have caused this Warrant Agreement to be executed by its officers thereunto duly authorized as of the Effective Date.

Company: Exelixis Pharmaceuticals, Inc.

By: /s/ George A. Scangos

Title: President, CEO

Warrantholder: Gregory Stento

By: /s/ Gregory Stento

Title:

EXHIBIT I

NOTICE OF EXERCISE

To:_____

(1) The undersigned Warrantholder hereby elects to purchase shares of the Series A Preferred Stock of Exelixis Pharmaceuticals, Inc., pursuant to the terms of the Warrant Agreement dated the 17th day of August, 1998 (the "Warrant Agreement") between Exelixis Pharmaceuticals, Inc. and the Warrantholder, and tenders herewith payment of the purchase price for such shares in full, together with all applicable transfer taxes, if any.

(2) In exercising its rights to purchase the Preferred Stock of Exelixis Pharmaceuticals, Inc., the undersigned hereby confirms and acknowledges the investment representations and warranties made in Section 10 of the Warrant Agreement.

(3) Please issue a certificate or certificates representing said shares of Series A Preferred Stock in the name of the undersigned or in such other name as is specified below.

_____
(Name)

_____
(Address)

Warrantholder: Gregory Stento

By:_____

Title:_____

Date:_____

ACKNOWLEDGMENT OF EXERCISE

The undersigned _____, hereby acknowledges receipt of the "Notice of Exercise" from Gregory Stento, to purchase _____ shares of the Series A Preferred Stock of Exelixis Pharmaceuticals, Inc., pursuant to the terms of the Warrant Agreement, and further acknowledges that _____ shares remain subject to purchase under the terms of the Warrant Agreement.

Company: Exelixls Pharmaceuticals, Inc.

By:_____

Title:_____

Date:_____

EXHIBIT II

TRANSFER NOTICE

(To transfer or assign the foregoing Warrant Agreement execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant Agreement and all rights evidenced thereby are hereby transferred and assigned to

_____
(Please Print)

whose address is_____

_____

Dated_____

Holder's Signature_____

Holder's Address_____

_____

Signature Guaranteed:_____

NOTE: The signature to this Transfer Notice must correspond with the name as it appears on the face of the Warrant Agreement, without alteration or enlargement or any change whatever. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant Agreement

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURIITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. NO SALE OR DISPOSITION MAY BE EFFECTED WITHOUT (i) EFFECTIVE REGISTRATION STATEMENTS RELATED THERETO, (ii) AN OPINION OF COUNSEL OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATIONS ARE NOT REQUIRED, (iii) RECEIPT OF NO-ACTION LETTERS FROM THE APPROPRIATE GOVERNMENTAL AUTHORITIES, OR (iv) OTHERWISE COMPLYING WITH THE PROVISIONS OF SECTION 7 OF THIS WARRANT.

EXELIXIS PHARMACEUTICALS, INC.

WARRANT TO PURCHASE
SHARES OF PREFERRED STOCK

THIS CERTIFIES THAT, for value received, and subject to the provisions and upon the terms and conditions hereinafter set forth, MMC/GATX PARTNERSHIP NO. I and its assignees are entitled to subscribe for and purchase up to 357,143 shares of the fully paid and nonassessable shares of Preferred Stock (as adjusted pursuant to Section 4 hereof, the "Shares") of EXELIXIS PHARMACEUTICALS, INC., a Delaware corporation (the "Company") at the price per share (such price and such other price as shall result, from time to time, from the adjustments specified in Section 4 hereof is herein referred to as the "Warrant Price") as shall be determined in accordance with Section 1 (a) hereof. The Preferred Stock issuable hereunder shall be shares of the series of Preferred Stock (expected to be Series B Preferred Stock) issued to investors in a financing having aggregate net proceeds in excess of $4,000,000 (whether in one transaction or in a series of transactions after the date of this Warrant and excluding the conversion of debt to equity) (a "Qualified Financing"); provided, that if no Qualified Financing occurs prior to April 30, 1996, then the Preferred Stock issuable hereunder shall be Series A Preferred Stock. As used herein, (a) the term "Series Preferred" shall mean the Company's presently authorized Series A Preferred Stock or contemplated Series B Preferred Stock (as determined pursuant to the preceding sentence), and any stock into or for which such Series A Preferred Stock or Series B Preferred Stock, as applicable, may hereinafter be converted or exchanged, (b) the term "Date of Grant" shall mean the date as set forth on the signature page hereof; and (c) the term "Other Warrants" shall mean any other warrants issued by the Company in connection with the transaction with respect to which this Warrant was issued, and any warrant issued upon transfer or partial exercise of this Warrant. The term "Warrant" as used herein shall be deemed to include Other Warrants unless the context clearly requires otherwise.

1. Warrant Price: Term

(a) Warrant Price. The Warrant Price shall be determined as follows:

(i) If the Company completes a Qualified Financing on or prior to April 30, 1996, and the price paid by investors in such Qualified Financing is less than $1.00 per share, then the Warrant Price shall be determined by using the following formula:

$$\text{Exercise Price} = \frac{X + Y}{2}$$

Where: X = The price per share of the Series A Preferred Stock (i.e., $0.70).

Y = The price per share of the Series B Preferred Stock in a Qualified Financing

(ii) If the Company does not complete a Qualified Financing on or prior to April 30, 1996, then the Warrant Price shall be $.70.

(iii) If the Company does complete a Qualified Financing prior to April 30, 1995, but the price paid by investors in such financing is equal to or greater than $1.00 per share, then, the Warrant Price shall be $0.85 per share.

(b) Term. The purchase right represented by this Warrant is exercisable, in whole or in part, at anytime and from time to time from the Date of Grant through the later of (i) ten (10) years after the Date of Grant or (ii) five (5) years after the closing of the Company's initial public offering of its Common Stock effected pursuant to a Registration Statement on Form S-I (or its successor) filed under the Securities Act of 1933, as amended (the "Act").

2. Method of Exercise: Payment: Issuance of New Warrant. Subject to Section 1 hereof the purchase right represented by this Warrant may be exercised by the holder hereof in whole or in part and from time to time, at the election of the holder hereof, (a) the surrender of this Warrant (with the notice of exercise substantially in the form attached hereto as Exhibit A duly completed and executed) at the principal office of the Company and by the payment to the Company, by certified or bank check, or by wire transfer to an account designated by the Company (a "Wire Transfer") of an amount equal to the then applicable Warrant Price multiplied by the number of Shares then being purchased, or (b) if in connection with a registered public offering of the Company's securities, the surrender of this Warrant (with the notice of exercise form attached hereto as Exhibit A-I duly completed and executed) at the principal office of the Company together with notice of arrangements reasonably satisfactory to the Company for payment to the Company either by certified or bank check or by Wire Transfer from the proceeds of the sale of shares to be sold by the holder in such public offering of an amount equal to the then applicable Warrant Price per share multiplied by the number of Shares then being purchased, or (c) exercise of the right provided for in Section 10.3 hereof. The person or persons in whose name(s) any certificate(s) representing shares of Series Preferred shall be issuable upon exercise of this Warrant be deemed to have become the holder(s) of record of, and shall be treated for all purposes as the record holder(s) of, the shares represented thereby (and such shares shall be deemed to have been issued) immediately prior to the close of business on the date or dates upon which this Warrant is exercised. In the event of any exercise of the rights represented by this Warrant, certificates for the shares of stock so purchased shall be delivered to the holder hereof as soon as possible and in any event within thirty (30) days alter such exercise and, unless this Warrant has been fully exercised or expired, a new Warrant representing the portion of the Shares, if any, with respect to which this Warrant shall not then have been exercised shall also be issued to the holder hereof as soon as possible and in any event within such thirty-day period.

3. Stock Fully Paid; Reservation of Shares. All Shares that may be issued upon the exercise of the rights represented by this Warrant will, upon issuance pursuant to the terms and conditions herein, be fully paid and nonassessable, and free from all taxes, liens and charges

with respect to the issue thereof. During the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized, and reserved for the purpose of the issue upon exercise of the purchase rights evidenced by this Warrant, a sufficient number of shares of its Series Preferred to provide for the exercise of the rights represented by this Warrant and a sufficient number of shares of its Common Stock to provide for the conversion of the Series Preferred into Common Stock.

4. Adjustment of Warrant Price and Number of Shares. The number and kind of securities purchasable upon the exercise of this Warrant and the Warrant Price shall be subject to adjustment from time to time upon the occurrence of certain events, as follows:

(a) Reclassification or Merger. In case of any reclassification or change of securities of the class issuable upon exercise of this Warrant (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any merger of the Company with or into another corporation (other than a merger with another corporation in which the Company is the acquiring and the surviving corporation and which does not result in any reclassification or change of outstanding securities issuable upon exercise of this Warrant), or in case of any sale of all or substantially all of the assets of the Company, the Company, or such successor or purchasing corporation, as the case may be, shall duly execute and deliver to the holder of this Warrant a new Warrant (in form and substance satisfactory to the holder of this Warrant), so that the holder of this Warrant shall have the right to receive, at a total purchase price not to exceed that payable upon the exercise of the unexercised portion of this Warrant, and in lieu of the shares of Series Preferred theretofore issuable upon exercise of this Warrant, the kind and amount of shares of stock, other securities, money and property receivable upon such reclassification, change or merger by a holder of the number of shares of Series Preferred then purchasable under this Warrant. Such new Warrant shall provide for adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 4 and, in the case of a new Warrant issuable after conversion of the authorized shares of the Series Preferred into shares of Common Stock or after the amendment of the terms of the antidilution protection of the Series Preferred, shall provide for antidilution protection that shall be as nearly equivalent as may be practicable to the antidilution provisions applicable to the Series Preferred on the Date of Grant. The provisions of this subparagraph (a) shall similarly apply to successive reclassifications, changes, mergers and transfers.

(b) Subdivision or Combination of Shares. If the Company at any time while this Warrant remains outstanding and unexpired shall subdivide or combine its outstanding shares of Series Preferred, the Warrant Price shall be proportionately decreased in the ease of a subdivision or incurred in the case of a combination, effective at the close of business on the date the subdivision or combination becomes effective.

(c) Stock Dividends and Other Distributions. If the Company at any time while this Warrant is outstanding and unexpired shall (i) pay a dividend with respect to Series Preferred payable in Series Preferred, or (ii) make any other distribution with respect to Series Preferred (except any distribution specifically provided for in Sections 4(a) and 4(b), of Series Preferred, then the Warrant Price shall be adjusted, from and after the date of determination of shareholders entitled to receive such dividend or distribution, to that price determined by

multiplying the Warrant Price in effect immediately prior to such date of determination by a fraction (i) the numerator of which shall be the total number of shares of Series Preferred outstanding immediately prior to such dividend or distribution, and (ii) the denominator of which shall be the total number of shares of Series Preferred outstanding immediately after such dividend or distribution.

(d) Adjustment of Number of Shares. Upon each adjustment in the Warrant Price, the number of Shares of Series Preferred purchasable hereunder shall be adjusted, to the nearest whole share, to the product obtained by multiplying the number of Shares purchasable immediately prior to such adjustment in the Warrant Price by a fraction, the numerator of which shall be the Warrant Price immediately prior to such adjustment and the denominator of which shall be the Warrant Price immediately thereafter.

(e) Antidilution Rights. The other antidilution rights applicable to the Shares of Series Preferred purchasable hereunder are set forth in the Company's Certificate of Incorporation, as amended through the Date of Grant, a true and complete copy of which is attached hereto as Exhibit B (the "Charter"). Such antidilution rights shall not be restated, amended, modified or waived in any manner that is adverse to the holder hereof without such holder's prior written consent. The Company shall promptly provide the holder hereof with any restatement, amendment, modification or waiver of the Charter promptly after the same has been made.

5. Notice of Adjustment. Whenever the Warrant Price or the number of Shares purchasable hereunder shall be adjusted pursuant to Section 4 hereof, the Company shall make a certificate signed by its chief financial officer setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Warrant Price and the number of Shares purchasable hereunder after giving effect to such adjustment, and shall cause copies of such certificate to be mailed (without regard to Section 13 hereof, by first class mail, postage prepaid) to the holder of this Warrant. In addition, whenever the conversion price or conversion ratio of the Series Preferred shall be adjusted, the Company shall make a certificate signed by its chief financial officer setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the conversion price or ratio of the Series Preferred after giving effect to such adjustment, and shall cause copies of such certificate to be mailed (without regard to Section 13 hereof, by first class mail, postage prepaid) to the holder of this Warrant.

6. Fractional Shares. No fractional shares of Series Preferred will be issued in connection with any exercise hereunder, but in lieu of such fractional shares the Company shall make a cash payment therefor based on the fair market value of the Series Preferred on the date of exercise as reasonably determined in good faith by the Company's Board of Directors.

7. Compliance with Act: Disposition of Warrant or Shares of Series Preferred.

(a) Compliance with Act. The holder of this Warrant, by acceptance hereof; agrees that this Warrant, and the shares of Series Preferred to be issued upon exercise hereof and any Common Stock issued upon conversion thereof are being acquired for investment and that

such holder will not offer, sell or otherwise dispose of this Warrant, or any shares of Series Preferred to be issued upon exercise hereof or any Common Stock issued upon conversion thereof except under circumstances which will not remit in a violation of the Act or any applicable state securities laws. Upon exercise of this Warrant, unless the Shares being acquired are registered under the Act and any applicable state securities laws or an exemption from such registration is available, the holder hereof shall confirm in writing that the shares of Series Preferred so purchased (and any shares of Common Stock issued upon conversion thereof) are being acquired for investment and not with a view toward distribution or resale in violation of the Act and shall confirm such other matters related thereto as may be reasonably requested by the Company. This Warrant and all shares of Series Preferred issued upon exercise of this Warrant and all shares of Common Stock issued upon conversion thereof (unless registered under the Act and any applicable state securities laws) shall be stamped or imprinted with a legend in substantially the following form:

"THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. NO SALE OR DISPOSITION MAY BE EFFECTED WITHOUT (i) EFFECTIVE REGISTRATION STATEMENTS RELATED THERETO, (ii) AN OPINION OF COUNSEL OR OTHER EVIDENCE REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATIONS ARE NOT REQUIRED, (iii) RECEIPT OF NO-ACTION LETTERS FROM THE APPROPRIATE GOVERNMENTAL AUTHORITIES, OR (iv) OTHERWISE COMPLYING WITH THE PROVISIONS OF SECTION 7 OF THE WARRANT UNDER WHICH THESE SECURITIES WERE ISSUED, DIRECTLY OR INDIRECTLY."

Said legend shall be removed by the Company, upon the request of a holder, at such time as the restrictions on the transfer of the applicable security shall have terminated. In addition, in connection with the issuance of this Warrant, the holder specifically represents to the Company by acceptance of this Warrant as follows:

(1) The holder is aware of the Company's business affairs and financial condition, and has acquired information about the Company sufficient to reach an informed and knowledgeable decision to acquire this Warrant. The holder is acquiring this Warrant for its own account for investment purposes only and not with a view to, or for the resale in connection with, any "distribution" thereof in violation of the Act.

(2) The holder understands that this Warrant has not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the holder's investment intent as expressed herein.

(3) The holder further understands that this Warrant must be held indefinitely unless subsequently registered under the Act and qualified under any applicable state securities laws, or unless exemptions from registration and qualification are otherwise available. The holder is aware of the provisions of Rule 144, promulgated under the Act.

(b) Disposition of Warrant or Shares. With respect to any offer, sale or other disposition of this Warrant or any shares of Series Preferred acquired pursuant to the exercise of this Warrant prior to registration of such Warrant or shares, the holder hereof agrees to give written notice to the Company prior thereto, describing briefly the manner thereof, together with a written opinion of such holder's counsel, or other evidence, if reasonably requested by the Company, to the effect that such offer, sale or other disposition may be effected without registration or qualification (under the Act as then in effect or any federal or state securities law then in effect) of this Warrant or such shares of Series Preferred or Common Stock and indicating whether or not under the Act certificates for this Warrant or such shares of Series Preferred to be sold or otherwise disposed of require any restrictive legend as to applicable restrictions on transferability in order to ensure compliance with such law. Promptly upon receiving such written notice and reasonably satisfactory opinion or other evidence, if so requested, Company, as promptly as practicable but no later than fifteen (15) days after receipt of the written notice, shall notify such holder that such holder may sell or otherwise dispose of this Warrant or such shares of Series Preferred or Common Stock, all in accordance with the terms of the notice delivered to the Company. If determination has been made pursuant to this Section 7(b) that the opinion of counsel for the holder or other evidence is not reasonably satisfactory to the Company, the Company shall so notify the holder promptly with details thereof after such determination has been made. Notwithstanding the foregoing, this Warrant or such shares of Series Preferred or Common Stock may, as to such federal laws, be offered, sold or otherwise disposed of in accordance with Rule 144 or 144A under the Act, provided that the Company shall have been furnished with such information as the Company may reasonably request to provide a reasonable assurance that the provisions of Rule 144 or 144A have been satisfied. Each certificate representing this Warrant or the shares of Series Preferred thus transferred (except a transfer pursuant to Rule 144 or 144A) shall bear a legend as to the applicable restrictions on transferability in order to ensure compliance with such laws, unless in the aforesaid opinion of counsel for the holder, such legend is not required in order to ensure compliance with such laws. The Company may issue stop transfer instructions to its transfer agent in connection with such restrictions.

(c) Applicability of Restriction. Neither any restrictions of any legend described in this Warrant nor the requirements of Section 7(b) above shall apply to any transfer of, or grant of a security interest in, this Warrant (or the Series Preferred or Common Stock obtainable upon exercise thereof) or any part hereof (i) to a partner of the holder if the holder is a partnership, (ii) to a partnership of which the holder is a partner, or (iii) to any affiliate of the holder if the holder is a corporation; however, in any such transfer, if applicable, the transferee shall on the Company's request agree in writing to be bound by the terms of this Warrant as if an original signatory hereto.

8. Rights as Shareholders; Information. No holder of this Warrant, as such, shall be entitled to vote or receive dividends or be deemed the holder of Series Preferred or any other securities of the Company which may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon the holder of this Warrant, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until this Warrant shall have been exercised and the Shares purchasable upon the exercise hereof shall

have become deliverable, as provided herein. Notwithstanding the foregoing, the Company will transmit to the holder of this Warrant such information, documents and reports as are generally distributed to the holders of any class or series of the securities of the Company concurrently with the distribution thereof to the shareholders.

9. Registration Rights. The Company grants registration rights to the holder of this Warrant for any Common Stock of the Company obtained upon conversion of the Series Preferred, comparable to the registration rights granted to the investors in that certain Registration Rights Agreement dated as of January 27, 1995 (the "Registration Rights Agreement"), with the following exceptions and clarifications:

(1) The holder will have no demand registration rights.

(2) The holder will be subject to the same provisions regarding indemnification as contained in the Registration Rights Agreement.

(3) The registration rights are freely assignable by the holder of this Warrant.

10. Additional Rights.

10.1 Secondary Sales. The Company agrees that it will not interfere with the holder of this Warrant in obtaining liquidity if opportunities to make secondary sales of the Company's securities become available. To this end, the Company will promptly provide the holder of this Warrant with notice of any offer (of which it has knowledge) to acquire from the Company's security holders more than five percent (5%) of the total voting power of the Company and will not interfere with any attempt by the holder in arranging the sale of this Warrant to the person or persons making such offer.

10.2 Mergers. The Company shall provide the holder of this Warrant with at least thirty (30) days' notice of the terms and conditions of any of the following potential transactions: (i) the sale, lease, exchange, conveyance or other disposition of all or substantially all of the Company's property or business, or (ii) its merger into or consolidation with any other corporation (other than a wholly-owned subsidiary of the Company), or any transaction (including a merger or other reorganization) or series of related transactions, in which more than 50% of the voting power of the Company is disposed of. The Company will cooperate with the holder in arranging the sale of this Warrant in connection with any such transaction.

10.3 Right to Convert Warrant into Stock: Net Issuance.

(a) Right to Convert. In addition to and without limiting the rights of the holder under the terms of this Warrant, the holder shall have the right to convert this Warrant or any portion thereof (the "Conversion Right") into shares of Series Preferred (or Common Stock if the Series Preferred has been automatically converted into Common Stock) as provided in this Section 10.3 at any time or from time to time during the term of this Warrant. Upon exercise of the Conversion Right with respect to a particular number of shares subject to this Warrant (the "Converted Warrant Shares"), the Company shall deliver to the holder (without payment by the holder of any exercise price or any cash or other consideration) (X) that number

of shares of fully paid and nonassessable Series Preferred (or Common Stock if the Series Preferred has been automatically converted into Common Stock) equal to the quotient obtained by dividing the value of this Warrant (or the specified portion hereof) on the Conversion Date (as defined in subsection (b) hereof), which value shall be determined by subtracting (A) the aggregate Warrant Price of the Converted Warrant Shares immediately prior to the exercise of the Conversion Right from (B) the aggregate fair market value of the Converted Warrant Shares issuable upon exercise of this Warrant (or the specified portion hereof) on the Conversion Date (as herein defined) by (Y) the fair market value of one share of Series Preferred (or Common Stock if the Series Preferred has been automatically converted into Common Stock) on the Conversion Date (as herein defined).

Expressed as a formula, such conversion (assuming the Series Preferred has been automatically converted into Common Stock) shall be computed as follows:

$$X = \frac{B - A}{Y}$$

Where: X = The number of shares of Common Stock that may be issued to holder.

Y = The fair market value (FMV) of one share of Common Stock.

A = The aggregate Warrant Price (i.e., Converted Warrant Shares x Warrant Price).

B = The aggregate FMV (i.e., FMV x Converted Warrant Shares).

No fractional shares shall be issuable upon exercise of the Conversion Right, and, if the number of shares to be issued determined in accordance with the foregoing formula is other than a whole number, the Company shall pay to the holder an amount in cash equal to the fair market value of the resulting fractional share on the Conversion Date (as hereinafter defined). For purposes of Section 9 of this Warrant, shares issued pursuant to the Conversion Right shall be treated as if they were issued upon the exercise of this Warrant.

(b) Method of Exercise. The Conversion Right may be exercised by the holder by the surrender of this Warrant at the principal office of the Company together with a written statement specifying that the holder thereby intends to exercise the Conversion Right and indicating the number of shares subject to this Warrant which are being surrendered (referred to in Section 10.3(a) hereof as the Converted Warrant Shares) in exercise of the Conversion Right Such conversion shall be effective upon receipt by the Company of this Warrant together with the aforesaid written statement, or on such later date as is specified therein (the "Conversion Date"), and, at the election of the holder hereof, may be made contingent upon the closing of the sale of the Company's Common Stock to the public in a public offering pursuant to a Registration Statement under the Act (a "Public Offering"). Certificates for the shares issuable upon exercise of the Conversion Right and, if applicable, a new warrant evidencing the balance of the shares remaining subject to this Warrant shall be issued as of the Conversion Date and shall be delivered to the holder within thirty (30) days following the Conversion Date. Any conversion from Series Preferred to Common Stock shall be in the ratio of one (1) share of Common Stock for each share of Series Preferred (as adjusted hereto and in the Charter). On the

Date of Grant, each share of the Series Preferred represented by this Warrant is convertible into one share of Common Stock.

(c) Determination of Fair Market Value. For purposes of this Section 10.3, "fair market value" of a share of Series Preferred (or Common Stock if the Series Preferred has been automatically convened into Common Stock) as of a particular date (the "Determination Date") shall mean:

(i) If the Conversion Right is exercised in connection with and contingent upon a Public Offering, and if the Company's Registration Statement relating to such Public Offering ("Registration Statement") has been declared effective by the SEC, then the initial "Price to Public" specified in the final prospectus with respect to such offering.

(ii) If the Conversion Right is not exercised in connection with and contingent upon a Public Offering, then as follows:

(1) If traded on a securities exchange, the fair market value of the Common Stock shall be deemed to be the average of the closing prices of the Common Stock on such exchange over the 30-day period ending five business days prior to the Determination Date, and the fair market value of the Series Preferred shall be deemed to be such fair market value of the Common Stock multiplied by the number of shares of Common Stock into which each share of Series Preferred is then convertible;

(2) If traded over-the-counter, the fair market value of the Common Stock shall be deemed to be the average of the closing bid prices of the Common Stock over the 30-day period ending five business days prior to the Determination Date, and the fair market value of the Series Preferred shall be deemed to be such fair market value of the Common Stock multiplied by the number of shares of Common Stock into which each share of Series Preferred is then convertible; and

(3) If there is no public market for the Common Stock, then fair market value shall be determined by mutual agreement of the holder of this Warrant and the Company.

11. Representations and Warranties. The Company represents and warrants to the holder of this Warrant as follows:

(a) This Warrant has been duly authorized and executed by the Company and is a valid and binding obligation of the Company enforceable in accordance with its terms, subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and the rules of law or principles at equity governing specific performance, injunctive relief and other equitable remedies;

(b) The Shares have been duly authorized and reserved for issuance: by the Company and, when issued in accordance with the terms hereof, will be validly issued, fully paid and non-assessable;

(c) The rights, preferences, privileges and restrictions granted to or imposed upon the Series Preferred and the holders thereof are as set forth in the Charter, as amended to the Date of the Grant, a true and complete copy of which has been delivered to the original holder of this Warrant and is attached hereto as Exhibit B;

(d) The shares of Common Stock issuable upon conversion of the Shares have been duly authorized and reserved for issuance by the Company and, when issued in accordance with the terms of the Charter will be validly issued, fully paid and nonassessable;

(e) The execution and delivery of this Warrant are not, and the issuance of the Shares upon exercise of this Warrant in accordance with the terms hereof will not be, inconsistent with the Company's Charter or by-laws, do not and will not contravene any law, governmental rule or regulation, judgment or order applicable to the Company, and do not and will not conflict with or contravene any provision of, or constitute a default under, any indenture, mortgage, contact or other instrument of which the Company is a party or by which it is bound or require the consent or approval of, the giving of notice to, the registration or filing with or the taking of any action in respect of or by, any Federal, state or local government authority or agency or other person, except for the filing of notices pursuant to federal and state securities laws, which filings will be effected by the time required thereby; and

(f) There are no actions, suits, audits, investigations or proceedings pending or, to the knowledge of the Company, threatened against the Company in any court or before any governmental commission, board or authority which, if adversely determined, will have a material adverse effect on the ability of the Company to perform its obligations under this Warrant.

12. Modification and Waiver. This Warrant and any provision hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of the same is sought

13. Notices. Any notice, request, communication or other document required or permitted to be given or delivered to the holder hereof or the Company shall be delivered, or shall be sent by certified or registered mail, postage prepaid, to each such holder at its address as shown on the books of the Company or to the Company at the address indicated therefor on the signature page of this Warrant.

14. Binding Effect on Successors. This Warrant shall be binding upon any corporation succeeding the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets, and all of the obligations of the Company relating to the Series Preferred issuable upon the exercise or conversion of this Warrant shall survive the exercise, conversion and termination of this Warrant and all of the covenants and agreements of the Company shall inure to the benefit of the successors and assigns of the holder hereof. The Company will, at the time of the exercise or conversion of this Warrant, in whole or in part, upon request of the holder hereof but at the Company's expense, acknowledge in writing its continuing obligation to the holder hereof in respect of any rights (including, without limitation, any right to registration of the Shares) to which the holder hereof shall continue to be entitled after such exercise or conversion in accordance with this Warrant; provided, that the failure of

the holder hereof to make any such request shall not affect the continuing obligation of the Company to the holder hereof in respect of such rights.

15. Lost Warrants or Stock Certificates. The Company covenants to the holder hereof that, upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant or any stock certificate and, in this case of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the case of any such mutilation upon surrender and cancellation of such Warrant or stock certificate, the Company will make and deliver a new Warrant or stock certificate, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant or stock certificate.

16. Descriptive Headings. The descriptive headings of the several paragraphs of this Warrant are inserted for convenience only and do not constitute a part of this Warrant. The language in this Warrant shall be constructed as to its fair meaning without regard to which party drafted this Warrant.

17. Governing Law. This Warrant shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of California; provided, however, that any matters herein dealing with the internal corporate governance of the Company or the rights, preferences and privileges applicable to the Company's capital stock shall be governed by the laws of the State of Delaware.

18. Survival of Representations, Warranties and Agreements. All representations and warranties of the Company and the holder hereof contained herein shall survive the Date of Grant, the exercise or conversion of this Warrant (or any part hereof) or the termination or expiration of rights hereunder. All agreements of the Company and the holder hereof contained herein shall survive indefinitely until, by respective terms, they are no longer operative.

19. Remedies. In case any one or more of the covenants and agreements contained in this Warrant shall have been breached, the holders hereof (in the case of a breach by the Company), or the Company (in the case of a breach by a holder), may proceed to protect and enforce their or its rights either by suit in equity and/or by action at law, including, but not limited to, an action for damages as a result of any such breach and/or an action for specific performance of any such covenant or agreement contained in this Warrant.

20. No Impairment of Rights. The Company will not, by amendment of its Charter or through any other means, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the holder of this Warrant against impairment.

21. Severability. The invalidity or unenforceability of any provision of this Warrant in any jurisdiction shall not affect tile validity or enforceability of such provision in any other jurisdiction, or affect any other provision of this Warrant, which shall remain in full force and effect.

22. Recovery of Litigation Costs. If any legal action or other proceeding is brought for the enforcement of this Warrant, or because of an alleged dispute, breach, default, or

misrepresentation in connection with any of the provisions of this Warrant, the successful or prevailing party or parties shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding, in addition to any other relief to which it or they may be entitled.

23. Entire Agreement: Modification. This Warrant constitutes the entire agreement between the parties pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations, and undertakings of the parties, whether oral or written, with respect to such subject matter.

Date of Grant: January 24, 1996

EXELIXIS PHARMACEUTICALS, INC.,
a Delaware corporation

By: /s/ Jean-Francois Formela

Name: Jean-Francois Formela

Title: Chief Executive Officer

Address: One Kendall Square Building 600
Cambridge, MA 02139

EXHIBIT A

NOTICE OF EXERCISE

To: EXELIXIS PHARMACEUTICALS, INC

1. The undersigned hereby:

[_] elects to purchase _____ shares of _____ Stock of EXELIXIS PHARMACEUTICALS, INC. pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price of such shares in full, or

[_] elects to exercise its net issuance rights pursuant to Section 10.3 of the attached Warrant with respect to _____ Shares of _____Stock.

2. Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name or names as are specified below:

_____
(Name)

_____

_____
(Address)

3. The undersigned represents that the aforesaid shares are being acquired for the account of the undersigned for investment and not with a view to, or for resale in connection with, the distribution thereof and that the undersigned has no present intention of distributing or reselling such shares, all except as in compliance with applicable securities laws.

_____
Date

_____
Signature

EXHIBIT A-I

NOTICE OF EXERCISE

To: EXELIXIS PHARMACEUTICALS. INC. (the "Company")

1. Contingent upon and effective immediately prior to the closing (the "Closing") of the Company's public offering contemplated by the Registration Statement on Form S____ , filed _____, 19___, the undersigned hereby:

[_] elects to purchase _____ shares of _____ Stock of the Company (or such lesser number of shares as may be sold on behalf of the undersigned at the Closing) pursuant to the terms of the attached Warrant, or

[_] elects to exercise its net issuance rights pursuant to Section 10.3 of the attached Warrant with respect to Shares of Stock.

2. Please deliver to the custodian for the selling shareholders a stock certificate representing such _____ shares.

3. The undersigned has instructed the custodian for the selling shareholders to deliver to the Company $_____ or, if less, the net proceeds due the undersigned from the sale of shares in the aforesaid public offering. If such net proceeds are less than the purchase price for such shares, the undersigned agrees to deliver the difference to the Company prior to the Closing.

_____
Date

_____
Signature

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. NO SALE OR DISPOSITION MAY BE EFFECTED) WITHOUT (i) EFFECTIVE REGISTRATION STATEMENTS RELATED THERETO, (ii) AN OPINION OF COUNSEL OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATIONS ARE NOT REQUIRED, (iii) RECEIPT OF NO-ACTION LETTERS FROM THE APPROPRIATE GOVERNMENTAL AUTHORITIES, OR (IV) OTHERWISE COMPLYING WITH THE PROVISIONS OF SECTION 7 OF THIS WARRANT.

EXELIXIS PHARMACEUTICALS, INC.

WARRANT TO PURCHASE 85,000 SHARES

OF COMMON STOCK

This Certifies That, for value received, MMC/GATX Partnership No. 1 and its assignees are entitled to subscribe for and purchase 85,000 shares of the fully paid and nonassessable Common Stock (as adjusted pursuant to Section 4 hereof, the "Shares") of Exelixis Pharmaceuticals, Inc., a Delaware corporation (the "Company"), at the price of $2.00 per share (such price and such other price as shall result, from time to time, from the adjustments specified in Section 4 hereof is hereto referred to as the "Warrant Price"), subject to the provisions and upon the terms and conditions hereinafter set forth. As used herein, (a) the term "Date of Grant" shall mean September 25, 1997, and (b) the term "Other Warrants" shall mean any other warrants issued by the Company in connection with the instruction with respect to which this Warrant was issued, and any warrant issued upon transfer or partial exercise of this Warrant. The term "Warrant" as used herein shall be deemed to include Other Warrants unless the context clearly requires otherwise.

1. Term. The purchase right represented by this Warrant is exercisable, in whole or in part, at any time and from time to time from the Date of Grant through the later of (i) ten (10) years after the Date of Grant or (ii) five (5) years after the closing of the Company's initial public offering of its Common Stock effected pursuant to a Registration Statement on Form S-I (or its successor) filed under the Securities Act of 1933, as amended (the "Act").

2. Method of Exercise: Payment: Issuance of New Warrant. Subject to Section I hereof, the purchase right represented by this Warrant may be exercised by the holder hereof, in whole or in part and from time to time, at the election of the holder hereof, by (a) the surrender of this Warrant (with the notice of exercise substantially in the form attached hereto as Exhibit A duly completed and executed) at the principal office of the Company and by the payment to the Company, by certified or bank check, or by wire transfer to an account designated by the Company (a "Wire Transfer") of an amount equal to the then applicable Warrant Price multiplied by the number of Shares then being purchased, or (b) if in connection with a registered public offering of the Company's securities, the surrender of this Warrant (with the notice of exercise form attached hereto as Exhibit A- 1 duly completed and executed) at the principal office of the Company together with notice of arrangements reasonably satisfactory to the Company for payment to the Company either by certified or bank check or by Wire Transfer from the proceeds

of the sale of shares to be sold by the holder in such public offering of an amount equal to the then applicable Warrant Price per share multiplied by the number of Shares then being purchased, or (c) exercise of the right provided for in Section 10.3 hereof. The person or persons in whose name(s) any certificate's) representing the Shares shall be issuable upon exercise of this Warrant shall be deemed to have become the holder(s) of record of, and shall be treated for all purposes as the record holder(s) of, the shares represented thereby (and such shares shall be deemed to have been issued) immediately prior to the close of business on the date or dates upon which this Warrant is exercised. In the event of any exercise of the rights represented by this Warrant, certificates for the shares of stock so purchased shall be delivered to the holder hereof as soon as possible and in any event within thirty (30) days after such exercise and, unless this Warrant has been exercised or expired, a new Warrant representing the portion of the Shares, if any, with respect to which this Warrant shall not then have been exercised shall also be issued to the holder hereof as soon as possible and in any event within such thirty-day period.

3. Stock Fully Paid: Reservation of Shares. All Shares that may be issued upon the exercise of the rights represented by this Warrant will, upon issuance pursuant to the terms and conditions herein, be fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issue thereof. During the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized, and reserved for the purpose of the issue upon exercise of the purchase rights evidenced by this Warrant, a sufficient number of shares of its Common Stock to provide for the exercise of the rights represented by this Warrant.

4. Adjustment of Warrant Price and Number of Shares. The number and kind of securities purchasable upon the exercise of this Warrant and the Warrant Price shall be subject to adjustment from time to time upon the occurrence of certain events, as follows:

(a) Reclassification or Merger. In case of any reclassification or change of securities of the class issuable upon exercise of this Warrant (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any merger of the Company with or into another corporation (other than a merger with another corporation in which the Company is the acquiring and the surviving corporation and which does not result in any reclassification or change of outstanding securities issuable upon exercise of this Warrant), or in case of any sale of all or substantially all of the assets of the Company, the Company, or such successor or purchasing corporation, as the case may be, shall duly execute and deliver to the holder of this Warrant a new Warrant (in form and substance satisfactory to the holder of this Warrant), so that the holder of this Warrant shall have the right to receive, at a total purchase price not to exceed that payable upon the exercise of the unexercised portion of this Warrant, and in lieu of the shares of Common Stock theretofore issuable upon exercise of this Warrant, the kind and amount of shares of stock, other securities, money and property receivable upon such reclassification, change or merger by a holder of the number of shares of Common Stock then purchasable under this Warrant. Such new Warrant shall provide for adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 4. The provisions of this subparagraph (a) shall similarly apply to successive reclassifications, changes, mergers and transfers.

(b) Subdivision or Combination of Shares. If the Company at any time while this Warrant remains outstanding and unexpired shall subdivide or combine its outstanding shares of Common Stock, the Warrant Price shall be proportionately decreased in the case of a subdivision or increased in the case of a combination, effective at the close of business on the date the subdivision or combination becomes effective.

(c) Stock Dividends and Other Distribution. If the Company at any time while this Warrant is outstanding and unexpired shall (i) pay a dividend with respect to Common Stock payable in Common Stock, or (ii) make any other distribution of Common Stock with respect to Common Stock (except any distribution specifically provided for in Sections 4(a) and 4(b)), then the Warrant Price shall be adjusted, from and after the date of determination of shareholders entitled to receive such dividend or distribution, to that price determined by multiplying the Warrant Price in effect immediately prior to such date of determination by a fraction (i) the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution, and (ii) the denominator of which shall be the total number of shares of Common Stock outstanding immediately after such dividend or distribution.

(d) Adjustment of Number of Shares. Upon each adjustment in the Warrant Price, the number of Shares purchasable hereunder shall be adjusted, to the nearest whole share, to the product obtained by multiplying the number of Shares purchasable immediately prior to such adjustment in the Warrant Price by a fraction, the numerator of which shall be the Warrant Price immediately prior to such adjustment and the denominator of which shall be the Warrant Price immediately thereafter.

(e) Antidilution Rights. In the event that the "Series C Conversion Price" (as defined in the Company's Restated Certificate of Incorporation, as amended through the Date of Grant, a true and complete copy of which is attached hereto as Exhibit B (the "Charter")), is reduced from time to time after the Date of Grant pursuant to the antidilution rights applicable to the Series C Convertible Preferred Stock set forth in Section 2(f) of Article Fourth of the Charter (other than reductions covered by Sections 4(b) or 4(c) of this Warrant), then the same reduction shall be made forthwith to the Warrant Price, subject to proportionate adjustment to reflect any stock split or combination, stock dividend or similar event occurring after the Date of Grant. The intent of this Paragraph 4(e) is to provide the holder of this Warrant with the same antidilution protection as would have prevailed if this Warrant had entitled the holder hereof to purchase shares of the Company's Series C Convertible Preferred Stock (rather than Common Stock), as such antidilution protection is set forth in the Charter. Such antidilution rights shall not be amended, modified or waived in any manner that is materially adverse to the holder hereof without such holder's prior written consent, which consent shall not be unreasonably withheld or delayed. The Company shall provide the holder hereof with a copy of any restatement, amendment, modification or waiver of the Charter promptly after the same has been made.

5. Notice of Adjustments. Whenever the Warrant Price or the number of Shares purchasable hereunder shall be adjusted pursuant to Section 4 hereof, the Company shall make a certificate signed by its chief financial officer setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Warrant Price and the number of Shares purchasable hereunder after

giving effect to such adjustment, and shall cause copies of such certificate to be mailed (without regard to Section 13 hereof, by first class mall, postage prepaid) to the holder of this Warrant at such holder's last known address.

6. Fractional Shares. No fractional shares of Common Stock will be issued in connection with any exercise hereunder, but in lieu of such fractional shares the Company shall make a cash payment therefor based on the fair market value of the Common Stock on the date of exercise as reasonably determined in good faith by the Company's Board of Directors.

7. Compliance with Act: Disposition of Warrant or Shares of Common Stock.

(a) Compliance with Act. The holder of this Warrant, by acceptance hereof, agrees that this Warrant, and the Shares to be issued upon exercise hereof are being acquired for investment and that such holder will not offer, sell or otherwise dispose of this Warrant, or any Shares except under circumstances which will not result in a violation of the Act or any applicable state securities laws. Upon exercise of this Warrant, unless the Shares being acquired are registered under the Act and any applicable state securities laws or an exemption from such registration is available, the holder hereof shall confirm in writing that the Shares so purchased are being acquired for investment and not with a view toward distribution or resale in violation of the Act and shall confirm such other matters related thereto as may be reasonably requested by the Company. This Warrant and all Shares issued upon exercise of this Warrant (unless registered under the Act and any applicable state securities laws) shall be stamped or imprinted with a legend in substantially the following form:

"THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. NO SALE OR DISPOSITION MAY BE EFFECTED WITHOUT (i) EFFECTIVE REGISTRATION STATEMENTS RELATED THERETO, (ii) AN OPINION OF COUNSEL OR OTHER EVIDENCE, REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATIONS ARE NOT REQUIRED, (iii) RECEIPT OF NO-ACTION LETTERS FROM THE APPROPRIATE GOVERNMENTAL AUTHORITIES, OR (iv) OTHERWISE COMPLYING WITH THE PROVISIONS OF SECTION 7 OF THE WARRANT UNDER WHICH THESE SECURITIES WERE ISSUED, DIRECTLY OR INDIRECTLY."

Said legend shall be removed by the Company, upon the request of a holder, at such time as the restrictions on the transfer of the applicable security shall have terminated. In addition, in connection with the issuance of this Warrant, the holder specifically represents to the Company by acceptance of this Warrant as follows:

(i) The holder is aware of the Company's business affairs and financial condition, and has acquired information about the Company sufficient to reach an informed and knowledgeable decision to acquire this Warrant. The holder is acquiring this Warrant for its own account for investment purposes only and not with a view to, or for the resale in connection with, any "distribution" thereof in violation of the Act.

(ii) The holder understands that this Warrant has not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the holder's investment intent as expressed herein.

(iii) The holder further understands that this Warrant must be held indefinitely unless subsequently registered under the Act and qualified under any applicable state securities laws, or unless exemptions from registration and qualification are otherwise available. The holder is aware of the provisions of Rule 144, promulgated under the Act.

(b) Disposition of Warrant or Shares. With respect to any offer, sale or other disposition of this Warrant or any Shares acquired pursuant to the exercise of this Warrant prior to registration of such Warrant or Shares, the holder hereof agrees to give written notice to the Company prior thereto, describing briefly the manner thereof, together with a written opinion of such holder's counsel, or other evidence, if reasonably requested by the Company, to the effect that such offer, sale or other disposition may be effected without registration or qualification (under the Act as then in effect or any federal or state securities law then in effect) of this Warrant or the Shares and indicating whether or not under the Act certificates for this Warrant or the Shares to be sold or otherwise disposed of require any restrictive legend as to applicable restrictions on transferability in order to ensure compliance with such law. Promptly upon receiving such written notice and reasonably satisfactory opinion or other evidence, if so requested, the Company, as promptly as practicable but no later than fifteen (15) days after receipt of the written notice, shall notify such holder that such holder may sell or otherwise dispose of this Warrant or such Shares, all in accordance with the terms of the notice delivered to the Company. If a determination has been made pursuant to this Section 7(b) that the opinion of counsel for the holder or other evidence is not reasonably satisfactory to the Company, the Company shall so notify the holder promptly with details thereof after such determination has been made. Notwithstanding the foregoing, this Warrant or such Shares may, as to such federal laws, be offered, sold or otherwise disposed of in accordance with Rule 144 or 144A under the Act, provided that the Company shall have been furnished with such information as the Company may reasonably request to provide a reasonable assurance that the provisions of Rule 144 or 144A have been satisfied. Each certificate representing this Warrant or the Shares thus transferred (except a transfer pursuant to Rule 144 or 144A) shall bear a legend as to the applicable restrictions on transferability in order to ensure compliance with such laws, unless in the aforesaid opinion of counsel for the holder, such legend is not required in order to ensure compliance with such laws. The Company may issue stop transfer instructions to its transfer agent in connection with such restrictions.

(c) Applicability of Restrictions. Neither any restrictions of any legend described in this Warrant nor the requirements of Section 7(b) above shall apply to any transfer of, or grant of a security interest in, this Warrant (or the Common Stock obtainable upon exercise thereof) or any part hereof (i) to a partner of the holder if the holder is a partnership, (ii) to a partnership of which the holder is a partner, or (iii) to any affiliate of the holder if the holder is a corporation; provided, however, in any such transfer, if applicable, the transferee shall on the Company's request agree in writing to be bound by the terms of this Warrant as if an original signatory hereto.

8. Rights as Shareholders: Information. No holder of this Warrant, as such, shall be entitled to vote or receive dividends or be deemed the holder of Shares, nor shall anything contained herein be construed to confer upon the holder of this Warrant, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until this Warrant shall have been exercised and the Shares purchasable upon the exercise hereof shall have become deliverable, as provided herein. Notwithstanding the foregoing, the Company will transmit to the holder of this Warrant such information, documents and reports as are generally distributed to the holders of any class or series of the securities of the Company concurrently with the distribution thereof to the shareholders.

9. Registration Rights. The Company grants registration rights to the holder of this Warrant for any Common Stock of the Company obtained upon exercise hereof, comparable to the registration rights granted in that certain Second Amended and Restated Registration Rights Agreement dated as of April 8, 1997 (the "Registration Rights Agreement") to the Investors (as defined in the Registration Rights Agreement), with the following exceptions:

(i) The holder will have no demand registration rights.

(ii) The holder will be subject to the same provisions regarding indemnification as contained in the Registration Rights Agreement.

(iii) The registration rights are freely assignable by the holder of this Warrant.

10. Additional Rights.

10.1 Secondary Sales. The Company agrees that it will not interfere with the holder of this Warrant in obtaining liquidity if opportunities to make secondary sales of the Company's securities become available. To this end, the Company will promptly provide the holder of this Warrant with notice of any offer (of which it has knowledge) to acquire from the Company's security holders more than five percent (5%) of the total voting power of the Company and will not interfere with any attempt by the holder in arranging the sale of this Warrant to the person or persons making such offer.

10.2 Mergers. The Company shall provide the holder of this Warrant with at least thirty (30) days' notice of the terms and conditions of any of the following potential transactions: (i) the sale, lease, exchange, conveyance or other disposition of all or substantially all of the Company's property or business, or (ii) its merger into or consolidation with any other corporation (other than a wholly-owned subsidiary of the Company), or any transaction (including a merger or other reorganization) or series of related transactions, in which more than 50 % of the voting power of the Company is disposed of. The Company will cooperate with the holder in arranging the sale of this Warrant in connection with any such transaction.

10.3 Right to Convert Warrant into Stock: Net Issuance.

(a) Right to Convert. In addition to and without limiting the rights of the holder under the terms of this Warrant, the holder shall have the right to convert this Warrant or any portion thereof (the "Conversion Right") into shares of Common Stock as provided in this Section 10.3 at any time or from time to time during the term of this Warrant. Upon exercise of the Conversion Right with respect to a particular number of shares subject to this Warrant (the "Convened Warrant Shares"), the Company shall deliver to the holder (without payment by the holder of any exercise price or any cash or other consideration) (X) that number of shares of fully paid and nonassessable Common Stock equal to the quotient obtained by dividing the value of this Warrant (or the specified portion hereof on the Conversion Date (as defined in subsection (b) hereof), which value shall be determined by subtracting (A) the aggregate Warrant Price of the Converted Warrant Shares immediately prior to the exercise of the Conversion Right from (B) the aggregate fair market value of the Convened Warrant Shares issuable upon exercise of this Warrant (or the specified portion hereof) on the Conversion Date (as herein defined) by (Y) the fair market value of one share of Common Stock on the Conversion Date (as herein defined).

Expressed as a formula, such conversion shall be computed as follows:

$$X = \frac{B-A}{Y}$$

Where: X = the number of shares of Common Stock that may be issued to holder

Y = the fair market value (FMV) of one share of Common Stock

A = the aggregate Warrant Price (i.e. Converted Warrant Shares x Warrant Price)

B = the aggregate FMV (i.e., FMV x Converted Warrant Shares)

No fractional shares shall be issuable upon exercise of the Conversion Right, and, if the number of shares to be issued determined in accordance with the foregoing formula is other than a whole number, the Company shall pay to the holder an amount in cash equal to the fair market value of the resulting fractional share on the Conversion Date (as hereinafter defined). For purposes of Section 9 of this Warrant, shares issued pursuant to the Conversion Right shall be treated as if they were issued upon the conversion of this Warrant.

(b) Method of Exercise. The Conversion Right may be exercised by the holder by the surrender of this Warrant at the principal office of the Company together with a written statement specifying that the holder thereby intends to exercise the Conversion Right and indicating the number of shares subject to this Warrant which are being surrendered (referred to in Section 10.3(a) hereof as the Converted Warrant Shares) in exercise of the Conversion Right. Such conversion shall be effective upon receipt by the Company of this Warrant together with the aforesaid written statement, or on such later date as is specified therein (the "Conversion Date"), and, at the election of the holder hereof, may be made contingent upon the closing of the sale of the Company's Common Stock to the public in a public offering pursuant to a Registration Statement under the Act (a "Public Offering"). Certificates for the shares issuable

upon exercise of the Conversion Right and, if applicable, a new warrant evidencing the balance of the shares remaining subject to this Warrant, shall be issued as of the Conversion Date and shall be delivered to the holder within thirty (30) days following the Conversion Date.

(c) Determination of Fair Market Value. For purposes of this Section 10.3, "fair market value" of a share of Common Stock as of a particular date (the "Determination Date") shall mean:

(i) If the Conversion Right is exercised in connection with and contingent upon a Public Offering, and if the Company's Registration Statement relating to such Public Offering ("Registration Statement") has been declared effective by the SEC, then the initial "Price to Public" specified in the final prospectus with respect to such offering.

(ii) If the Conversion Right is not exercised in connection with and contingent upon a Public Offering, then as follows:

(A) If traded on a securities exchange, the fair market value of the Common Stock shall be deemed to be the average of the closing prices of the Common Stock on such exchange over the 30-day period ending five business days prior to the Determination Date;

(B) If traded over-the-counter, the fair market value of the Common Stock shall be deemed to be the average of the closing bid prices of the Common Stock over the 30-day period ending five business days prior to the Determination Date; and

(C) If there is no public market for the Common Stock, then fair market value shall be determined by mutual agreement of the holder of this Warrant and the Company.

11. Representations and Warranties. The Company represents and warrants to the holder of this Warrant as follows:

(a) This Warrant has been duly authorized and executed by the Company and is a valid and binding obligation of the Company enforceable in accordance with its terms, subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and the rules of law or principles at equity governing specific performance, injunctive relief and other equitable remedies;

(b) The Shares have been duly authorized and reserved for issuance by the Company and, when issued in accordance with the terms hereof will be validly issued, fully paid and non-assessable;

(c) The rights, preferences, privileges and restrictions granted to or imposed upon the classes and series of the Company's capital stock and the holders thereof are as set forth in the Charter and the Second Amended and Restated Securityholders' Agreement, dated as of April 8, 1997, among the Company and the Shareholders (as defined therein);

(d) The execution and delivery of this Warrant are not, and the issuance of the Shares upon exercise of this Warrant in accordance with the terms hereof will not be, inconsistent with the Company's Charter or by-laws, do not and will not contravene any law, governmental role or regulation, judgment or order applicable to the Company, and do not and will not conflict with or contravene any provision of, or constitute a default under, any indenture, mortgage, contract or other instrument of which the Company is a party or by which it is bound or require the consent or approval of, the giving of notice to, the registration or filing with or the taking of any action in respect of or by, any Federal, state or local government authority or agency or other person, except for the filing of notices pursuant to federal and state securities laws, which filings will be effected by the time required thereby; and

(e) There are no actions, suits, audits, investigations or proceedings pending or, to the knowledge of the Company, threatened against the Company in any court or before any governmental commission, board or authority which, if adversely determined, will have a material adverse effect on the ability of the Company to perform its obligations under this Warrant.

12. Modification and Waiver. This Warrant and any provision hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of the same is sought.

13. Notices. Any notice, request, communication or other document required or permitted to be given or delivered to the holder hereof or the Company shall be delivered, or shall be sent by certified or registered mail, postage prepaid, to each such holder at its address as shown on the books of the Company or to the Company at the address indicated therefor on the signature page of this Warrant.

14. Binding Effect on Successors. This Warrant shall be binding upon any corporation succeeding the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets, and all of the obligations of the Company relating to the Shares issuable upon the exercise or conversion of this Warrant shall survive the exercise, conversion and termination of this Warrant and all of the covenants and agreements of the Company shall inure to the benefit of the successors and assigns of the holder hereof. The Company will, at the time of the exercise or conversion of this Warrant, in whole or in part, upon request of the holder hereof but at the Company's expense, acknowledge in writing its continuing obligation to the holder hereof in respect of any rights (including, without limitation, any right to registration of the Shares) to which the holder hereof shall continue to be entitled after such exercise or conversion in accordance with this Warrant; provided, that the failure of the holder hereof to make any such request shall not affect the continuing obligation of the Company to the holder hereof in respect of such rights.

15. Lost Warrants or Stock Certificates. The Company covenants to the holder hereof that, upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant or any stock certificate and, in the case of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the case of any such mutilation upon surrender and cancellation of such Warrant or stock

certificate, the Company will make and deliver a new Warrant or stock certificate, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant or stock certificate.

16. Descriptive Headings. The descriptive headings of the several paragraphs of this Warrant are inserted for convenience only and do not constitute a part of this Warrant. The language in this Warrant shall be construed as to its fair meaning without regard to which party drafted this Warrant.

17. Governing Law. This Warrant shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of California; provided, however, that any matters herein dealing with the internal corporate governance of the Company or the rights, preferences and privileges applicable to the Company's capital stock shall be governed by the laws of the State of Delaware.

18. Survival of Representations. Warranties and Agreements. All representations and warranties of the Company and the holder hereof contained herein shall survive the Date of Grant, the exercise or conversion of this Warrant (or any part hereof) or the termination or expiration of rights hereunder. All agreements of the Company and the holder hereof contained herein shall survive indefinitely until, by their respective terms, they are no longer operative.

19. Remedies. In case any one or more of the covenants and agreements contained in this Warrant shall have been breached, the holders hereof (in the case of a breach by the Company), or the Company (in the case of a breach by a holder), may proceed to protect and enforce their or its rights either by suit in equity and/or by action at law, including, but not limited to, an action for damages as a result of (?)

20. No Impairment of Rights. The Company will not, by amendment of its Charter or through any other means, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the holder of this Warrant against impairment.

21. Severability. The invalidity or unenforceability of any provision of this Warrant in any jurisdiction shall not affect the validity or enforceability of such provision in any other jurisdiction, or affect any other provision of this Warrant, which shall remain in full force and effect.

22. Recovery of Litigation Costs. If any legal action or other proceeding is brought for the enforcement of this Warrant, or because of an alleged dispute, breach, default, or misrepresentation in connection with any of the provisions of this Warrant, the successful or prevailing party or parties shall be entitled to recover reasonable attorneys' fees and other costs incurred in that action or proceeding in addition to any other relief to which it or they may be entitled.

23. Entire Agreement: Modification. This Warrant constitutes the entire agreement between the parties pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations, and undertakings of the parties, whether oral or written, with respect to such subject matter.

EXELIXIS PHARMACEUTICALS, INC.,
a Delaware corporation

By: /s/ Remi Barbier

Remi Barbier, Chief Operating Officer

Address: 260 Littlefield Avenue
South San Francisco, CA 94080

EXHIBIT A

NOTICE OF EXERCISE

To: EXELIXIS PHARMACEUTICALS, INC. (the "Company")

1. The undersigned hereby:

[_] elects to purchase __ shares of Common Stock of the Company pursuant to the terms of the attached Warrant, and tenders herewith payment of the purchase price of such shares in full, or

[_] elects to exercise its net issuance rights pursuant to Section 10.3 of the attached Warrant with respect to __ shares of Common Stock.

2. Please issue a certificate or certificates representing said shares in the name of the undersigned or in such other name or names as are specified below:

_____
(Name)

_____

_____
(Address)

3. The undersigned represents that the aforesaid shares are being acquired for the account of the undersigned for investment and not with a view to, or for resale in connection with, the distribution thereof and that the undersigned has no present intention of distributing or reselling such shares, all except as in compliance with applicable securities laws.

_____
(Signature)

_____
(Date)

EXHIBIT A-1

NOTICE OF EXERCISE

To: EXELIXIS PHARMACEUTICALS, INC. (the "Company")

1. Contingent upon and effective immediately prior to the closing (the "Closing") of the Company's public offering contemplated by the Registration Statement on Form S_____ , filed _____, 19___, the undersigned hereby:

[_] elects to purchase shares of Common Stock of the Company (or such lesser number of shares as may be sold on behalf of the undersigned at the Closing) pursuant to the terms of the attached Warrant, or

[_] elects to exercise its net issuance rights pursuant to Section 10.3 of the attached Warrant with respect to ____ Shares of Common Stock.

2. Please deliver to the custodian for the selling shareholders a stock certificate representing such _____ shares.

3. The undersigned has instructed the custodian for the selling shareholders to deliver to the Company $___ or, if less, the net proceeds due the undersigned from the sale of shares in the aforesaid public offering. If such net proceeds are less than the purchase price for such shares, the undersigned agrees to deliver the difference to the Company prior to the Closing.

_____
(Signature)

_____
(Date)

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED UNLESS SUCH SALE OR TRANSFER IS IN ACCORDANCE WITH THE REGISTRATION REQUIREMENTS OF SUCH ACT AND APPLICABLE LAWS OR SOME OTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AND APPLICABLE LAWS IS AVAILABLE WITH RESPECT THERETO.

Exelixis Pharmaceuticals, Inc.

Common Stock Warrant

Warrant No. _____

For Value Received, Exelixis Pharmaceuticals, Inc., a Delaware corporation (the "Company"), with its principal office at 260 Littlefield Avenue, South San Francisco, CA 94080, hereby certifies that Bristow Investments, L.P., a California limited partnership [state] (the "Holder") is entitled, upon surrender of this Warrant with the notice of exercise annexed hereto duly executed at the principal office of the Company, to purchase from the Company 12,000 shares of common stock of the Company, subject to adjustment as provided in Section 4. Such shares shall be fully paid and nonassessable shares of Common Stock, $.001 par value, of the Company (the "Common Stock") purchased at a price per share of Three Dollars ($3.00) (the "Purchase Price"), subject to the provisions set forth herein. Until such time as this Warrant is exercised in full or expires, the Purchase Price and the securities issuable upon exercise of this Warrant are subject to adjustment as hereinafter provided. The person or persons on whose name or names any certificate representing shares of Common Stock is issued hereunder shall be deemed to have become Holder of record of the shares represented thereby as at the close of business on the date this Warrant is exercised with respect to such shares, whether or not the transfer books of the Company shall be closed. The shares of Common Stock deliverable upon such exercise, as adjusted from time to time, are hereinafter sometimes referred to as "Warrant Shares."

1. Term. The purchase right represented by this Warrant is exercisable, in whole or in part, at any time and from time to time from the date of grant through the date which is five (5) years after the closing of the Company's initial public offering of its Common Stock effected pursuant to a Registration Statement on Form S-1 (or its successor) filed under the Securities Act of 1933, as amended (the "Act").

2. Method of Exercise; Payment; Issuance of New Warrant.

2.1 General. Subject to Section 1 hereof, the purchase right represented by this Warrant may be exercised by Holder hereof, in whole or in part and from time to time, by the surrender of this Warrant (with the notice of exercise form attached hereto as Exhibit A duly executed) at the principal office of the Company and by the payment to the Company, by cash,

check or wire transfer, of an amount equal to the then applicable Purchase Price multiplied by the number of Warrant Shares then being purchased. The person or persons in whose name(s) any certificate(s) representing shares of Common Stock shall be issuable upon exercise of this Warrant shall be deemed to have become Holder(s) of record of, and shall be treated for all purposes as the record Holder(s) of, the shares represented thereby (and such shares shall be deemed to have been issued) immediately prior to the close of business on the date or dates upon which this Warrant is exercised. In the event of any exercise of the rights represented by this Warrant, certificates for the shares of stock so purchased shall be delivered to Holder hereof as soon as possible and in any event within thirty days after such exercise and, unless this Warrant has been fully exercised or expired, a new Warrant of like tenor representing the portion of the Warrant Shares, if any, with respect to which this Warrant shall not then have been exercised shall also be issued to Holder hereof as soon as possible and in any event within such thirty-day period.

2.2 Net Issue Exercise. Notwithstanding any provisions herein to the contrary, if the fair market value of one share of the Company's Common Stock is greater than the Purchase Price (at the date of calculation as set forth below), in lieu of exercising this Warrant for cash, Holder may elect to receive Warrant Shares equal to the value (as determined below) of this Warrant (or the portion thereof being canceled) by surrender of this Warrant (with the notice of exercise form attached hereto as Exhibit A duly executed) in which event the Company shall issue to Holder a number of Warrant Shares computed using the following formula:

$$X = \frac{Y\,(A-B)}{A}$$

Where X = the number of shares of Warrant Shares to be issued to Holder

Y = the number of Warrant Shares purchasable under the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being canceled (at the date of such calculation)

A = the fair market value of one share of the Company's Common Stock (at the date of such calculation)

B = the Purchase Price (as adjusted to the date of such calculation)

For purposes of the above calculation, fair market value of one share of Common Stock shall be determined as follows: (i) if the class of stock of which the Warrant Shares are a part is listed on a national stock exchange, on the NASDAQ National Market System or on any other over-the-counter market, then such fair market value shall be the closing price per share reported for such class on such national stock exchange or on the NASDAQ National Market System, or the average of the final "bid" and "asked" prices reported on such over-the-counter market, as applicable, at the close of business on the date of calculation, as reported in the Wall Street Journal; and (ii) if the class of stock of which the Warrant Shares are a part is not listed on

any national stock exchange, on the NASDAQ National Market System or on any other over-the-counter market, then the Board of Directors of the Company shall determine such fair market value as of the date of calculation in its reasonable good faith judgment, and shall (upon written request by Holder) advise Holder of such determination prior to any decision by the registered Holder to exercise its purchase rights under this Warrant.

3. Stock Fully Paid; Reservation of Shares. All Warrant Shares that may be issued upon the exercise of the rights represented by this Warrant will, upon issuance pursuant to the terms and conditions herein, be fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issue thereof. During the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized, and reserved for the purpose of the issue upon exercise of the purchase rights evidenced by this Warrant, a sufficient number of shares of its Common Stock to provide for the exercise of the rights represented by this Warrant. The Company will take all such actions as may be necessary to assure that such shares of Common Stock may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any domestic securities exchange upon which the Common Stock may be listed; provided, however, that the Company shall not be required to effect a registration under the Act or state securities laws with respect to such exercise. The covenant set forth in the immediately preceding sentence is based in part on the representations made by Holder in Section 7 and assumes no change in currently applicable law that would make such actions impracticable.

4. Adjustment of Purchase Price and Number of Shares. The number and kind of securities purchasable upon the exercise of this Warrant and the Purchase Price shall be subject to adjustment from time to time upon the occurrence of certain events, as follows:

4.1 Reclassification or Merger. In case of any reclassification, change or conversion of securities of the class issuable upon exercise of this Warrant (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any merger of the Company with or into another corporation (other than a merger with another corporation in which the Company is the acquiring and the surviving corporation and which does not result in any reclassification or change of outstanding securities issuable upon exercise of this Warrant), or in case of any sale of all or substantially all of the assets of the Company, the Company, or such successor or purchasing corporation, as the case may be, shall duly execute and deliver to Holder a new Warrant (in form and substance satisfactory to Holder), so that Holder shall have the right to receive, at a total purchase price not to exceed that payable upon the exercise of the unexercised portion of this Warrant, and in lieu of the shares of Common Stock theretofore issuable upon exercise of this Warrant, the kind and amount of shares of stock, other securities, money and property receivable upon such reclassification, change or merger by a Holder of the number of shares of Common Stock then purchasable under this Warrant. Such new Warrant shall provide for adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 4. The provisions of this Section 4.1 shall similarly apply to successive reclassifications, changes, mergers and transfers.

4.2 Subdivision or Combination of Shares. If the Company at any time while this Warrant remains outstanding and unexpired shall subdivide or combine its outstanding

shares of Common Stock, the Purchase Price shall be proportionately decreased in the case of a subdivision or increased in the case of a combination, effective at the close of business on the date the subdivision or combination becomes effective.

4.3 Stock Dividends and Other Distributions. If the Company at any time while this Warrant is outstanding and unexpired shall (i) pay a dividend with respect to Common Stock payable in Common Stock, or (ii) make any other distribution with respect to Common Stock (except any distribution specifically provided for in the foregoing subparagraphs (a) and (b)) of Common Stock, then the Purchase Price shall be adjusted, from and after the date of determination of shareholders entitled to receive such dividend or distribution, to that price determined by multiplying the Purchase Price in effect immediately prior to such date of determination by a fraction (i) the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution, and (ii) the denominator of which shall be the total number of shares of Common Stock outstanding immediately after such dividend or distribution.

4.4 Adjustment of Number of Shares. Upon each adjustment in the Purchase Price, the number of Warrant Shares purchasable hereunder shall be adjusted, to the nearest whole share, to the product obtained by multiplying the number of Warrant Shares purchasable immediately prior to such adjustment in the Purchase Price by a fraction, the numerator of which shall be the Purchase Price immediately prior to such adjustment and the denominator of which shall be the Purchase Price immediately thereafter.

5. Notice of Certain Events

5.1 Notice of Adjustments. Whenever the Purchase Price or the number of Warrant Shares purchasable hereunder shall be adjusted pursuant to Section 4 hereof, the Company shall make a certificate signed by its chief financial officer setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Purchase Price and the number of Warrant Shares purchasable hereunder after giving effect to such adjustment, shall be mailed (without regard to Section 8.2 hereof, by first class mail, postage prepaid) to Holder.

5.2 Other Notices. If at any time:

(a) the Company shall declare any cash dividend upon its Common Stock;

(b) the Company shall declare any dividend upon its Common Stock payable in stock or make any special dividend or other distribution to the holders of its Common Stock;

(c) the Company shall offer for subscription pro rata to all holders of its Common Stock any additional shares of stock of any class or other rights;

(d) there shall be any capital reorganization or reclassification of the capital stock of the Company, or consolidation or merger of the Company with, or sale of all or substantially all of its assets to, another corporation or other entity;

(e) there shall be a voluntary or involuntary dissolution, liquidation or winding-up of the Company; or

(f) there shall be an initial public offering of Company securities;

then, in any one or more of said cases, the Company shall give, by first class mail, postage prepaid, addressed to Holder at the address of Holder as shown on the books of the Company, (1) at least ten (10) days' prior written notice of the date on which the books of the Company shall close or a record shall be taken for such dividend, distribution, or subscription rights or for determining rights to vote in respect of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation, winding-up or public offering, and (2) in the case of any such event, at least ten (10) days' prior written notice of the date when the same shall take place, provided, however, Holder shall make a best efforts attempt to respond to such notice as early as possible after the receipt thereof. Any notice given in accordance with the foregoing clause (1) shall also specify, in the case of any such dividend, distribution or subscription rights, the date on which the holders of Common Stock shall be entitled thereto. Any notice given in accordance with the foregoing clause (2) shall also specify the date on which the holders of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation, winding-up, conversion or public offering, as the case may be.

6. Fractional Interest. In no event shall any fractional share of Common Stock be issued upon any exercise of this Warrant. If, upon exercise of this Warrant as an entirety, Holder would, except as provided in this Section 6, be entitled to receive a fractional share of Common Stock, then the Company shall issue the next higher number of full shares of Common Stock, issuing a full share with respect to such fractional share.

7. Compliance with Securities Act; Disposition of Warrant or Shares of Common Stock.

7.1 Compliance with Securities Act. Holder, by acceptance hereof, agrees that this Warrant, and the shares of Common Stock to be issued upon exercise hereof are being acquired for investment and that Holder will not offer, sell or otherwise dispose of this Warrant, or any shares of Common Stock to be issued upon exercise hereof except under circumstances which will not result in a violation of the Act. Upon exercise of this Warrant, unless the Warrant Shares being acquired are registered under the Act or an exemption from such registration is available, Holder shall confirm in writing that the shares of Common Stock so purchased are being acquired for investment and not with a view toward distribution or resale. This Warrant and all shares of Common Stock issued upon exercise of this Warrant (unless registered under the Act) shall be stamped or imprinted with a legend in substantially the following form:

"THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. NO SALE OR DISPOSITION MAY BE EFFECTED WITHOUT (i) EFFECTIVE REGISTRATION STATEMENTS RELATED THERETO, (ii) AN OPINION OF COUNSEL FOR HOLDER,

REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH REGISTRATIONS ARE NOT REQUIRED, (iii) RECEIPT OF NO-ACTION LETTERS FROM THE APPROPRIATE GOVERNMENTAL AUTHORITIES, OR (iv) OTHERWISE COMPLYING WITH THE PROVISIONS OF SECTION 7 OF THE WARRANT UNDER WHICH THESE SECURITIES WERE ISSUED, DIRECTLY OR INDIRECTLY."

7.2 Representations of Holder. In addition, in connection with the issuance of this Warrant, Holder specifically represents to the Company by acceptance of this Warrant as follows:

(a) Holder is aware of the Company's business affairs and financial condition, and has acquired information about the Company sufficient to reach an informed and knowledgeable decision to acquire this Warrant. Holder is acquiring this Warrant for its own account for investment purposes only and not with a view to, or for the resale in connection with, any "distribution" thereof for purposes of the Act .

(b) Holder understands that this Warrant has not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Holder's investment intent as expressed herein. In this connection, Holder understands that, in the view of the SEC, the statutory basis for such exemption may be unavailable if Holder's representation was predicated solely upon a present intention to hold the Warrant for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Warrant, or for a period of one year or any other fixed period in the future.

(c) Holder further understands that this Warrant must be held indefinitely unless subsequently registered under the Act and any applicable state securities laws, or unless exemptions from registration are otherwise available. Moreover, Holder understands that the Company is under no obligation to register this Warrant.

(d) Holder is aware of the provisions of Rule 144 and 144A, promulgated under the Act, which, in substance, permit limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer thereof (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions, if applicable, including, among other things: The availability of certain public information about the Company, the resale occurring not less than two years after the party has purchased and paid for the securities to be sold; the sale being made through a broker in an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934, as amended) and the amount of securities being sold during any three-month period not exceeding the specified limitations stated therein.

(e) Holder further understands that at the time it wishes to sell this Warrant there may be no public market upon which to make such a sale, and that, even if such a public market then exists, the Company may not be satisfying the current public information requirements of Rule 144 and 144A, and that, in such event, Holder may be precluded from

selling this Warrant under Rule 144 and 144A even if the two-year minimum holding period had been satisfied.

(f) Holder further understands that in the event all of the requirements of Rule 144 and 144A are not satisfied, registration under the Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rule 144 and 144A are not exclusive, the Staff of the SEC has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rule 144 and 144A will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk.

7.3 Disposition of Warrant or Shares. With respect to any offer, sale or other disposition of this Warrant or any shares of Common Stock acquired pursuant to the exercise of this Warrant prior to registration of such Warrant or shares, Holder hereof and each subsequent Holder agrees to give written notice to the Company prior thereto, describing briefly the manner thereof, together with a written opinion of Holder's counsel, if reasonably requested by the Company, to the effect that such offer, sale or other disposition may be effected without registration or qualification (under the Act as then in effect or any federal or state law then in effect) of this Warrant or such shares of Common Stock and indicating whether or not under the Act certificates for this Warrant or such shares of Common Stock to be sold or otherwise disposed of require any restrictive legend as to applicable restrictions on transferability in order to ensure compliance with such law. Promptly upon receiving such written notice and reasonably satisfactory opinion, if so requested, the Company, as promptly as practicable, shall notify Holder that Holder may sell or otherwise dispose of this Warrant or such shares of Common Stock, all in accordance with the terms of the notice delivered to the Company. If a determination has been made pursuant to this Section 7.3 that the opinion of counsel for Holder is not reasonably satisfactory to the Company, the Company shall so notify Holder promptly after such determination has been made and shall specify in detail the legal analysis supporting any such conclusion. Notwithstanding the foregoing, this Warrant or such shares of Common Stock may, as to such federal laws, be offered, sold or otherwise disposed of in accordance with Rule 144 or 144A under the Act, provided that the Company shall have been furnished with such information as the Company may reasonably request to provide a reasonable assurance that the provisions of Rule 144 or 144A have been satisfied. Each certificate representing this Warrant or the shares of Common Stock thus transferred (except a transfer pursuant to Rule 144 or 144A) shall bear a legend as to the applicable restrictions on transferability in order to ensure compliance with such laws, unless in the aforesaid opinion of counsel for Holder, such legend is not required in order to ensure compliance with such laws. The Company may issue stop transfer instructions to its transfer agent in connection with such restrictions.

7.4 Excepted Transfers. Neither any restrictions of any legend described in this Warrant nor the requirements of Section 7.3 above shall apply to any transfer without any additional consideration of, or grant of a security interest in, this Warrant or any part hereof (i) to a partner of Holder if Holder is a partnership, (ii) by Holder to a partnership of which Holder is a general partner, or (iii) to any affiliate of Holder if Holder is a corporation; provided, however, in

any such transfer, the transferee shall on the Company's request agree in writing to be bound by the terms of this Warrant as if an original signatory hereto.

7.5 Rights as Shareholders; Information. Holder shall not be entitled to vote or receive dividends or be deemed a holder of Common Stock or any other securities of the Company which may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon Holder, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until this Warrant shall have been exercised and the Warrant Shares purchasable upon the exercise hereof shall have become deliverable, as provided herein. Notwithstanding the foregoing, the Company will transmit to Holder such information, documents and reports as are generally distributed to holders of any class or series of the securities of the Company concurrently with the distribution thereof to the shareholders and will, upon written request by Holder to the Chief Financial Officer of the Company from time to time (but not more often than twice in any 12-month period) provide to Holder copies of the following documents within a reasonable time after such request (but in all events only to the extent that, and no sooner than the time that, such documents have been made available to the Company's stockholders): (i) the Company's most recent audited annual financial statements or, if audited statements are not available, then the Company's unaudited annual financial statements as of the end of the Company's most recently ended fiscal year and (ii) unaudited quarterly financial statements for each quarter of the Company's fiscal year since the date of the annual financial statements delivered pursuant to clause (i) above. Notwithstanding the preceding sentence, during any period in which the Company has outstanding a class of publicly-traded securities or is for any reason a reporting company under the Securities Exchange Act of 1934, it shall be sufficient compliance to provide copies of its most recent Form 10-K and annual report, any Form 10-Qs and/or 8-Ks filed by the Company with the SEC since the date of such Form 10-K, and any proxy statements.

7.6 Market Standoff. Holder, by acceptance hereof, agrees that Holder will not, without the prior written consent of the lead underwriter of the initial public offering of the Common Stock of the Company pursuant to a Public Offering, directly or indirectly offer to sell, contract to sell (including, without limitation, any short sale), grant any option for the sale of, acquire any option to dispose of, or otherwise dispose of any Warrant Shares for a period of 180 days following the day on which the registration statement filed on behalf of the Company in connection with the Public Offering shall become effective by order of the SEC.

8. Miscellaneous

8.1 Modification and Waiver. This Warrant and any provision hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of the same is sought.

8.2 Notices. Any notice, request, communication or other document required or permitted to be given or delivered to Holder hereof or the Company shall be delivered, or shall be sent by certified or registered mail, postage prepaid, to Holder at its address as shown on the

books of the Company or to the Company at the address indicated therefor on the signature page of this Warrant.

8.3 Binding Effect on Successors. This Warrant shall be binding upon any corporation succeeding the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets, and all of the obligations of the Company relating to the Common Stock issuable upon the exercise or conversion of this Warrant shall survive the exercise, conversion and termination of this Warrant and all of the covenants and agreements of the Company shall inure to the benefit of the successors and assigns of Holder hereof. The Company will, at the time of the exercise or conversion of this Warrant, in whole or in part, upon request of Holder hereof but at the Company's expense, acknowledge in writing its continuing obligation to Holder hereof in respect of any rights (including, without limitation, any right to registration of the shares of Registrable Securities) to which Holder hereof shall continue to be entitled after such exercise or conversion in accordance with this Warrant; provided, that the failure of Holder hereof to make any such request shall not affect the continuing obligation of the Company to Holder hereof in respect of such rights.

8.4 Lost Warrants or Stock Certificates. The Company covenants to Holder hereof that, upon receipt of evidence reasonably satisfactory to the Company (such as an affidavit of Holder) of the loss, theft, destruction or mutilation of this Warrant or any stock certificate and, in the case of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the case of any such mutilation upon surrender and cancellation of such Warrant or stock certificate, the Company will make and deliver a new Warrant or stock certificate, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant or stock certificate.

8.5 Descriptive Headings. The descriptive headings of the several paragraphs of this Warrant are inserted for convenience only and do not constitute a part of this Warrant.

8.6 Governing Law. This Warrant shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of California.

8.7 Survival of Representations, Warranties and Agreements. All representations and warranties of the Company and Holder hereof contained herein shall survive the date of grant, the exercise or conversion of this Warrant (or any part hereof) or the termination or expiration of rights hereunder. All agreements of the Company and Holder hereof contained herein shall survive indefinitely until, by their respective terms, they are no longer operative.

8.8 Remedies. In case any one or more of the covenants and agreements contained in this Warrant shall have been breached, Holder (in the case of a breach by the Company), or the Company (in the case of a breach by Holder), may proceed to protect and enforce their or its rights either by suit in equity and/or by action at law, including, but not limited to, an action for damages as a result of any such breach and/or an action for specific performance of any such covenant or agreement contained in this Warrant.

8.9 Acceptance. Receipt of this Warrant by Holder hereof shall constitute acceptance of and agreement to the foregoing terms and conditions.

8.10 No Impairment of Rights. The Company will not, by amendment of its Certificate of Incorporation or through any other means, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of Holder against impairment.

8.11 Entire Agreement. This Warrant constitutes the entire agreement between the parties pertaining to the subject matter herein and supersedes all prior and contemporaneous agreements, representation and undertakings of the parties.

8.12 Attorneys' Fees. In any litigation, arbitration or other legal proceeding between the Company and Holder relating to or arising out of this Warrant, the prevailing party shall be entitled to recover all its fees, costs and expenses incurred in connection with such proceeding, including (but not limited to) reasonable fees and expenses of attorneys and accountants and including (but not limited to) all such fees, costs and expenses incurred in connection with any appeals and/or in connection with the enforcement of any judgment or award rendered in such proceeding.

In Witness Whereof, the Company has duly caused this Warrant to be signed by its duly authorized officer and to be dated as of _____, 1999.

Exelixis Pharmaceuticals, Inc.

By: /s/ George Scangos

Name: George Scangos
Title: Chief Executive Officer

EXHIBIT A

Subscription Form

Dated _____, _____

Exelixis Pharmaceuticals, Inc.
260 Littlefield Avenue
South San Francisco, CA 94080
Attention: Chief Executive Officer

Ladies and Gentlemen:

_____ The undersigned hereby elects to exercise the warrant issued to it by Exelixis Pharmaceuticals, Inc. (the "Company") and dated May ___, 1999, Warrant No. ___ (the "Warrant") and to purchase thereunder _____ shares of the Common Stock of the Company (the "Shares") at a purchase price of _____ _____ Dollars ($_____) per Share or an aggregate purchase price of _____ Dollars ($_____) (the "Purchase Price"); or

_____ The undersigned hereby elects to convert _____ percent (___%) of the value of the Warrant pursuant to the provisions of Section 2.2 of the Warrant.

Pursuant to the terms of the Warrant the undersigned has delivered the Purchase Price herewith in full in cash or by certified check or wire transfer (unless the second alternative above has been marked).

Very truly yours,

_____

By:_____

Title:_____

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED UNLESS SUCH SALE OR TRANSFER IS IN ACCORDANCE WITH THE REGISTRATION REQUIREMENTS OF SUCH ACT AND APPLICABLE LAWS OR SOME OTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AND APPLICABLE LAWS IS AVAILABLE WITH RESPECT THERETO.

Exelixis Pharmaceuticals, Inc.

Common Stock Warrant

Warrant No. _____

For Value Received, Exelixis Pharmaceuticals, Inc., a Delaware corporation (the "Company"), with its principal office at 260 Littlefield Avenue, South San Francisco, CA 94080, hereby certifies that Slough Estates USA, Inc. a Delaware corporation (the "Holder") is entitled, upon surrender of this Warrant with the notice of exercise annexed hereto duly executed at the principal office of the Company, to purchase from the Company 135,000 shares of common stock of the Company, subject to adjustment as provided in Section 4. Such shares shall be fully paid and nonassessable shares of Common Stock, $.001 par value, of the Company (the "Common Stock") purchased at a price per share of Three Dollars ($3.00) (the "Purchase Price"), subject to the provisions set forth herein. Until such time as this Warrant is exercised in full or expires, the Purchase Price and the securities issuable upon exercise of this Warrant are subject to adjustment as hereinafter provided. The person or persons on whose name or names any certificate representing shares of Common Stock is issued hereunder shall be deemed to have become Holder of record of the shares represented thereby as at the close of business on the date this Warrant is exercised with respect to such shares, whether or not the transfer books of the Company shall be closed. The shares of Common Stock deliverable upon such exercise, as adjusted from time to time, are hereinafter sometimes referred to as "Warrant Shares."

1. Term. The purchase right represented by this Warrant is exercisable, in whole or in part, at any time and from time to time from the date of grant through the date which is five (5) years after the closing of the Company's initial public offering of its Common Stock effected pursuant to a Registration Statement on Form S-1 (or its successor) filed under the Securities Act of 1933, as amended (the "Act").

2. Method of Exercise; Payment; Issuance of New Warrant.

2.1 General. Subject to Section 1 hereof, the purchase right represented by this Warrant may be exercised by Holder hereof, in whole or in part and from time to time, by the surrender of this Warrant (with the notice of exercise form attached hereto as Exhibit A duly executed) at the principal office of the Company and by the payment to the Company, by check,cash, check or wire transfer, of an amount equal to the then applicable Purchase Price multiplied by

the number of Warrant Shares then being purchased. The person or persons in whose name(s) any certificate(s) representing shares of Common Stock shall be issuable upon exercise of this Warrant shall be deemed to have become Holder(s) of record of, and shall be treated for all purposes as the record Holder(s) of, the shares represented thereby (and such shares shall be deemed to have been issued) immediately prior to the close of business on the date or dates upon which this Warrant is exercised. In the event of any exercise of the rights represented by this Warrant, certificates for the shares of stock so purchased shall be delivered to Holder hereof as soon as possible and in any event within thirty days after such exercise and, unless this Warrant has been fully exercised or expired, a new Warrant of like tenor representing the portion of the Warrant Shares, if any, with respect to which this Warrant shall not then have been exercised shall also be issued to Holder hereof as soon as possible and in any event within such thirty-day period.

2.2 Net Issue Exercise. Notwithstanding any provisions herein to the contrary, if the fair market value of one share of the Company's Common Stock is greater than the Purchase Price (at the date of calculation as set forth below), in lieu of exercising this Warrant for cash, Holder may elect to receive Warrant Shares equal to the value (as determined below) of this Warrant (or the portion thereof being canceled) by surrender of this Warrant (with the notice of exercise form attached hereto as Exhibit A duly executed) in which event the Company shall issue to Holder a number of Warrant Shares computed using the following formula:

$$X = \frac{Y\,(A-B)}{A}$$

Where X = the number of shares of Warrant Shares to be issued to Holder

Y = the number of Warrant Shares purchasable under the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being canceled (at the date of such calculation)

A = the fair market value of one share of the Company's Common Stock (at the date of such calculation)

B = the Purchase Price (as adjusted to the date of such calculation)

For purposes of the above calculation, fair market value of one share of Common Stock shall be determined as follows: (i) if the class of stock of which the Warrant Shares are a part is listed on a national stock exchange, on the NASDAQ National Market System or on any other over-the-counter market, then such fair market value shall be the closing price per share reported for such class on such national stock exchange or on the NASDAQ National Market System, or the average of the final "bid" and "asked" prices reported on such over-the-counter market, as applicable, at the close of business on the date of calculation, as reported in the Wall Street Journal; and (ii) if the class of stock of which the Warrant Shares are a part is not listed on any national stock exchange, on the NASDAQ National Market System or on any other over-the-

counter market, then the Board of Directors of the Company shall determine such fair market value as of the date of calculation in its reasonable good faith judgment, and shall (upon written request by Holder) advise Holder of such determination prior to any decision by the registered Holder to exercise its purchase rights under this Warrant.

3. Stock Fully Paid; Reservation of Shares. All Warrant Shares that may be issued upon the exercise of the rights represented by this Warrant will, upon issuance pursuant to the terms and conditions herein, be fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issue thereof. During the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized, and reserved for the purpose of the issue upon exercise of the purchase rights evidenced by this Warrant, a sufficient number of shares of its Common Stock to provide for the exercise of the rights represented by this Warrant. The Company will take all such actions as may be necessary to assure that such shares of Common Stock may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any domestic securities exchange upon which the Common Stock may be listed; provided, however, that the Company shall not be required to effect a registration under the Act or state securities laws with respect to such exercise. The covenant set forth in the immediately preceding sentence is based in part on the representations made by Holder in Section 7 and assumes no change in currently applicable law that would make such actions impracticable.

4. Adjustment of Purchase Price and Number of Shares. The number and kind of securities purchasable upon the exercise of this Warrant and the Purchase Price shall be subject to adjustment from time to time upon the occurrence of certain events, as follows:

4.1 Reclassification or Merger. In case of any reclassification, change or conversion of securities of the class issuable upon exercise of this Warrant (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any merger of the Company with or into another corporation (other than a merger with another corporation in which the Company is the acquiring and the surviving corporation and which does not result in any reclassification or change of outstanding securities issuable upon exercise of this Warrant), or in case of any sale of all or substantially all of the assets of the Company, the Company, or such successor or purchasing corporation, as the case may be, shall duly execute and deliver to Holder a new Warrant (in form and substance satisfactory to Holder), so that Holder shall have the right to receive, at a total purchase price not to exceed that payable upon the exercise of the unexercised portion of this Warrant, and in lieu of the shares of Common Stock theretofore issuable upon exercise of this Warrant, the kind and amount of shares of stock, other securities, money and property receivable upon such reclassification, change or merger by a Holder of the number of shares of Common Stock then purchasable under this Warrant. Such new Warrant shall provide for adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 4. The provisions of this Section 4.1 shall similarly apply to successive reclassifications, changes, mergers and transfers.

4.2 Subdivision or Combination of Shares. If the Company at any time while this Warrant remains outstanding and unexpired shall subdivide or combine its outstanding shares of Common Stock, the Purchase Price shall be proportionately decreased in the case of a

subdivision or increased in the case of a combination, effective at the close of business on the date the subdivision or combination becomes effective.

4.3 Stock Dividends and Other Distributions. If the Company at any time while this Warrant is outstanding and unexpired shall (i) pay a dividend with respect to Common Stock payable in Common Stock, or (ii) make any other distribution with respect to Common Stock (except any distribution specifically provided for in the foregoing subparagraphs (a) and (b)) of Common Stock, then the Purchase Price shall be adjusted, from and after the date of determination of shareholders entitled to receive such dividend or distribution, to that price determined by multiplying the Purchase Price in effect immediately prior to such date of determination by a fraction (i) the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution, and (ii) the denominator of which shall be the total number of shares of Common Stock outstanding immediately after such dividend or distribution.

4.4 Adjustment of Number of Shares. Upon each adjustment in the Purchase Price, the number of Warrant Shares purchasable hereunder shall be adjusted, to the nearest whole share, to the product obtained by multiplying the number of Warrant Shares purchasable immediately prior to such adjustment in the Purchase Price by a fraction, the numerator of which shall be the Purchase Price immediately prior to such adjustment and the denominator of which shall be the Purchase Price immediately thereafter.

5. Notice of Certain Events

5.1 Notice of Adjustments. Whenever the Purchase Price or the number of Warrant Shares purchasable hereunder shall be adjusted pursuant to Section 4 hereof, the Company shall make a certificate signed by its chief financial officer setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Purchase Price and the number of Warrant Shares purchasable hereunder after giving effect to such adjustment, shall be mailed (without regard to Section 8.2 hereof, by first class mail, postage prepaid) to Holder.

5.2 Other Notices. If at any time:

(a) the Company shall declare any cash dividend upon its Common Stock;

(b) the Company shall declare any dividend upon its Common Stock payable in stock or make any special dividend or other distribution to the holders of its Common Stock;

(c) the Company shall offer for subscription pro rata to all holders of its Common Stock any additional shares of stock of any class or other rights;

(d) there shall be any capital reorganization or reclassification of the capital stock of the Company, or consolidation or merger of the Company with, or sale of all or substantially all of its assets to, another corporation or other entity;

(e) there shall be a voluntary or involuntary dissolution, liquidation or winding-up of the Company; or

(f) there shall be an initial public offering of Company securities;

then, in any one or more of said cases, the Company shall give, by first class mail, postage prepaid, addressed to Holder at the address of Holder as shown on the books of the Company, (1) at least ten (10) days' prior written notice of the date on which the books of the Company shall close or a record shall be taken for such dividend, distribution, or subscription rights or for determining rights to vote in respect of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation, winding-up or public offering, and (2) in the case of any such event, at least ten (10) days' prior written notice of the date when the same shall take place, provided, however, Holder shall make a best efforts attempt to respond to such notice as early as possible after the receipt thereof. Any notice given in accordance with the foregoing clause (1) shall also specify, in the case of any such dividend, distribution or subscription rights, the date on which the holders of Common Stock shall be entitled thereto. Any notice given in accordance with the foregoing clause (2) shall also specify the date on which the holders of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation, winding-up, conversion or public offering, as the case may be.

6. Fractional Interest. In no event shall any fractional share of Common Stock be issued upon any exercise of this Warrant. If, upon exercise of this Warrant as an entirety, Holder would, except as provided in this Section 6, be entitled to receive a fractional share of Common Stock, then the Company shall issue the next higher number of full shares of Common Stock, issuing a full share with respect to such fractional share.

7. Compliance with Securities Act; Disposition of Warrant or Shares of Common Stock.

7.1 Compliance with Securities Act. Holder, by acceptance hereof, agrees that this Warrant, and the shares of Common Stock to be issued upon exercise hereof are being acquired for investment and that Holder will not offer, sell or otherwise dispose of this Warrant, or any shares of Common Stock to be issued upon exercise hereof except under circumstances which will not result in a violation of the Act. Upon exercise of this Warrant, unless the Warrant Shares being acquired are registered under the Act or an exemption from such registration is available, Holder shall confirm in writing that the shares of Common Stock so purchased are being acquired for investment and not with a view toward distribution or resale. This Warrant and all shares of Common Stock issued upon exercise of this Warrant (unless registered under the Act) shall be stamped or imprinted with a legend in substantially the following form:

"THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. NO SALE OR DISPOSITION MAY BE EFFECTED WITHOUT (i) EFFECTIVE REGISTRATION STATEMENTS RELATED THERETO, (ii) AN OPINION OF COUNSEL FOR HOLDER, REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH

REGISTRATIONS ARE NOT REQUIRED, (iii) RECEIPT OF NO-ACTION LETTERS FROM THE APPROPRIATE GOVERNMENTAL AUTHORITIES, OR (iv) OTHERWISE COMPLYING WITH THE PROVISIONS OF SECTION 7 OF THE WARRANT UNDER WHICH THESE SECURITIES WERE ISSUED, DIRECTLY OR INDIRECTLY."

7.2 Representations of Holder. In addition, in connection with the issuance of this Warrant, Holder specifically represents to the Company by acceptance of this Warrant as follows:

(a) Holder is aware of the Company's business affairs and financial condition, and has acquired information about the Company sufficient to reach an informed and knowledgeable decision to acquire this Warrant. Holder is acquiring this Warrant for its own account for investment purposes only and not with a view to, or for the resale in connection with, any "distribution" thereof for purposes of the Act.

(b) Holder understands that this Warrant has not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Holder's investment intent as expressed herein. In this connection, Holder understands that, in the view of the SEC, the statutory basis for such exemption may be unavailable if Holder's representation was predicated solely upon a present intention to hold the Warrant for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Warrant, or for a period of one year or any other fixed period in the future.

(c) Holder further understands that this Warrant must be held indefinitely unless subsequently registered under the Act and any applicable state securities laws, or unless exemptions from registration are otherwise available. Moreover, Holder understands that the Company is under no obligation to register this Warrant.

(d) Holder is aware of the provisions of Rule 144 and 144A, promulgated under the Act, which, in substance, permit limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer thereof (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions, if applicable, including, among other things: The availability of certain public information about the Company, the resale occurring not less than two years after the party has purchased and paid for the securities to be sold; the sale being made through a broker in an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934, as amended) and the amount of securities being sold during any three-month period not exceeding the specified limitations stated therein.

(e) Holder further understands that at the time it wishes to sell this Warrant there may be no public market upon which to make such a sale, and that, even if such a public market then exists, the Company may not be satisfying the current public information requirements of Rule 144 and 144A, and that, in such event, Holder may be precluded from selling this Warrant under Rule 144 and 144A even if the two-year minimum holding period had been satisfied.

(f) Holder further understands that in the event all of the requirements of Rule 144 and 144A are not satisfied, registration under the Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rule 144 and 144A are not exclusive, the Staff of the SEC has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rule 144 and 144A will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk.

7.3 Disposition of Warrant or Shares. With respect to any offer, sale or other disposition of this Warrant or any shares of Common Stock acquired pursuant to the exercise of this Warrant prior to registration of such Warrant or shares, Holder hereof and each subsequent Holder agrees to give written notice to the Company prior thereto, describing briefly the manner thereof, together with a written opinion of Holder's counsel, if reasonably requested by the Company, to the effect that such offer, sale or other disposition may be effected without registration or qualification (under the Act as then in effect or any federal or state law then in effect) of this Warrant or such shares of Common Stock and indicating whether or not under the Act certificates for this Warrant or such shares of Common Stock to be sold or otherwise disposed of require any restrictive legend as to applicable restrictions on transferability in order to ensure compliance with such law. Promptly upon receiving such written notice and reasonably satisfactory opinion, if so requested, the Company, as promptly as practicable, shall notify Holder that Holder may sell or otherwise dispose of this Warrant or such shares of Common Stock, all in accordance with the terms of the notice delivered to the Company. If a determination has been made pursuant to this Section 7.3 that the opinion of counsel for Holder is not reasonably satisfactory to the Company, the Company shall so notify Holder promptly after such determination has been made and shall specify in detail the legal analysis supporting any such conclusion. Notwithstanding the foregoing, this Warrant or such shares of Common Stock may, as to such federal laws, be offered, sold or otherwise disposed of in accordance with Rule 144 or 144A under the Act, provided that the Company shall have been furnished with such information as the Company may reasonably request to provide a reasonable assurance that the provisions of Rule 144 or 144A have been satisfied. Each certificate representing this Warrant or the shares of Common Stock thus transferred (except a transfer pursuant to Rule 144 or 144A) shall bear a legend as to the applicable restrictions on transferability in order to ensure compliance with such laws, unless in the aforesaid opinion of counsel for Holder, such legend is not required in order to ensure compliance with such laws. The Company may issue stop transfer instructions to its transfer agent in connection with such restrictions.

7.4 Excepted Transfers. Neither any restrictions of any legend described in this Warrant nor the requirements of Section 7.3 above shall apply to any transfer without any additional consideration of, or grant of a security interest in, this Warrant or any part hereof (i) to a partner of Holder if Holder is a partnership, (ii) by Holder to a partnership of which Holder is a general partner, or (iii) to any affiliate of Holder if Holder is a corporation; provided, however, in any such transfer, the transferee shall on the Company's request agree in writing to be bound by the terms of this Warrant as if an original signatory hereto.

7.5 Rights as Shareholders; Information. Holder shall not be entitled to vote or receive dividends or be deemed a holder of Common Stock or any other securities of the Company which may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon Holder, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until this Warrant shall have been exercised and the Warrant Shares purchasable upon the exercise hereof shall have become deliverable, as provided herein. Notwithstanding the foregoing, the Company will transmit to Holder such information, documents and reports as are generally distributed to holders of any class or series of the securities of the Company concurrently with the distribution thereof to the shareholders and will, upon written request by Holder to the Chief Financial Officer of the Company from time to time (but not more often than twice in any 12-month period) provide to Holder copies of the following documents within a reasonable time after such request (but in all events only to the extent that, and no sooner than the time that, such documents have been made available to the Company's stockholders): (i) the Company's most recent audited annual financial statements or, if audited statements are not available, then the Company's unaudited annual financial statements as of the end of the Company's most recently ended fiscal year and (ii) unaudited quarterly financial statements for each quarter of the Company's fiscal year since the date of the annual financial statements delivered pursuant to clause (i) above. Notwithstanding the preceding sentence, during any period in which the Company has outstanding a class of publicly-traded securities or is for any reason a reporting company under the Securities Exchange Act of 1934, it shall be sufficient compliance to provide copies of its most recent Form 10-K and annual report, any Form 10-Qs and/or 8-Ks filed by the Company with the SEC since the date of such Form 10-K, and any proxy statements.

7.6 Market Standoff. Holder, by acceptance hereof, agrees that Holder will not, without the prior written consent of the lead underwriter of the initial public offering of the Common Stock of the Company pursuant to a Public Offering, directly or indirectly offer to sell, contract to sell (including, without limitation, any short sale), grant any option for the sale of, acquire any option to dispose of, or otherwise dispose of any Warrant Shares for a period of 180 days following the day on which the registration statement filed on behalf of the Company in connection with the Public Offering shall become effective by order of the SEC.

8. Miscellaneous

8.1 Modification and Waiver. This Warrant and any provision hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of the same is sought.

8.2 Notices. Any notice, request, communication or other document required or permitted to be given or delivered to Holder hereof or the Company shall be delivered, or shall be sent by certified or registered mail, postage prepaid, to Holder at its address as shown on the books of the Company or to the Company at the address indicated therefor on the signature page of this Warrant.

8.3 Binding Effect on Successors. This Warrant shall be binding upon any corporation succeeding the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets, and all of the obligations of the Company relating to the Common Stock issuable upon the exercise or conversion of this Warrant shall survive the exercise, conversion and termination of this Warrant and all of the covenants and agreements of the Company shall inure to the benefit of the successors and assigns of Holder hereof. The Company will, at the time of the exercise or conversion of this Warrant, in whole or in part, upon request of Holder hereof but at the Company's expense, acknowledge in writing its continuing obligation to Holder hereof in respect of any rights (including, without limitation, any right to registration of the shares of Registrable Securities) to which Holder hereof shall continue to be entitled after such exercise or conversion in accordance with this Warrant; provided, that the failure of Holder hereof to make any such request shall not affect the continuing obligation of the Company to Holder hereof in respect of such rights.

8.4 Lost Warrants or Stock Certificates. The Company covenants to Holder hereof that, upon receipt of evidence reasonably satisfactory to the Company (such as an affidavit of Holder) of the loss, theft, destruction or mutilation of this Warrant or any stock certificate and, in the case of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the case of any such mutilation upon surrender and cancellation of such Warrant or stock certificate, the Company will make and deliver a new Warrant or stock certificate, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant or stock certificate.

8.5 Descriptive Headings. The descriptive headings of the several paragraphs of this Warrant are inserted for convenience only and do not constitute a part of this Warrant.

8.6 Governing Law. This Warrant shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of California.

8.7 Survival of Representations, Warranties and Agreements. All representations and warranties of the Company and Holder hereof contained herein shall survive the date of grant, the exercise or conversion of this Warrant (or any part hereof) or the termination or expiration of rights hereunder. All agreements of the Company and Holder hereof contained herein shall survive indefinitely until, by their respective terms, they are no longer operative.

8.8 Remedies. In case any one or more of the covenants and agreements contained in this Warrant shall have been breached, Holder (in the case of a breach by the Company), or the Company (in the case of a breach by Holder), may proceed to protect and enforce their or its rights either by suit in equity and/or by action at law, including, but not limited to, an action for damages as a result of any such breach and/or an action for specific performance of any such covenant or agreement contained in this Warrant.

8.9 Acceptance. Receipt of this Warrant by Holder hereof shall constitute acceptance of and agreement to the foregoing terms and conditions.

8.10 No Impairment of Rights. The Company will not, by amendment of its Certificate of Incorporation or through any other means, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of Holder against impairment.

8.11 Entire Agreement. This Warrant constitutes the entire agreement between the parties pertaining to the subject matter herein and supersedes all prior and contemporaneous agreements, representation and undertakings of the parties.

8.12 Attorneys' Fees. In any litigation, arbitration or other legal proceeding between the Company and Holder relating to or arising out of this Warrant, the prevailing party shall be entitled to recover all its fees, costs and expenses incurred in connection with such proceeding, including (but not limited to) reasonable fees and expenses of attorneys and accountants and including (but not limited to) all such fees, costs and expenses incurred in connection with any appeals and/or in connection with the enforcement of any judgment or award rendered in such proceeding.

In Witness Whereof, the Company has duly caused this Warrant to be signed by its duly authorized officer and to be dated as of _____, 1999.

Exelixis Pharmaceuticals, Inc.

By: /s/ George Scangos

Name: George Scangos
Title: Chief Executive Officer

EXHIBIT A

Subscription Form

Dated _____, _____

Exelixis Pharmaceuticals, Inc.
260 Littlefield Avenue
South San Francisco, CA 94080
Attention: Chief Executive Officer

Ladies and Gentlemen:

_____ The undersigned hereby elects to exercise the warrant issued to it by Exelixis Pharmaceuticals, Inc. (the "Company") and dated May ___, 1999, Warrant No. ___ (the "Warrant") and to purchase thereunder _____ shares of the Common Stock of the Company (the "Shares") at a purchase price of_____ Dollars ($_____) per Share or an aggregate purchase price of _____ Dollars ($_____) (the "Purchase Price"); or

_____ The undersigned hereby elects to convert _____ percent (___%) of the value of the Warrant pursuant to the provisions of Section 2.2 of the Warrant.

Pursuant to the terms of the Warrant the undersigned has delivered the Purchase Price herewith in full in cash or by certified check or wire transfer (unless the second alternative above has been marked).

Very truly yours,

_____

By:_____

Title:_____

EXHIBIT 4.9

THIS WARRANT HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "1933 ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS, AND MAY NOT BE SOLD OR TRANSFERRED UNLESS SUCH SALE OR TRANSFER IS IN ACCORDANCE WITH THE REGISTRATION REQUIREMENTS OF SUCH ACT AND APPLICABLE LAWS OR SOME OTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT AND APPLICABLE LAWS IS AVAILABLE WITH RESPECT THERETO.

Exelixis Pharmaceuticals, Inc.

Common Stock Warrant

Warrant No. _____

For Value Received, Exelixis Pharmaceuticals, Inc., a Delaware corporation (the "Company"), with its principal office at 260 Littlefield Avenue, South San Francisco, CA 94080, hereby certifies that the Laurence and Magdalena Shushan Family Trust (the "Holder") is entitled, upon surrender of this Warrant with the notice of exercise annexed hereto duly executed at the principal office of the Company, to purchase from the Company 3,000 shares of common stock of the Company, subject to adjustment as provided in Section 4. Such shares shall be fully paid and nonassessable shares of Common Stock, $.001 par value, of the Company (the "Common Stock") purchased at a price per share of Three Dollars ($3.00) (the "Purchase Price"), subject to the provisions set forth herein. Until such time as this Warrant is exercised in full or expires, the Purchase Price and the securities issuable upon exercise of this Warrant are subject to adjustment as hereinafter provided. The person or persons on whose name or names any certificate representing shares of Common Stock is issued hereunder shall be deemed to have become Holder of record of the shares represented thereby as at the close of business on the date this Warrant is exercised with respect to such shares, whether or not the transfer books of the Company shall be closed. The shares of Common Stock deliverable upon such exercise, as adjusted from time to time, are hereinafter sometimes referred to as "Warrant Shares."

1. Term. The purchase right represented by this Warrant is exercisable, in whole or in part, at any time and from time to time from the date of grant through the date which is five (5) years after the closing of the Company's initial public offering of its Common Stock effected pursuant to a Registration Statement on Form S-1 (or its successor) filed under the Securities Act of 1933, as amended (the "Act").

2. Method of Exercise; Payment; Issuance of New Warrant.

2.1 General. Subject to Section 1 hereof, the purchase right represented by this Warrant may be exercised by Holder hereof, in whole or in part and from time to time, by the surrender of this Warrant (with the notice of exercise form attached hereto as Exhibit A duly executed) at the principal office of the Company and by the payment to the Company, by check,cash, check or wire transfer, of an amount equal to the then applicable Purchase Price multiplied by

the number of Warrant Shares then being purchased. The person or persons in whose name(s) any certificate(s) representing shares of Common Stock shall be issuable upon exercise of this Warrant shall be deemed to have become Holder(s) of record of, and shall be treated for all purposes as the record Holder(s) of, the shares represented thereby (and such shares shall be deemed to have been issued) immediately prior to the close of business on the date or dates upon which this Warrant is exercised. In the event of any exercise of the rights represented by this Warrant, certificates for the shares of stock so purchased shall be delivered to Holder hereof as soon as possible and in any event within thirty days after such exercise and, unless this Warrant has been fully exercised or expired, a new Warrant of like tenor representing the portion of the Warrant Shares, if any, with respect to which this Warrant shall not then have been exercised shall also be issued to Holder hereof as soon as possible and in any event within such thirty-day period.

2.2 Net Issue Exercise. Notwithstanding any provisions herein to the contrary, if the fair market value of one share of the Company's Common Stock is greater than the Purchase Price (at the date of calculation as set forth below), in lieu of exercising this Warrant for cash, Holder may elect to receive Warrant Shares equal to the value (as determined below) of this Warrant (or the portion thereof being canceled) by surrender of this Warrant (with the notice of exercise form attached hereto as Exhibit A duly executed) in which event the Company shall issue to Holder a number of Warrant Shares computed using the following formula:

$$X = \frac{Y\,(A-B)}{A}$$

Where X = the number of shares of Warrant Shares to be issued to Holder

Y = the number of Warrant Shares purchasable under the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being canceled (at the date of such calculation)

A = the fair market value of one share of the Company's Common Stock (at the date of such calculation)

B = the Purchase Price (as adjusted to the date of such calculation)

For purposes of the above calculation, fair market value of one share of Common Stock shall be determined as follows: (i) if the class of stock of which the Warrant Shares are a part is listed on a national stock exchange, on the NASDAQ National Market System or on any other over-the-counter market, then such fair market value shall be the closing price per share reported for such class on such national stock exchange or on the NASDAQ National Market System, or the average of the final "bid" and "asked" prices reported on such over-the-counter market, as applicable, at the close of business on the date of calculation, as reported in the Wall Street Journal; and (ii) if the class of stock of which the Warrant Shares are a part is not listed on any national stock exchange, on the NASDAQ National Market System or on any other over-the-

counter market, then the Board of Directors of the Company shall determine such fair market value as of the date of calculation in its reasonable good faith judgment, and shall (upon written request by Holder) advise Holder of such determination prior to any decision by the registered Holder to exercise its purchase rights under this Warrant.

3. Stock Fully Paid; Reservation of Shares. All Warrant Shares that may be issued upon the exercise of the rights represented by this Warrant will, upon issuance pursuant to the terms and conditions herein, be fully paid and nonassessable, and free from all taxes, liens and charges with respect to the issue thereof. During the period within which the rights represented by this Warrant may be exercised, the Company will at all times have authorized, and reserved for the purpose of the issue upon exercise of the purchase rights evidenced by this Warrant, a sufficient number of shares of its Common Stock to provide for the exercise of the rights represented by this Warrant. The Company will take all such actions as may be necessary to assure that such shares of Common Stock may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of any domestic securities exchange upon which the Common Stock may be listed; provided, however, that the Company shall not be required to effect a registration under the Act or state securities laws with respect to such exercise. The covenant set forth in the immediately preceding sentence is based in part on the representations made by Holder in Section 7 and assumes no change in currently applicable law that would make such actions impracticable.

4. Adjustment of Purchase Price and Number of Shares. The number and kind of securities purchasable upon the exercise of this Warrant and the Purchase Price shall be subject to adjustment from time to time upon the occurrence of certain events, as follows:

4.1 Reclassification or Merger. In case of any reclassification, change or conversion of securities of the class issuable upon exercise of this Warrant (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), or in case of any merger of the Company with or into another corporation (other than a merger with another corporation in which the Company is the acquiring and the surviving corporation and which does not result in any reclassification or change of outstanding securities issuable upon exercise of this Warrant), or in case of any sale of all or substantially all of the assets of the Company, the Company, or such successor or purchasing corporation, as the case may be, shall duly execute and deliver to Holder a new Warrant (in form and substance satisfactory to Holder), so that Holder shall have the right to receive, at a total purchase price not to exceed that payable upon the exercise of the unexercised portion of this Warrant, and in lieu of the shares of Common Stock theretofore issuable upon exercise of this Warrant, the kind and amount of shares of stock, other securities, money and property receivable upon such reclassification, change or merger by a Holder of the number of shares of Common Stock then purchasable under this Warrant. Such new Warrant shall provide for adjustments that shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 4. The provisions of this Section 4.1 shall similarly apply to successive reclassifications, changes, mergers and transfers.

4.2 Subdivision or Combination of Shares. If the Company at any time while this Warrant remains outstanding and unexpired shall subdivide or combine its outstanding shares of Common Stock, the Purchase Price shall be proportionately decreased in the case of a

subdivision or increased in the case of a combination, effective at the close of business on the date the subdivision or combination becomes effective.

4.3 Stock Dividends and Other Distributions. If the Company at any time while this Warrant is outstanding and unexpired shall (i) pay a dividend with respect to Common Stock payable in Common Stock, or (ii) make any other distribution with respect to Common Stock (except any distribution specifically provided for in the foregoing subparagraphs (a) and (b)) of Common Stock, then the Purchase Price shall be adjusted, from and after the date of determination of shareholders entitled to receive such dividend or distribution, to that price determined by multiplying the Purchase Price in effect immediately prior to such date of determination by a fraction (i) the numerator of which shall be the total number of shares of Common Stock outstanding immediately prior to such dividend or distribution, and (ii) the denominator of which shall be the total number of shares of Common Stock outstanding immediately after such dividend or distribution.

4.4 Adjustment of Number of Shares. Upon each adjustment in the Purchase Price, the number of Warrant Shares purchasable hereunder shall be adjusted, to the nearest whole share, to the product obtained by multiplying the number of Warrant Shares purchasable immediately prior to such adjustment in the Purchase Price by a fraction, the numerator of which shall be the Purchase Price immediately prior to such adjustment and the denominator of which shall be the Purchase Price immediately thereafter.

5. Notice of Certain Events

5.1 Notice of Adjustments. Whenever the Purchase Price or the number of Warrant Shares purchasable hereunder shall be adjusted pursuant to Section 4 hereof, the Company shall make a certificate signed by its chief financial officer setting forth, in reasonable detail, the event requiring the adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the Purchase Price and the number of Warrant Shares purchasable hereunder after giving effect to such adjustment, shall be mailed (without regard to Section 8.2 hereof, by first class mail, postage prepaid) to Holder.

5.2 Other Notices. If at any time:

(a) the Company shall declare any cash dividend upon its Common Stock;

(b) the Company shall declare any dividend upon its Common Stock payable in stock or make any special dividend or other distribution to the holders of its Common Stock;

(c) the Company shall offer for subscription pro rata to all holders of its Common Stock any additional shares of stock of any class or other rights;

(d) there shall be any capital reorganization or reclassification of the capital stock of the Company, or consolidation or merger of the Company with, or sale of all or substantially all of its assets to, another corporation or other entity;

(e) there shall be a voluntary or involuntary dissolution, liquidation or winding-up of the Company; or

(f) there shall be an initial public offering of Company securities;

then, in any one or more of said cases, the Company shall give, by first class mail, postage prepaid, addressed to Holder at the address of Holder as shown on the books of the Company, (1) at least ten (10) days' prior written notice of the date on which the books of the Company shall close or a record shall be taken for such dividend, distribution, or subscription rights or for determining rights to vote in respect of any such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation, winding-up or public offering, and (2) in the case of any such event, at least ten (10) days' prior written notice of the date when the same shall take place, provided, however, Holder shall make a best efforts attempt to respond to such notice as early as possible after the receipt thereof. Any notice given in accordance with the foregoing clause (1) shall also specify, in the case of any such dividend, distribution or subscription rights, the date on which the holders of Common Stock shall be entitled thereto. Any notice given in accordance with the foregoing clause (2) shall also specify the date on which the holders of Common Stock shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, sale, dissolution, liquidation, winding-up, conversion or public offering, as the case may be.

6. Fractional Interest. In no event shall any fractional share of Common Stock be issued upon any exercise of this Warrant. If, upon exercise of this Warrant as an entirety, Holder would, except as provided in this Section 6, be entitled to receive a fractional share of Common Stock, then the Company shall issue the next higher number of full shares of Common Stock, issuing a full share with respect to such fractional share.

7. Compliance with Securities Act; Disposition of Warrant or Shares of Common Stock.

7.1 Compliance with Securities Act. Holder, by acceptance hereof, agrees that this Warrant, and the shares of Common Stock to be issued upon exercise hereof are being acquired for investment and that Holder will not offer, sell or otherwise dispose of this Warrant, or any shares of Common Stock to be issued upon exercise hereof except under circumstances which will not result in a violation of the Act. Upon exercise of this Warrant, unless the Warrant Shares being acquired are registered under the Act or an exemption from such registration is available, Holder shall confirm in writing that the shares of Common Stock so purchased are being acquired for investment and not with a view toward distribution or resale. This Warrant and all shares of Common Stock issued upon exercise of this Warrant (unless registered under the Act) shall be stamped or imprinted with a legend in substantially the following form:

"THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. NO SALE OR DISPOSITION MAY BE EFFECTED WITHOUT (i) EFFECTIVE REGISTRATION STATEMENTS RELATED THERETO, (ii) AN OPINION OF COUNSEL FOR HOLDER, REASONABLY SATISFACTORY TO THE COMPANY, THAT SUCH

REGISTRATIONS ARE NOT REQUIRED, (iii) RECEIPT OF NO-ACTION LETTERS FROM THE APPROPRIATE GOVERNMENTAL AUTHORITIES, OR (iv) OTHERWISE COMPLYING WITH THE PROVISIONS OF SECTION 7 OF THE WARRANT UNDER WHICH THESE SECURITIES WERE ISSUED, DIRECTLY OR INDIRECTLY."

7.2 Representations of Holder. In addition, in connection with the issuance of this Warrant, Holder specifically represents to the Company by acceptance of this Warrant as follows:

(a) Holder is aware of the Company's business affairs and financial condition, and has acquired information about the Company sufficient to reach an informed and knowledgeable decision to acquire this Warrant. Holder is acquiring this Warrant for its own account for investment purposes only and not with a view to, or for the resale in connection with, any "distribution" thereof for purposes of the Act.

(b) Holder understands that this Warrant has not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of Holder's investment intent as expressed herein. In this connection, Holder understands that, in the view of the SEC, the statutory basis for such exemption may be unavailable if Holder's representation was predicated solely upon a present intention to hold the Warrant for the minimum capital gains period specified under tax statutes, for a deferred sale, for or until an increase or decrease in the market price of the Warrant, or for a period of one year or any other fixed period in the future.

(c) Holder further understands that this Warrant must be held indefinitely unless subsequently registered under the Act and any applicable state securities laws, or unless exemptions from registration are otherwise available. Moreover, Holder understands that the Company is under no obligation to register this Warrant.

(d) Holder is aware of the provisions of Rule 144 and 144A, promulgated under the Act, which, in substance, permit limited public resale of "restricted securities" acquired, directly or indirectly, from the issuer thereof (or from an affiliate of such issuer), in a non-public offering subject to the satisfaction of certain conditions, if applicable, including, among other things: The availability of certain public information about the Company, the resale occurring not less than two years after the party has purchased and paid for the securities to be sold; the sale being made through a broker in an unsolicited "broker's transaction" or in transactions directly with a market maker (as said term is defined under the Securities Exchange Act of 1934, as amended) and the amount of securities being sold during any three-month period not exceeding the specified limitations stated therein.

(e) Holder further understands that at the time it wishes to sell this Warrant there may be no public market upon which to make such a sale, and that, even if such a public market then exists, the Company may not be satisfying the current public information requirements of Rule 144 and 144A, and that, in such event, Holder may be precluded from selling this Warrant under Rule 144 and 144A even if the two-year minimum holding period had been satisfied.

(f) Holder further understands that in the event all of the requirements of Rule 144 and 144A are not satisfied, registration under the Act, compliance with Regulation A, or some other registration exemption will be required; and that, notwithstanding the fact that Rule 144 and 144A are not exclusive, the Staff of the SEC has expressed its opinion that persons proposing to sell private placement securities other than in a registered offering and otherwise than pursuant to Rule 144 and 144A will have a substantial burden of proof in establishing that an exemption from registration is available for such offers or sales, and that such persons and their respective brokers who participate in such transactions do so at their own risk.

7.3 Disposition of Warrant or Shares. With respect to any offer, sale or other disposition of this Warrant or any shares of Common Stock acquired pursuant to the exercise of this Warrant prior to registration of such Warrant or shares, Holder hereof and each subsequent Holder agrees to give written notice to the Company prior thereto, describing briefly the manner thereof, together with a written opinion of Holder's counsel, if reasonably requested by the Company, to the effect that such offer, sale or other disposition may be effected without registration or qualification (under the Act as then in effect or any federal or state law then in effect) of this Warrant or such shares of Common Stock and indicating whether or not under the Act certificates for this Warrant or such shares of Common Stock to be sold or otherwise disposed of require any restrictive legend as to applicable restrictions on transferability in order to ensure compliance with such law. Promptly upon receiving such written notice and reasonably satisfactory opinion, if so requested, the Company, as promptly as practicable, shall notify Holder that Holder may sell or otherwise dispose of this Warrant or such shares of Common Stock, all in accordance with the terms of the notice delivered to the Company. If a determination has been made pursuant to this Section 7.3 that the opinion of counsel for Holder is not reasonably satisfactory to the Company, the Company shall so notify Holder promptly after such determination has been made and shall specify in detail the legal analysis supporting any such conclusion. Notwithstanding the foregoing, this Warrant or such shares of Common Stock may, as to such federal laws, be offered, sold or otherwise disposed of in accordance with Rule 144 or 144A under the Act, provided that the Company shall have been furnished with such information as the Company may reasonably request to provide a reasonable assurance that the provisions of Rule 144 or 144A have been satisfied. Each certificate representing this Warrant or the shares of Common Stock thus transferred (except a transfer pursuant to Rule 144 or 144A) shall bear a legend as to the applicable restrictions on transferability in order to ensure compliance with such laws, unless in the aforesaid opinion of counsel for Holder, such legend is not required in order to ensure compliance with such laws. The Company may issue stop transfer instructions to its transfer agent in connection with such restrictions.

7.4 Excepted Transfers. Neither any restrictions of any legend described in this Warrant nor the requirements of Section 7.3 above shall apply to any transfer without any additional consideration of, or grant of a security interest in, this Warrant or any part hereof (i) to a partner of Holder if Holder is a partnership, (ii) by Holder to a partnership of which Holder is a general partner, or (iii) to any affiliate of Holder if Holder is a corporation; provided, however, in any such transfer, the transferee shall on the Company's request agree in writing to be bound by the terms of this Warrant as if an original signatory hereto.

7.5 Rights as Shareholders; Information. Holder shall not be entitled to vote or receive dividends or be deemed a holder of Common Stock or any other securities of the Company which may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon Holder, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until this Warrant shall have been exercised and the Warrant Shares purchasable upon the exercise hereof shall have become deliverable, as provided herein. Notwithstanding the foregoing, the Company will transmit to Holder such information, documents and reports as are generally distributed to holders of any class or series of the securities of the Company concurrently with the distribution thereof to the shareholders and will, upon written request by Holder to the Chief Financial Officer of the Company from time to time (but not more often than twice in any 12-month period) provide to Holder copies of the following documents within a reasonable time after such request (but in all events only to the extent that, and no sooner than the time that, such documents have been made available to the Company's stockholders): (i) the Company's most recent audited annual financial statements or, if audited statements are not available, then the Company's unaudited annual financial statements as of the end of the Company's most recently ended fiscal year and (ii) unaudited quarterly financial statements for each quarter of the Company's fiscal year since the date of the annual financial statements delivered pursuant to clause (i) above. Notwithstanding the preceding sentence, during any period in which the Company has outstanding a class of publicly-traded securities or is for any reason a reporting company under the Securities Exchange Act of 1934, it shall be sufficient compliance to provide copies of its most recent Form 10-K and annual report, any Form 10-Qs and/or 8-Ks filed by the Company with the SEC since the date of such Form 10-K, and any proxy statements.

7.6 Market Standoff. Holder, by acceptance hereof, agrees that Holder will not, without the prior written consent of the lead underwriter of the initial public offering of the Common Stock of the Company pursuant to a Public Offering, directly or indirectly offer to sell, contract to sell (including, without limitation, any short sale), grant any option for the sale of, acquire any option to dispose of, or otherwise dispose of any Warrant Shares for a period of 180 days following the day on which the registration statement filed on behalf of the Company in connection with the Public Offering shall become effective by order of the SEC.

8. Miscellaneous

8.1 Modification and Waiver. This Warrant and any provision hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of the same is sought.

8.2 Notices. Any notice, request, communication or other document required or permitted to be given or delivered to Holder hereof or the Company shall be delivered, or shall be sent by certified or registered mail, postage prepaid, to Holder at its address as shown on the books of the Company or to the Company at the address indicated therefor on the signature page of this Warrant.

8.3 Binding Effect on Successors. This Warrant shall be binding upon any corporation succeeding the Company by merger, consolidation or acquisition of all or substantially all of the Company's assets, and all of the obligations of the Company relating to the Common Stock issuable upon the exercise or conversion of this Warrant shall survive the exercise, conversion and termination of this Warrant and all of the covenants and agreements of the Company shall inure to the benefit of the successors and assigns of Holder hereof. The Company will, at the time of the exercise or conversion of this Warrant, in whole or in part, upon request of Holder hereof but at the Company's expense, acknowledge in writing its continuing obligation to Holder hereof in respect of any rights (including, without limitation, any right to registration of the shares of Registrable Securities) to which Holder hereof shall continue to be entitled after such exercise or conversion in accordance with this Warrant; provided, that the failure of Holder hereof to make any such request shall not affect the continuing obligation of the Company to Holder hereof in respect of such rights.

8.4 Lost Warrants or Stock Certificates. The Company covenants to Holder hereof that, upon receipt of evidence reasonably satisfactory to the Company (such as an affidavit of Holder) of the loss, theft, destruction or mutilation of this Warrant or any stock certificate and, in the case of any such loss, theft or destruction, upon receipt of an indemnity reasonably satisfactory to the Company, or in the case of any such mutilation upon surrender and cancellation of such Warrant or stock certificate, the Company will make and deliver a new Warrant or stock certificate, of like tenor, in lieu of the lost, stolen, destroyed or mutilated Warrant or stock certificate.

8.5 Descriptive Headings. The descriptive headings of the several paragraphs of this Warrant are inserted for convenience only and do not constitute a part of this Warrant.

8.6 Governing Law. This Warrant shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the laws of the State of Delaware.California.

8.7 Survival of Representations, Warranties and Agreements. All representations and warranties of the Company and Holder hereof contained herein shall survive the date of grant, the exercise or conversion of this Warrant (or any part hereof) or the termination or expiration of rights hereunder. All agreements of the Company and Holder hereof contained herein shall survive indefinitely until, by their respective terms, they are no longer operative.

8.8 Remedies. In case any one or more of the covenants and agreements contained in this Warrant shall have been breached, Holder (in the case of a breach by the Company), or the Company (in the case of a breach by Holder), may proceed to protect and enforce their or its rights either by suit in equity and/or by action at law, including, but not limited to, an action for damages as a result of any such breach and/or an action for specific performance of any such covenant or agreement contained in this Warrant.

8.9 Acceptance. Receipt of this Warrant by Holder hereof shall constitute acceptance of and agreement to the foregoing terms and conditions.

8.10 No Impairment of Rights. The Company will not, by amendment of its Certificate of Incorporation or through any other means, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of Holder against impairment.

8.11 Entire Agreement. This Warrant constitutes the entire agreement between the parties pertaining to the subject matter herein and supersedes all prior and contemporaneous agreements, representation and undertakings of the parties.

8.12 Attorneys' Fees. In any litigation, arbitration or other legal proceeding between the Company and Holder relating to or arising out of this Warrant, the prevailing party shall be entitled to recover all its fees, costs and expenses incurred in connection with such proceeding, including (but not limited to) reasonable fees and expenses of attorneys and accountants and including (but not limited to) all such fees, costs and expenses incurred in connection with any appeals and/or in connection with the enforcement of any judgment or award rendered in such proceeding.

In Witness Whereof, the Company has duly caused this Warrant to be signed by its duly authorized officer and to be dated as of _____, 1999.

Exelixis Pharmaceuticals, Inc.

By: /s/ George Scangos

Name: George Scangos
Title: Chief Executive Officer

EXHIBIT A

Subscription Form

Dated _____, _____

Exelixis Pharmaceuticals, Inc.
260 Littlefield Avenue
South San Francisco, CA 94080
Attention: Chief Executive Officer

Ladies and Gentlemen:

_____ The undersigned hereby elects to exercise the warrant issued to it by Exelixis Pharmaceuticals, Inc. (the "Company") and dated May ___, 1999, Warrant No. ___ (the "Warrant") and to purchase thereunder _____ shares of the Common Stock of the Company (the "Shares") at a purchase price of_____ Dollars ($_____) per Share or an aggregate purchase price of _____ Dollars ($_____) (the "Purchase Price").Price"); or

_____ The undersigned hereby elects to convert _____ percent (___%) of the value of the Warrant pursuant to the provisions of Section 2.2 of the Warrant.

Pursuant to the terms of the Warrant the undersigned has delivered the Purchase Price herewith in full in cash or by certified check or wire transfer (unless the second alternative above has been marked).

Very truly yours,

_____

By:_____

Title:_____

EXELIXIS PHARMACEUTICALS, INC.
1994 EMPLOYEE, DIRECTOR AND CONSULTANT STOCK PLAN

1. Definitions.

Unless otherwise specified or unless the context otherwise requires, the following terms, as used in this Exelixis Pharmaceuticals, Inc. 1994 Employee, Director and Consultant Stock Plan, have the following meanings:

"Administrator" means the Board of Directors, unless it has delegated power to act on its behalf to a committee. (See Paragraph 4)

"Affiliate" means a corporation which, for purposes of Section 424 of the Code, is a parent or subsidiary of the Company, direct or indirect.

"Board of Directors" means the Board of Directors of the Company.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Committee" means the Committee to which the Board of Directors has delegated power to act under or pursuant to the provisions of the Plan.

"Common Stock" means shares of the Company's common stock, $.001 par value.

"Company" means Exelixis Pharmaceuticals, Inc., a Delaware corporation.

"Disability" or "Disabled" means permanent and total disability as defined in Section 22(e) (3) of the Code.

"Fair Market Value of a Share of Common Stock" means:

1. If the Common Stock is listed on a national securities exchange or traded in the over-the-counter market and sales prices are regularly reported for the Common Stock, either (a) the average of the closing or last prices of the Common Stock on the Composite Tape or other comparable reporting system for the ten (10) consecutive trading days immediately preceding the applicable date or (b) the closing or last price of the Common Stock on the Composite Tape or other comparable reporting system for the trading day immediately preceding the applicable date, as the Administrator shall determine.

2. If the Common Stock is not traded on a national securities exchange but is traded on the over-the-counter market, if sales prices are not regularly reported for the Common Stock for the trading days or day referred to in clause (1), and if bid and asked prices for the Common Stock are regularly reported, either (a) the average of the mean between the bid and the asked price for the Common Stock at the close of trading in the over-the-counter market for the

ten (10) trading days on which common Stock was traded immediately preceding the applicable date or (b) the mean between the bid and the asked price for the Common Stock at the close of trading in the over-the-counter market for the trading day on which Common Stock was traded immediately preceding the applicable date, as the Administrator shall determine; and

3. If the Common Stock is neither listed on a national securities exchange nor traded in the over-the-counter market, such value as the Administrator, in good faith, shall determine.

"ISO" means an option meant to qualify as an incentive stock option under Code Section 422.

"Key Employee" means an employee of the Company or of an Affiliate (including, without limitation, an employee who is also serving as an officer or director of the Company or of an Affiliate), designated by the Administrator to be eligible to be granted one or more Stock Rights under the Plan.

"Non-Qualified" Option means an option which is not intended to qualify as an ISO.

"Option" means an ISO or Non-Qualified Option granted under the Plan.

"Option Agreement" means an agreement between the Company and a Participant delivered pursuant to the Plan.

"Participant" means a Key Employee, director, consultant or member of the Company's Scientific Advisory Board to whom one or more Stock Rights are granted under the Plan. As used herein, "Participant" shall include "Participant's Survivors" where the context requires.

"Participant's Survivors" means a deceased Participant's legal representatives and/or any person or persons who acquired the Participant's rights to a Stock Right by will or by the laws of descent and distribution.

"Plan" means this Exelixis Pharmaceuticals, Inc. 1994 Employee, Director and Consultant Stock Plan.

"Purchase Opportunity" means an opportunity to make a direct purchase of Shares of the Company granted under the Plan.

"Shares" means shares of the Common Stock as to which Stock Rights have been or may be granted under the Plan or any shares of capital stock into which the Shares are changed or for which they are exchanged within the provisions of Paragraph 3 of the Plan. The Shares issued upon exercise of Options granted under the Plan may be authorized and unissued shares or shares held by the Company in its treasury, or both.

"Stock Agreement" means an agreement between the Company and a Participant executed and delivered pursuant to the Plan, in such form as the Administrator shall approve.

"Stock Right" means a right to Shares of the Company granted pursuant to the Plan - an ISO, a Non-Qualified Option or a Purchase Opportunity.

2. Purposes of the Plan.

The Plan is intended to encourage ownership of Shares by Key Employees, directors, members of the Company's Scientific Advisory Board and certain consultants to the Company in order to attract such people, to induce them to work for the benefit of the Company or of an Affiliate and to provide additional incentive for them to promote the success of the Company or of an Affiliate. The Plan provides for the granting of ISOs, Non-Qualified Options and Purchase Opportunities to Key Employees, directors, consultants and members of the Scientific Advisory Board of the Company.

3. Shares Subject to the Plan.

The number of Shares subject to this Plan as to which Stock Rights may be granted from time to time shall be 1,350,000, or the equivalent of such number of Shares after the Administrator, in its sole discretion, has interpreted the effect of any stock split, stock dividend, combination, recapitalization or similar transaction in accordance with Paragraph 17 of the Plan.

If an Option ceases to be "outstanding", in whole or in part, or if the Company shall reacquire any Shares issued pursuant to Purchase Opportunities, the Shares which were subject to such Option and any Shares so required by the Company shall be available for the granting of other Stock Rights under the Plan. Any Stock Right shall be treated as "outstanding" until such Stock Right is exercised in full, or terminates or expires under the provisions of the Plan, or by agreement of the parties to the pertinent Stock Agreement.

4. Administration of the Plan.

The Administrator of the Plan will be the Board of Directors, except to the extent the Board of Directors delegates its authority to a Committee of the Board of Directors. Following the date on which the Common Stock is registered under the Securities and Exchange Act of 1934, as amended (the "1934 Act"), the Plan is intended to comply in all respects with Rule 16b-3 or its successors, promulgated pursuant to Section 16 of the 1934 Act with respect to Participants who are subject to Section 16 of the 1934 Act, and any provision in this Plan with respect to such persons contrary to Rule 16b-3 shall be deemed null and void to the extent permissible by law and deemed appropriate by the Administrator. Subject to the provisions of the Plan, the Administrator is authorized to:

(a) Interpret the provisions of the Plan or of any Option, Purchase Opportunity or Stock Agreement and to make all rules and determinations which it deems necessary or advisable for the administration of the Plan;

(b) Determine which employees of the Company or of an Affiliate shall be designated as Key Employees and which of the Key Employees, directors, consultants and members of the Company's Scientific Advisory Board shall be granted Stock Rights;

(c) Determine the number of Shares for which a Stock Right or Stock Rights shall be granted; and

(d) Specify the terms and conditions upon which a Stock Right or Stock Rights may be granted;

provided, however, that all such interpretations, rules, determinations, terms and conditions shall be made and prescribed in the context of preserving the tax status under Code Section 422 of those Options which are designated as ISOs. Subject to the foregoing, the interpretation and construction by the Administrator of any provisions of the Plan or of any Stock Right granted under it shall be final, unless otherwise determined by the Board of Directors, if the Administrator is other than the Board of Directors.

5. Eligibility for Participation.

The Administrator will, in its sole discretion, name the Participants in the Plan, provided, however, that each Participant must be a Key Employee, director, consultant or member of the Scientific Advisory Board of the Company or of an Affiliate at the time a Stock Right is granted. Notwithstanding any of the foregoing provisions, the Administrator may authorize the grant of a Stock Right to a person not then an employee, director, consultant or member of the Scientific Advisory Board of the Company or of an Affiliate. The actual grant of such Stock Right, however, shall be conditioned upon such person becoming eligible to become a Participant at or prior to the time of the execution of the Stock Agreement evidencing such Stock Right. ISOs may be granted only to Key Employees. Non-Qualified Options and Purchase Opportunities may be granted to any Key Employee, director, consultant or member of the of the Scientific Advisory Board of the Company or an Affiliate. The granting of any Option to any individual shall neither entitle that individual to, nor disqualify him or her from, participation in any other grant of Options.

6. Terms and Conditions of Options.

Each Option shall be set forth in writing in an Option Agreement, duly executed by the Company and, to the extent required by law or requested by the Company, by the Participant. The Administrator may provide that Options be granted subject to such conditions as the Administrator may deem appropriate including, without limitation, subsequent approval by the shareholders of the Company of this Plan or any amendments thereto. The Option Agreements shall be subject to at least the following terms and conditions:

A. Non-Qualified Options: Each Option intended to be a Non-Qualified Option shall be subject to the terms and conditions which the Administrator determines to be appropriate and in the best interest of the Company, subject to the following minimum standards for any such Non-Qualified Option:

(a) Option Price: The option price (per share) of the Shares covered by each Option shall be determined by the Administrator but shall not be less than the par value per share of Common Stock.

(b) Each Option Agreement shall state the number of Shares to which it pertains;

(c) Each Option Agreement shall state the date or dates on which it first is exercisable and the date after which it may no longer be exercised, and may provide that the Option rights accrue or become exercisable in installments over a period of months or years, or upon the occurrence of certain conditions or the attainment of stated goals or events; and

(d) Exercise of any Option may be conditioned upon the Participant's execution of a Share purchase agreement in form satisfactory to the Administrator providing for certain protections for the Company and its other shareholders including requirements that:

(i) The Participant's or the Participant's Survivors' right to sell or transfer the Shares may be restricted; and

(ii) The Participant or the Participant's Survivors may be required to execute letters of investment intent and must also acknowledge that the Shares will bear legends noting any applicable restrictions.

B. ISOs: Each Option intended to be an ISO shall be issued only to a Key Employee and be subject to at least the following terms and conditions, with such additional restrictions or changes as the Administrator determines are appropriate but not in conflict with Code Section 422 and relevant regulations and rulings of the Internal Revenue Service:

(a) Minimum standards: The ISO shall meet the minimum standards required of Non-Qualified Options, as described above, except clause (a) thereunder.

(b) Option Price: Immediately before the Option is granted, if the Participant owns, directly or by reason of the applicable attribution rules in Code Section 424(d):

(i) Ten percent (10%) or less of the total combined voting power of all classes of share capital of the Company or an Affiliate, the Option price per share of the Shares covered by each Option shall not be less than one hundred percent (100%) of the Fair Market Value per share of the Shares on the date of the grant of the Option.

(ii) More than ten percent (10%) of the total combined voting power of all classes of share capital of the Company or an Affiliate, the Option price per share of the Shares covered by each Option shall not be less than one hundred ten percent (110%) of the said Fair Market Value on the date of grant.

(c) Term of Option: For Participants who own

(i) Ten percent (10%) or less of the total combined voting power of all classes of share capital of the Company or an Affiliate, each Option shall terminate not more than ten (10) years from the date of the grant or at such earlier time as the Option Agreement may provide.

(ii) More than ten percent (10%) of the total combined voting power of all classes of share capital of the Company or an Affiliate, each Option shall terminate not more than five (5) years from the date of the grant or at such earlier time as the Option Agreement may provide.

(d) Limitation on Yearly Exercise: The Option Agreements shall restrict the amount of Options which may be exercisable in any calendar year (under this or any other ISO plan of the Company or an Affiliate) so that the aggregate Fair Market Value (determined at the time each ISO is granted) of the stock with respect to which ISOs are exercisable for the first time by the Participant in any calendar year does not exceed one hundred thousand dollars ($100,000), provided that this subparagraph (e) shall have no force or effect if its inclusion in the Plan is not necessary for Options issued as ISOs to qualify as ISOs pursuant to Section 422(d) of the Code.

(e) Limitation on Grant of ISOs: No ISOs shall be granted after the date which is the earlier of ten (10) years from the date of the adoption of the Plan by the Company and the date of the approval of the Plan by the shareholders of the Company.

7. Terms and Conditions of Purchase Opportunities.

Each Purchase Opportunity shall be set forth in a Stock Agreement, duly executed by the Company and, to the extent required by law or requested by the Company, by the Participant. The Stock Agreement shall be in the form approved by the Administrator, with such changes and modifications to such form as the Administrator, in its discretion, shall approve with respect to any particular Participant or Participants. The Stock Agreement shall contain terms and conditions which the Administrator determines to be appropriate and in the best interest of the Company, subject to the following minimum standards:

(a) The purchase price (per share) of the Shares covered by each Purchase Opportunity shall be determined by the Administrator but shall not be less than the par value per share of the Shares on the date of the grant of the Purchase Opportunity;

(b) Each Stock Agreement shall state the number of Shares to which the Purchase Opportunity pertains;

(c) Each Stock Agreement shall state the date prior to which the Purchase Opportunity must be exercised by the Participant; and

(d) Each Stock Agreement shall include the terms of any right of the Company to reacquire the Shares subject to the Purchase Opportunity, including the time and events upon which such rights shall accrue and the purchase price therefor.

8. Exercise of Stock Right and Issue of Shares.

A Stock Right (or any part or installment thereof) shall be exercised by giving written notice to the Company at its principal office address, together with provision for payment of the full purchase price in accordance with this paragraph for the Shares as to which such Stock Right is being exercised, and upon compliance with any other condition(s) set forth in the Option or

Stock Agreement. Such written notice shall be signed by the person exercising the Stock Right, shall state the number of Shares with respect to which the Stock Right is being exercised and shall contain any representation required by the Plan or the Option or Stock Agreement. Payment of the purchase price for the shares as to which such Stock Right is being exercised shall be made (a) in United States dollars in cash or by check, or (b) at the discretion of the Administrator, through delivery of shares of Common Stock having a fair market value equal as of the date of the exercise to the cash exercise price of the Stock Right determined in good faith by the Administrator, or (c) at the discretion of the Administrator, by delivery of the grantee's personal recourse note bearing interest payable not less than annually at no less than 100% of the applicable Federal rate, as defined in Section 1274(d) of the Code, or (d) at the discretion of the Administrator, in accordance with a cashless exercise program established with a securities brokerage firm, and approved by the Administrator or (e) at the discretion of the Administrator, by any combination of (a), (b), (c) and (d) above. Notwithstanding the foregoing, the Administrator shall accept only such payment on exercise of an IS0 as is permitted by Section 422 of the Code.

The Company shall then reasonably promptly deliver the Shares as to which such Stock Right was exercised to the Participant (or to the Participant's Survivors, as the case may be). In determining what constitutes "reasonably promptly," it is expressly understood that the delivery of the Shares may be delayed by the Company in order to comply with any law or regulation which requires the Company to take any action with respect to the Shares prior to their issuance. The Shares shall, upon delivery, be evidenced by an appropriate certificate or certificates for fully paid, non-assessable Shares.

The Administrator shall have the right to accelerate the date of exercise of any installment of any Stock Right; provided that the Administrator shall not accelerate the exercise date of any installment of any Option granted to any Key Employee as an IS0 (and not previously converted into a Non-Qualified Option pursuant to Paragraph 19) if such acceleration would violate the annual vesting limitation contained in Section 422(d) of the Code, as described in paragraph 6(e).

The Administrator may, in its discretion, amend any term or condition of an outstanding Stock Right provided (i) such term or condition as amended is permitted by the Plan, (ii) any such amendment shall be made only with the consent of the Participant to whom the Stock Right was granted, or in the event of the death of the Participant, the Participant's Survivors, if the amendment is adverse to the Participant, (iii) any such amendment of any ISO shall be made only after the Administrator, after consulting the counsel for the Company, determines whether such amendment would constitute a "modification" of any Stock Right which is an IS0 (as that term is defined in Section 424(h) of the Code) or would cause any adverse tax consequences for the holders of such ISO, and (iv) with respect to any Stock Right held by any Participant who is subject to the provisions of Section 16(a) of the 1934 Act, any such amendment shall be made only after the Administrator, after consulting with counsel for the Company, determines whether such amendment would constitute the grant of a new Stock Right.

9. Rights as a Shareholder.

No Participant to whom a Stock Right has been granted shall have rights as a shareholder with respect to any Shares covered by such Stock Right, except after due exercise of the Option and tender of the full purchase price for the Shares being purchased pursuant to such exercise and registration of the Shares in the Company's share register in the name of the Participant.

10. Assignability and Transferability of Stock Rights.

By its terms, a Stock Right granted to a Participant shall not be transferable by the Participant other than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act or the rules thereunder, provided, however, that the designation of a beneficiary of a Stock Right by a Participant shall not be deemed a transfer prohibited by this Paragraph. Except as provided in the preceding sentence, a Stock Right shall be exercisable, during the Participant's lifetime, only by such Participant (or by his or her legal representative) and shall not be assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted transfer, assignment, pledge, hypothecation or other disposition of any Stock Right or of any rights granted thereunder contrary to the provisions of this Plan, or the levy of any attachment or similar process upon a Stock Right, shall be null and void.

11. Effect of Termination of Service Other Than "For Cause".

Except as otherwise provided in the pertinent Option or Stock Agreement, in the event of a termination of service (whether as an employee, director or consultant) with the Company or an Affiliate before the Participant has exercised all Stock Rights, the following rules apply:

(a) A Participant who ceases to be an employee, director, consultant or member of the Scientific Advisory Board of the Company or of an Affiliate (for any reason other than termination "for cause", Disability, or death for which events there are special rules in Paragraphs 12, 13, and 14, respectively), may exercise any Stock Right granted to him or her to the extent that the Stock Right is exercisable on the date of such termination of service, but only within such term as the Administrator has designated in the pertinent Option or Stock Agreement.

(b) In no event may an Option Agreement provide, if an Option is intended to De an ISO, that the time for exercise be later than three (3) months after the Participant's termination of employment.

(c) The provisions of this Paragraph, and not the provisions of Paragraph 13 or 14, shall apply to a Participant who subsequently becomes disabled or dies after the termination of employment, director status, consultancy or Scientific Advisory Board member status, provided, however, in the case of a Participant's death within three (3) months after the termination of employment, director status, consulting or Scientific Advisory Board member status, the Participant's Survivors may exercise the Stock Right within one (1) year after the date of the Participant's death, but in no event after the date of expiration of the term of the Stock Right.

(d) Notwithstanding anything herein to the contrary, if subsequent to a Participant's termination of employment, termination of director status, termination of consultancy, or termination of Scientific Advisory Board member status, but prior to the exercise of a Stock Right, the Board of Directors determines that, either prior or subsequent to the Participant's termination, the Participant engaged in conduct which would constitute "cause", then such Participant shall forthwith cease to have any right to exercise any Stock Right.

(e) A Participant to whom a Stock Right has been granted under the Plan who is absent from work with the Company or with an Affiliate because of temporary disability (any disability other than a permanent and total Disability as defined in Paragraph 1 hereof), or who is on leave of absence for any purpose, shall not, during the period of any such absence, be deemed, by virtue of such absence alone, to have terminated such Participant's employment, director status, consultancy or termination of Scientific Advisory Board member status with the Company or with an Affiliate, except as the Administrator may otherwise expressly provide.

(f) Stock Rights granted under the Plan shall not be affected by any change of employment or other service within or among the Company and any Affiliates, so long as the Participant continues to be an employee, director, consultant or member of the Scientific Advisory Board of the Company or any Affiliate, provided, however, if a Participant's employment by either the Company or an Affiliate should cease (other than to become an employee of an Affiliate or the Company), such termination shall affect the Participant's rights under any Stock Right granted to such Participant in accordance with the terms of the Plan and the pertinent Option or Stock Agreement.

12. Effect of Termination of Service "For Cause".

Except as otherwise provided in the pertinent Option or Stock Agreement, the following rules apply if the Participant's service (whether as an employee, director, consultant or Scientific Advisory Board member) with the Company or an Affiliate is terminated "for cause" prior to the time that all of his or her outstanding Stock Rights have been exercised:

(a) All outstanding and unexercised Stock Rights as of the date the Participant is notified his or her service is terminated "for cause" will immediately be forfeited, unless the Option or Stock Agreement provides otherwise.

(b) For purposes of this Paragraph, "cause" shall include (and is not limited to) dishonesty with respect to the employer, insubordination, substantial malfeasance or non-feasance of duty, unauthorized disclosure of confidential information, and conduct substantially prejudicial to the business of the Company or any Affiliate. The determination of the Administrator as to the existence of cause will be conclusive on the Participant and the Company.

(c) "Cause" is not limited to events which have occurred prior to a Participant's termination of service, nor is it necessary that the Administrator's finding of "cause" occur prior to termination. If the Administrator determines, subsequent to a Participant's termination of service but prior to the exercise of a Stock Right, that either prior or

subsequent to the Participant's termination the Participant engaged in conduct which would constitute `cause", then the right to exercise any Stock Right is forfeited.

(d) Any definition in an agreement between the Participant and the Company or an Affiliate, which contains a conflicting definition of "cause" for termination and which is in effect at the time of such termination, shall supersede the definition in this Plan with respect to such Participant.

13. Effect of Termination of Service for Disability.

Except as otherwise provided in the pertinent Option or Stock Agreement, a Participant who ceases to be an employee, director, consultant or member of the Scientific Advisory Board of the Company or of an Affiliate by reason of Disability may exercise any Stock Right granted to such Participant:

(a) To the extent exercisable but not exercised on the date of Disability; and

(b) In the event rights to exercise the Stock Right accrue periodically, to the extent of a pro rata portion of any additional rights as would have accrued had the Participant not become Disabled prior to the end of the accrual period which next ends following the date of Disability. The proration shall be based upon the number of days of such accrual period prior to the date of Disability.

A Disabled Participant may exercise such rights only within a period of not more than one (1) year after the date that the Participant became Disabled, notwithstanding that the Participant might have been able to exercise the Stock Right as to some or all of the Shares on a later date if he or she had not become disabled and had continued to be an employee, director or consultant or, if earlier, within the originally prescribed term of the Stock Right.

The Administrator shall make the determination both of whether Disability has occurred and the date of its occurrence (unless a procedure for such determination is set forth in another agreement between the Company and such Participant, in which case such procedure shall be used for such determination). If requested, the Participant shall be examined by a physician selected or approved by the Administrator, the cost of which examination shall be paid for by the Company.

14. Effect of Death While an Employee, Director Or Consultant.

Except as otherwise provided in the pertinent Option or Stock Agreement, in the event of the death of a Participant to whom a Stock Right has been granted while the Participant is an employee, director, consultant or member of the Scientific Advisory Board of the Company or of an Affiliate, such Stock Right may be exercised by the Participant's Survivors:

(a) To the extent exercisable but not exercised on the date of death; and

(b) In the event rights to exercise the Option accrue periodically, to the extent of a pro rata portion of any additional rights which would have accrued had the Participant not died prior to the end of the accrual period which next ends following the date of death. The

proration shall be based upon the number of days of such accrual period prior to the Participant's death.

If the Participant's Survivors wish to exercise the Stock Right, they must take all necessary steps to exercise the Stock Right within one (1) year after the date of death of such Participant, notwithstanding that the decedent might have been able to exercise the Stock Right as to some or all of the Shares on a later date if he or she had not died and had continued to be an employee, director or consultant or, if earlier, within the originally prescribed term of the Stock Right.

15. Purchase for Investment.

Unless the offering and sale of the Shares to be issued upon the particular exercise of a Stock Right shall have been effectively registered under the Securities Act of 1933, as now in force or hereafter amended (the "1933 Act"), the Company shall be under no obligation to issue the Shares covered by such exercise unless and until the following conditions have been fulfilled:

(a) The person(s) who exercise such Stock Right shall warrant to the Company, prior to the receipt of such Shares, that such person(s) are acquiring such Shares for their own respective accounts, for investment, and not with a view to, or for sale in connection with, the distribution of any such Shares, in which event the person(s) acquiring such Shares shall be bound by the provisions of the following legend which shall be endorsed upon the certificate(s) evidencing their Shares issued pursuant to such exercise or such grant:

> The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws.

(b) The Company shall have received an opinion of its counsel that the Shares may be issued upon such particular exercise in compliance with the 1933 Act without registration thereunder.

The Company may delay issuance of the Shares until completion of any action or obtaining of any consent which the Company deems necessary under any applicable law (including, without limitation, state securities or "blue sky" laws).

16. Adjustments Upon Changes in Stock.

(a) Capitalization Adjustments. If any change is made in the Common Stock subject to the Plan to any Stock Award, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the

Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to subsection 4(a), and the outstanding Stock Awards will be appropriately adjusted in the class(es) and number of securities and price per share of Common Stock subject to such outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

(b) Change in Control--Dissolution or Liquidation. In the event of a dissolution or liquidation of the Company, then all outstanding Stock Awards shall terminate immediately prior to such event.

(c) Change in Control--Asset Sale, Merger, Consolidation or Reverse Merger. In the event of (i) a sale, lease or other disposition of all or substantially all of the assets of the Company, (ii) a merger or consolidation in which the Company is not the surviving corporation or (iii) a reverse merger in which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise, then any surviving corporation or acquiring corporation shall assume any Stock Awards outstanding under the Plan or shall substitute similar stock awards (including an award to acquire the same consideration paid to the stockholders in the transaction described in this subsection 12(c) for those outstanding under the Plan). In the event any surviving corporation or acquiring corporation refuses to assume such Stock Awards or to substitute similar stock awards for those outstanding under the Plan, then with respect to Stock Awards held by Participants whose Continuous Status as an Employee, Director or Consultant has not terminated, the vesting of such Stock Awards and any shares of Common Stock acquired under such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated in full, and the Stock Awards shall terminate if not exercised (if applicable) at or prior to such event. With respect to any other Stock Awards outstanding under the Plan, such Stock Awards shall terminate if not exercised (if applicable) prior to such event.

(d) Change in Control--Securities Acquisition. In the event of an acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Exchange Act, or any comparable successor provisions (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or an Affiliate) of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of the Company representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of Directors and provided that such acquisition is not a result of, and does not constitute a transaction described in, subsection 12(c) hereof, then with respect to Stock Awards held by Participants whose Continuous Status as an Employee, Director or Consultant has not terminated, the vesting of such Stock Awards and any shares of Common Stock acquired under such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated in full.

(e) Change in Control--Termination of Continuous Status as an Employee, Director or Consultant.

(i) In the event of a change in control as specified in subsection 12(c) or 12(d) (collectively, a "Change in Control") and Continuous Status as Employee, Director or Consultant of a Participant is either involuntarily terminated without Cause or is voluntarily terminated for Good Reason within one (1) month before or thirteen (13) months after the Change in Control, then the vesting of such Participant's Stock Award and any shares of Common Stock acquired under such Stock Award (and, if applicable, the time during which such Stock Award may be exercised) shall be accelerated by one (1) year.

(ii) The Company or an Affiliate may not terminate the Continuous Status as an Employee, Director or Consultant of a Participant for Cause unless and until there shall have been delivered to such person a copy of a resolution duly adopted by the affirmative vote of at least a majority of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to such person and an opportunity for such person, together with such person's counsel, to be heard before the Board), finding that in the good faith opinion of the Board, such person was guilty of the conduct constituting "Cause" and specifying the particulars thereof in detail.

(iii) Any purported voluntarily termination of the Continuous Status as an Employee, Director or Consultant of a Participant for Good Reason shall be communicated by a notice of termination to the Company and shall state the specific termination provisions relied upon and set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination.

(iv) If any benefit received or to be received by such person pursuant to the acceleration of the vesting and/or exercisability of Stock Award would constitute an "excess parachute payment" subject to excise tax under Section 4999 of the Code (the "Excise Tax"), the amount or benefit to be received by such person shall be reduced if such reduction, taking into account all applicable federal, state and local income and employment taxes and the Excise Tax, results in a greater after-tax benefit for such person. The determination by the Company's independent auditors of any required reduction pursuant hereto shall be conclusive and binding upon such person.

(f) Definitions.

(i) "Good Reason" means, with respect to the voluntary termination of the Continuous Status as an Employee, Director or Consultant of a Participant in connection with a Change in Control, (i) reduction of such person's rate of compensation as in effect immediately prior to the Change in

Control by greater than ten percent (10%), except to the extent the compensation of other similarly situated persons are accordingly reduced, (ii) failure to provide a package of welfare benefit plans that, taken as a whole, provide substantially similar benefits to those in which such person is entitled to participate immediately prior to the Change in Control (except that such person's contributions may be raised to the extent of any cost increases imposed by third parties) or any action by the Company that would adversely affect such person's participation or reduce such person's benefits under any of such plans, (iii) a change in such person's responsibilities, authority, titles or offices resulting in diminution of position, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Company promptly after notice thereof is given by such person, (iv) a request that such person relocate to a worksite that is more than fifty (50) miles from such person's prior worksite, unless such person accepts such relocation opportunity, (v) a material reduction in duties, (vi) a failure or refusal of any successor company to assume the obligations of the Company under an agreement with such person or (vii) a material breach by the Company of any of the material provisions of an agreement with such person. For purposes of this definition, "Company" shall include an Affiliate of the Company and a successor to the Company.

(ii) "Cause" means, with respect to the involuntary termination of the Continuous Status as an Employee, Director or Consultant of a Participant, misconduct, including: (i) conviction of any felony or any crime involving moral turpitude or dishonesty; (ii) participation in a fraud or act of dishonesty against the Company or an Affiliate; (iii) conduct that, based upon a good faith and reasonable factual investigation and determination by the Company, demonstrates gross unfitness to serve; or (iv) intentional, material violation of any agreement with the Company, or of any statutory duty to the Company, that is not corrected within thirty (30) days after written notice thereof. Physical or mental disability shall not constitute "Cause." For purposes of this definition, "Company" shall include an Affiliate of the Company and a successor to the Company.

(g) Modification of Incentive Stock Options. Notwithstanding the foregoing, any adjustments made pursuant to Section 12 with respect to Incentive Stock Options shall be made only after the Board, after consulting with counsel for the Company, determines whether such adjustments would constitute a "modifications" of such Incentive Stock Option (as that term is defined in Section 424(h) of the Code) or would cause any adverse tax consequences for the holders of such Incentive Stock Options. If the Board determines that such adjustments made with respect to Incentive Stock Options would constitute a modification of such Incentive Stock Options, it may refrain from making such adjustments, unless the holder of an Incentive Stock Option specifically requests in writing that such adjustment be made and such writing indicates that the holder has full knowledge of the consequences of such "modification" on his or her income tax treatment with respect to the Incentive Stock Option.

17. Issuances of Securities.

Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares subject to Stock Rights. Except as expressly provided herein, no adjustments shall be made for dividends paid in cash or in property (including without limitation, securities) of the Company.

18. Fractional Shares.

No fractional share shall be issued under the Plan and the person exercising such right shall receive from the Company cash in lieu of such fractional share equal to the Fair Market Value thereof.

19. Conversion of ISOs into Non-Qualified Options; Termination of ISOs.

The Administrator, at the written request of any Participant, may in its discretion take such actions as may be necessary to convert such Participant's ISOs (or any portions thereof) that have not been exercised on the date of conversion into Non-Qualified Options at any time prior to the expiration of such ISOs, regardless of whether the Participant is an employee of the Company or an Affiliate at the time of such conversion. Such actions may include, but not be limited to, extending the exercise period or reducing the exercise price of the appropriate installments of such Options. At the time of such conversion, the Administrator (with the consent of the Participant) may impose such conditions on the exercise of the resulting Non-Qualified Options as the Administrator in its discretion may determine, provided that such conditions shall not be inconsistent with this Plan. Nothing in the Plan shall be deemed to give any Participant the right to have such Participant's ISO's converted into Non-Qualified Options, and no such conversion shall occur until and unless the Administrator takes appropriate action. The Administrator, with the consent of the Participant, may also terminate any portion of any ISO that has not been exercised at the time of such termination.

20. Withholding.

In the event that any federal, state, or local income taxes, employment taxes, Federal Insurance Contributions Act ("F.I.C.A.") withholdings or other amounts are required by applicable law or governmental regulation to be withheld from the Option holder's salary, wages or other remuneration in connection with the exercise of a Stock Right or a Disqualifying Disposition (as defined in Paragraph 21), the Participant shall advance in cash to the Company, or to any Affiliate of the Company which employs or employed the Participant, the amount of such withholdings unless a different withholding arrangement, including the use of shares of the Company's Common Stock, is authorized by the Administrator (and permitted by law), provided, however, that with respect to persons subject to Section 16 of the 1934 Act, any such

withholding arrangement shall be in compliance with any applicable provisions of Rule 16b-3 promulgated under Section 16 of the 1934 Act. For purposes hereof, the fair market value of the shares withheld for purposes of payroll withholding shall be determined in the manner provided in Paragraph 1 above, as of the most recent practicable date prior to the date of exercise. If the fair market value of the shares withheld is less than the amount of payroll withholdings required, the Option holder may be required to advance the difference in cash to the Company or the Affiliate employer. The Administrator in its discretion may condition the exercise of an Option for less than the then Fair Market Value on the Participant's payment of such additional withholding.

21. Notice to Company of Disqualifying Disposition.

Each Key Employee who receives an IS0 must agree to notify the Company in writing immediately after the Key Employee makes a Disqualifying Disposition of any shares acquired pursuant to the exercise of an ISO. A Disqualifying Disposition is any disposition (including any sale) of such shares before the later of (a) two years after the date the Key Employee was granted the ISO, or (b) one year after the date the Key Employee acquired shares by exercising the ISO. If the Key Employee has died before such stock is sold, these holding period requirements do not apply and no Disqualifying Disposition can occur thereafter.

22. Termination of the Plan.

The Plan will terminate on the date which is ten (10) years from the earlier of the date of its adoption and the date of its approval by the shareholders of the Company. The Plan may be terminated at an earlier date by vote of the shareholders of the Company; provided, however, that any such earlier termination will not affect any Stock Rights granted or Option or Stock Agreements executed prior to the effective date of such termination.

23. Amendment of the Plan and Agreements.

The Plan may be amended by the shareholders of the Company. The Plan may also be amended by the Administrator, including, without limitation, to the extent necessary to qualify any or all outstanding Stock Rights granted under the Plan or Stock Rights to be granted under the Plan for favorable federal income tax treatment (including deferral of taxation upon exercise) as may be afforded incentive stock options under Section 422 of the Code, to the extent necessary to ensure the qualification of the Plan under Rule 16b-3, at such time, if any, as the Company has a class of stock registered pursuant to Section 12 of the 1934 Act, and to the extent necessary to qualify the shares issuable upon exercise of any outstanding Stock Rights granted, or Stock Rights to be granted, under the Plan for listing on any national securities exchange or quotation in any national automated quotation system of securities dealers. Any amendment approved by the Administrator which is of a scope that requires shareholder approval in order to ensure favorable federal income tax treatment for any incentive stock options or requires shareholder approval in order to ensure the compliance of the Plan with Rule 16b-3 at such time, if any, as the Company has a class of stock registered pursuant to Section 12 of the 1934 Act, shall be subject to obtaining such shareholder approval. Any modification or amendment of the Plan shall not, without the consent of a Participant, adversely affect his or her rights under a Stock Right previously granted to him or her. With the consent of the Participant affected, the

Administrator may amend outstanding Option or Stock Agreements in a manner which may be adverse to the Participant but which is not inconsistent with the Plan. In the discretion of the Administrator, outstanding Option or Stock Agreements may be amended by the Administrator in a manner which is not adverse to the Participant.

24. Employment or Other Relationship.

Nothing in this Plan or any Option or Stock Agreement shall be deemed to prevent the Company or an Affiliate from terminating the employment, consultancy, director or Scientific Advisory Board member status of a Participant, nor to prevent a Participant from terminating his or her own employment, consultancy, director or Scientific Advisory Board member status or to give any Participant a right to be retained in employment or other service by the Company or any Affiliate for any period of time.

25. Governing Law.

This Plan shall be construed and enforced in accordance with the law of The Commonwealth of Massachusetts.

EXHIBIT 10.3

EXELIXIS PHARMACEUTICALS, INC.

1997 EQUITY INCENTIVE PLAN

Adopted September, 1997

1. PURPOSES.

(a) The purpose of the Plan is to provide a means by which selected Employees and Directors of and Consultants to the Company, and its Affiliates, may be given an opportunity to benefit from increases in value of the stock of the Company through the granting of (i) Incentive Stock Options, (ii) Nonstatutory Stock Options, (iii) stock bonuses, and (iv) rights to purchase restricted stock, all as defined below.

(b) The Company, by means of the Plan, seeks to retain the services of persons who are now Employees or Directors of or Consultants to the Company or its Affiliates, to secure and retain the services of new Employees, Directors and Consultants, and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

(c) The Company intends that the Stock Awards issued under the Plan shall, in the discretion of the Board or any Committee to which responsibility for administration of the Plan has been delegated pursuant to subsection 3(c), be either (i) Options granted pursuant to Section 6 hereof, including Incentive Stock Options and Nonstatutory Stock Options, or (ii) stock bonuses or rights to purchase restricted stock granted pursuant to Section 7 hereof. All Options shall be separately designated Incentive Stock Options or Nonstatutory Stock Options at the time of grant, and in such form as issued pursuant to Section 6, and a separate certificate or certificates will be issued for shares purchased on exercise of each type of Option.

2. DEFINITIONS.

(a) "Affiliate" means any parent corporation or subsidiary corporation, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f) respectively, of the Code.

(b) "Board" means the Board of Directors of the Company.

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

(d) "Committee" means a Committee appointed by the Board in accordance with subsection 3(c) of the Plan.

(e) "Company" means Exelixis Pharmaceuticals, Inc. a Delaware corporation.

(f) "Consultant" means any person, including an advisor, engaged by the Company or an Affiliate to render consulting services and who is compensated for such services, provided that the term "Consultant" shall not include Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors.

(g) "Continuous Status as an Employee, Director or Consultant" means that the service of an individual to the Company, whether as an Employee, Director or Consultant, is not interrupted or terminated. The Board may determine, in it's sole discretion, whether Continuous Status as an Employee, Director or Consultant shall be considered interrupted in the case of: (i) any leave of absence approved by the Board, including sick leave, military leave, or any other personal leave; or (ii) transfers between the Company, Affiliates or their successors.

(h) "Director" means a member of the Board.

(i) "Employee" means any person, including officers and Directors, employed by the Company or any Affiliate of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(1) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(k) "Fair Market Value" means the value of the common stock as determined in good faith by the Board and in a manner consistent with Section 260.140.50 of Title 10 of the California Code of Regulations.

(I) "Incentive Stock Option" means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(m) "Listing Date" means the first date upon which any security of the Company is listed (or approved for listing) upon notice of issuance on any securities exchange, or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system if such securities exchange or interdealer quotation system has been certified in accordance with the provisions of Section 25100(o) of the California Corporate Securities Law of 1968.

(n) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(o) "Option" means a stock option granted pursuant to the Plan.

(p) "Option Agreement" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. Each Option Agreement shall be subject to the terms and conditions of the Plan.

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

(r) "Plan" means this Exelixis Pharmaceuticals, Inc. 1997 Equity Incentive Plan.

(s) "Securities Act" means the Securities Act of 1933, as amended.

(t) "Stock Award" means any right granted under the Plan, including any Option, any stock bonus, and any right to purchase restricted stock.

(u) "Stock Award Agreement" means a written agreement between the Company and a holder of a Stock Award evidencing the terms and conditions of an individual Stock Award grant. Each Stock Award Agreement shall be subject to the terms and conditions of the Plan.

3. ADMINISTRATION.

(a) The Plan shall be administered by the Board unless and until the Board delegates administration to a Committee, as provided in subsection 3(c).

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

(1), To determine from time to time which of the persons eligible under the Plan shall be granted Stock Awards; when and how each Stock Award shall be granted; whether a Stock Award will be an Incentive Stock Option, a Nonstatutory Stock Option, a stock bonus, a right to purchase restricted stock, or a combination of the foregoing; the provisions of each Stock Award granted (which need not be identical), including the time or times when a person shall be permitted to receive stock pursuant to a Stock Award; and the number of shares with respect to which a Stock Award shall be granted to each such person.

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

(3) To amend the Plan or a Stock Award as provided in Section 14.

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

(c) The Board may delegate administration of the Plan to a committee of the Board composed of one or more members (the "Committee"). If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or such a subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revest in the Board the administration of the Plan.

4. SHARES SUBJECT TO THE PLAN.

(a) Subject to the provisions of Section 13 relating to adjustments upon changes in stock, the stock that may be issued pursuant to Stock Awards shall not exceed in the aggregate ( ) shares of the Company's common stock. If any Stock Award shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the stock not acquired under such Stock Award shall revert to and again become available for issuance under the Plan.

(b) The stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

5. ELIGIBILITY.

(a) Incentive Stock Options may be granted only to Employees. Stock Awards other than Incentive Stock Options may be granted only to Employees, Directors or Consultants.

(b) No person shall be eligible for the grant of an Option or an award to purchase restricted stock if, at the time of grant, such person owns (or is deemed to own pursuant to Section 424(d) of the Code) stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or of any of its Affiliates unless (i) the exercise price of such Option is at least one hundred ten percent (110%) of the Fair Market Value of such stock at the date of grant and the Option is not exercisable after the expiration of five (5) years from the date of grant, or (ii) for an award to purchase restricted stock, the purchase price of restricted stock is at least one hundred percent (100%) of the stock's Fair Market Value at the date of grant of the award.

6. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as the Board shall deem appropriate. The provisions of separate Options need not be identical, but each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) Term. No Option shall be exercisable after the expiration of ten (10) years from the date it was granted.

(b) Price. The exercise price of each Incentive Stock Option shall be not less than one hundred percent (100%) of the Fair Market Value of the stock subject to the Option on the date the Option is granted; the exercise price of each Nonstatutory Stock Option shall be not less than eighty-five percent (85%) of the Fair Market Value of the stock subject to the Option on the date the Option is granted. Notwithstanding the foregoing, an Option (whether an Incentive Stock Option or a Nonstatutory Stock Option) may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(c) Consideration. The purchase price of stock acquired pursuant to an Option shall

be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash at the time the Option is exercised, or (ii) at the discretion of the Board or the Committee, at the time of the grant of the Option, (A) by delivery to the Company of other common stock of the Company, (B) according to a deferred payment arrangement, except that payment of the common stock's "par value" (as defined in the Delaware General Corporate Law) shall not be made by deferred payment, or other arrangement (which may include. without limiting the generality of the foregoing, the use of other common stock of the Company) with the person to whom the Option is granted or to whom the Option is transferred pursuant to subsection 6(d), or (C) in any other form of legal consideration that may be acceptable to the Board.

In the case of any deferred payment arrangement, interest shall be compounded at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest under the deferred payment arrangement.

(d) Transferability. An Option shall not be transferable except by will or by the laws of descent and distribution, and shall be exercisable during the lifetime of the person to whom the Option is granted only by such person.

(e) Vesting. The total number of shares of stock subject to an Option may, but need not, be allotted in periodic installments (which may, but need not, be equal). The Option Agreement may provide that from time to time during each of such installment periods, the Option may become exercisable ("vest") with respect to some or all of the shares allotted to that period, and may be exercised with respect to some or all of the shares allotted to such period and/or any prior period as to which the Option became vested but was not fully exercised. The Option may be subject to such other terms and conditions on the time or times when it may be exercised (which may be based on performance or other criteria) as the Board may deem appropriate. The vesting provisions of individual Options may vary, but in each case will provide for vesting of at least twenty percent (20%) per year of the total number of shares subject to the Option; provided, however, that an Option granted to an officer, director or consultant (within the meaning of Section 260.140.41 of Title 10 of the California Code of Regulations) may become fully exercisable, subject to reasonable conditions such as continued employment, at any time or during any period established by the Company or of any of its Affiliates. The provisions of this subsection 6(e) are subject to any Option provisions governing the minimum number of shares as to which an Option may be exercised.

(f) Termination of Employment or Relationship as a Director or Consultant. In the event an Optionee's Continuous Status as an Employee, Director or Consultant terminates (other than upon the Optionee's death or disability), the Optionee may exercise his or her Option (to the extent that the Optionee was entitled to exercise it as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionee's Continuous Status as an Employee, Director or Consultant (or such longer or shorter period, which shall not be less than three (3) months (unless such termination is for cause, as specified in the Option Agreement)), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the shares covered by the unexercisable portion of the Option shall

revert to and again become available for issuance under the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

(g) Disability of Optionee. In the event an Optionee's Continuous Status as an Employee, Director or Consultant terminates as a result of the Optionee's disability, the Optionee may exercise his or her Option (to the extent that the Optionee was entitled to exercise it as of the date of termination), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination (or such longer or shorter period, which in no event shall be less than six (6) months, specified in the Option Agreement), or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, at the date of termination, the Optionee is not entitled to exercise his or her entire Option, the shares covered by the unexercisable portion of the Option shall revert to and again become available for issuance under the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

(h) Death of Optionee. In the event of the death of an Optionee during, or within a period specified in the Option Agreement after the termination of, the Optionee's Continuous Status as an Employee, Director or Consultant, the Option may be exercised (to the extent the Optionee was entitled to exercise the Option as of the date of death) by the Optionee's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the option upon the Optionee's death pursuant to subsection 6(d), but only within the period ending on the earlier of (i) the date twelve (12) months following the date of death (or such longer or shorter period, which in no event shall be less than six (6) months, specified in the Option Agreement), or (ii) the expiration of the term of such Option as set forth in the Option Agreement. If, at the time of death, the Optionee was not entitled to exercise his or her entire Option, the shares covered by the unexercisable portion of the Option shall revert to and again become available for issuance under the Plan. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate, and the shares covered by such Option shall revert to and again become available for issuance under the Plan.

(i) Early Exercise. The Option may, but need not, include a provision whereby the Optionee may elect at any time while an Employee, Director or Consultant to exercise the Option as to any part or all of the shares subject to the Option prior to the full vesting of the Option. Any unvested shares so purchased shall be subject to a repurchase right in favor of the Company, with the repurchase price to be equal to the original purchase price of the stock, or to any other restriction the Board determines to be appropriate; provided, however, that (i) the right to repurchase at the original purchase price shall lapse at a minimum rate of twenty percent (20%) per year over five (5) years from the date the Option was granted, and (ii) such right shall be exercisable only within (A) the ninety (90) day period following the termination of Continuous Status as an Employee, Director or Consultant, or (B) such longer period as may be agreed to by the Company and the Optionee (for example, for purposes of satisfying the requirements of Section 1202(c)(3) of the Code (regarding "qualified small business stock")), and (iii) such right shall be exercisable only for cash or cancellation of purchase money indebtedness for the shares. Should the right of repurchase be assigned by the Company, the assignee shall pay the Company cash equal to the difference between the original purchase price and the stock's Fair Market Value if the

original purchase price is less than the stock's Fair Market Value.

(1) Right of Repurchase. The Option may, but need not, include a provision whereby the Company may elect, prior to the Listing Date, to repurchase all or any part of the vested shares exercised pursuant to the Option; provided, however, that (i) such repurchase right shall be exercisable only within (A) the ninety (90) day period following the termination of employment or the relationship as a Director or Consultant (or in the case of a post-termination exercise of the Option, the ninety (90) period following such exercise), or (B) such longer period as may be agreed to by the Company and the Optionee (for example, for purposes of satisfying the requirements of Section 1202(c)(3) of the Code (regarding "qualified small business stock")), (ii) such repurchase right shall be exercisable for less than all of the vested shares only with the Optionee's consent, and (iii) such right shall be exercisable only for cash or cancellation of purchase money indebtedness for the shares at a repurchase price equal to the stock's Fair Market Value at the time of such termination. Notwithstanding the foregoing, shares received on exercise of an Option by an officer, director or consultant (within the meaning of Section 260. 140.41 of Title 10 of the California Code of Regulations) may be subject to additional or greater restrictions specified in the Option Agreement.

(2) Right of First Refusal. The Option may, but need not, include a provision whereby the Company may elect, prior to the Listing Date, to exercise a right of first refusal following receipt of notice from the Optionee of the intent to transfer all or any part of the shares exercised pursuant to the Option. Such right of first refusal shall be exercised by the Company no more than thirty (30) days following receipt of notice of the Optionee's intent to transfer shares and must be exercised as to all the shares the Optionee intends to transfer unless the Optionee consents to exercise for less than all the shares offered. The purchase of the shares following exercise shall be completed within thirty (30) days of the Company's receipt of notice of the Optionee's intent to transfer shares, or such longer period of time as has been offered by the person to whom the Optionee intends to transfer the shares, or as may be agreed to by the Company and the Optionee (for example, for purposes of satisfying the requirements of Section 1202(c)(3) of the Code (regarding "qualified small business stock"). Except as expressly provided in this Subsection (k), such right of first refusal shall otherwise comply with the provisions of the Bylaws of the Company.

7. TERMS OF STOCK BONUSES AND PURCHASES OF RESTRICTED STOCK.

Each stock bonus or restricted stock purchase agreement shall be in such form and shall contain such terms and conditions as the Board or the Committee shall deem appropriate. The terms and conditions of stock bonus or restricted stock purchase agreements may change from time to time, and the terms and conditions of separate agreements need not be identical, but each stock bonus or restricted stock purchase agreement shall include (through incorporation of provisions hereof by reference in the agreement or otherwise) the substance of each of the following provisions as appropriate:

(a) Purchase Price. The purchase price under each restricted stock purchase agreement shall be such amount as the Board or Committee shall determine and designate in such Stock Award Agreement, but in no event shall the purchase price be less than eighty-five percent (85%) of the stock's Fair Market Value on the date such award is made. Notwithstanding the foregoing, the Board or the Committee may determine that eligible participants in the Plan may be awarded stock pursuant to a stock

bonus agreement in consideration for past services actually rendered to the Company or for its benefit.

(b) Transferability. Rights under a stock bonus or restricted stock purchase agreement shall not be transferable except by will or by the laws of descent and distribution, and shall be exercisable during the lifetime of the person to whom the Option is granted only by such person.

(c) Consideration. The purchase price of stock acquired pursuant to a stock purchase agreement shall be paid either: (i) in cash at the time of purchase; (ii) at the discretion of the Board or the Committee, according to a deferred payment or other arrangement with the person to whom the stock is sold, except that payment of the common stock's "par value" (as defined in the Delaware General Corporation Law) shall not be made by deferred payment; or (iii) in any other form of legal consideration that' may be acceptable to the Board or the Committee in its discretion. Notwithstanding the foregoing, the Board or the Committee to which administration. of the Plan has been delegated may award stock pursuant to a stock bonus agreement in consideration for past services actually rendered to the Company or for its benefit.

(d) Vesting. Shares of stock sold or awarded under the Plan may, but need not, be subject to a repurchase option in favor of the Company in accordance with a vesting schedule to be determined by the Board or the Committee. The applicable agreement shall provide (i) that the right to repurchase at the original purchase price shall lapse at a minimum rate of twenty percent (20%) per year over five (5) years from the date the Stock Award was granted (except that a Stock Award granted to an officer, director or consultant (within the meaning of Section 260140.41 of Title 10 of the California Code of Regulations) may become fully vested, subject to reasonable conditions such as continued employment, at any time or during any period established by the Company or of any of its Affiliates), and (ii) such right shall be exercisable only (A) within the ninety (90) day period following the termination of employment or the relationship as a Director or Consultant, or (B) such longer period as may be agreed to by the Company and the holder of the Stock Award (for example, for purposes of satisfying the requirements of Section 1202(c)(3) of the Code (regarding "qualified small business stock")), and (iii) such right shall be exercisable only for cash or cancellation of purchase money indebtedness for the shares.

(e) Termination of Employment or Relationship as a Director or Consultant. In the event a Participant's Continuous Status as an Employee, Director or Consultant terminates, the Company may repurchase or otherwise reacquire, subject to the limitations described in subsection 7(d), any or all of the shares of stock held by that person which have not vested as of the date of termination under the terms of the stock bonus or restricted stock purchase agreement between the Company and such person.

8. CANCELLATION AND RE-GRANT OF OPTIONS.

The Board or the Committee shall have the authority to effect, at any time and from time to time, (i) the repricing of any outstanding Options under the Plan and/or (ii) with the consent of the affected holders of Options, the cancellation of any outstanding Options under the Plan and the grant in substitution therefor of new Options under the Plan covering the same or different numbers of shares of stock, but having an exercise price per share not less than eighty-five percent (85%) of the Fair Market Value (one hundred percent (100%) of the Fair Market Value in the case of an Incentive Stock Option) or, in the case of a 10% stockholder (as described in subsection

5(1,)), not less than one hundred ten percent (110%) of the Fair Market Value) per share of stock on the new grant date. Notwithstanding the foregoing, the Board or the Committee may grant an Option with an exercise price lower than that set forth above if such Option is granted as part of a transaction to which section 424(a) of the Code applies.

9. COVENANTS OF THE COMPANY.

(a) During the terms of the Stock Awards, the Company shall keep available at all times the number of shares of stock required to satisfy such Stock Awards.

(b) The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to issue and sell shares of stock upon exercise of the Stock Award; provided, however, that this undertaking shall not require the Company to register under the Securities Act either the Plan, any Stock Award or any stock issued or issuable pursuant to any such Stock Award. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such Stock Awards unless and until such authority is obtained.

10. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of stock pursuant to Stock Awards shall constitute general funds of the Company.

11. MISCELLANEOUS.

(a) Subject to any applicable provisions of the California Corporate Securities Law of 1968 and related regulations relied upon as a condition of issuing securities pursuant to the Plan, the Board shall have the power to accelerate the time at which a Stock Award may first be exercised or the time during which a Stock Award or any part thereof will vest pursuant to subsection 6(e) or 7(d), notwithstanding the provisions in the Stock Award stating the time at which it may first be exercised or the time during which it will vest.

(b) Neither an Employee, Director, or Consultant, nor any person to whom a Stock Award is transferred under subsection 6(d) or 7(b) shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to such Stock Award unless and until such person has satisfied all requirements for exercise of the Stock Award pursuant to its terms.

(c) Throughout the term of any Stock Award, the Company shall deliver to the holder of such Stock Award, not later than one hundred twenty (120) days after the close of each of the Company's fiscal years during the term of such Stock Award, a balance sheet and an income statement. This subsection shall not apply (i) after the Listing Date, or (ii) when issuance is limited to key employees whose duties in connection with the Company assure them access to equivalent information.

(d) Nothing in the Plan or any instrument executed or Stock Award granted pursuant thereto

shall confer upon any Employee, Director, Consultant, or other holder of Stock Awards any right to continue in the employ of the Company or any Affiliate (or to continue acting as a Director or Consultant) or shall affect the right of the Company or any Affiliate to terminate the employment of any Employee, with or without cause, the right of the Company's Board of Directors and/or the Company's stockholders to remove any Director as provided in the Company's Bylaws and the provisions of the General Corporation Law of the State of Delaware, or the right to terminate the relationship of any Consultant subject to the terms of such Consultant's agreement with the Company or Affiliate.

(e) To the extent that the aggregate Fair Market Value (determined at the time of grant) of stock with respect to which Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year under all plans of the Company and its Affiliates exceeds one hundred thousand dollars ($100,000), the Options or portions thereof which exceed such limit (according to the order in which they were granted) shall be treated as Nonstatutory Stock Options.

(f) The Company may require any person to whom a Stock Award is granted, or any person to whom a Stock Award is transferred pursuant to subsection 6(d) or 7(b), as a condition of exercising or acquiring stock under any Stock Award, (1) to give written assurances satisfactory to the Company as to such person's knowledge and experience in financial and business matters and/or to employ a purchaser representative reasonably satisfactory to the Company who is knowledgeable and experienced in financial and business matters, and that he or she is capable of evaluating, alone or together with the purchaser representative, the merits and risks of exercising the Stock Award; and (2) to give written assurances satisfactory to the Company stating that such person is acquiring the stock subject to the Stock Award for such person's own account and not with any present intention of selling or otherwise distributing the stock. The foregoing requirements, and any assurances given pursuant to such requirements, shall be inoperative if (i) the issuance of the shares upon the exercise or acquisition of stock under the Stock Award has been registered under a then currently effective registration statement under the Securities Act, or (ii) as to any particular requirement, a determination is made by counsel for the Company that such requirement need not be met in the circumstances under the then applicable securities laws. The Company may, upon advice of counsel to the Company, place legends on stock certificates issued under the Plan as such counsel deems necessary or appropriate in order to comply with applicable securities laws, including, but not limited to, legends restricting the transfer of the stock.

(g) To the extent provided by the terms of a Stock Award Agreement, the person to whom a Stock Award is granted may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of stock under a Stock Award by any of the following means or by a combination of such means: (1) tendering a cash payment; (2) authorizing the Company to withhold shares from the shares of the common stock otherwise issuable to the participant as a result of the exercise or acquisition of stock under the Stock Award; or (3) delivering to the Company owned and unencumbered shares of the common stock of the Company.

12. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) Capitalization Adjustments. If any change is made in the Common Stock subject to the Plan to any Stock Award, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the

Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject to the Plan pursuant to subsection 4(a), and the outstanding Stock Awards will be appropriately adjusted in the class(es) and number of securities and price per share of Common Stock subject to such outstanding Stock Awards. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

(b) Change in Control--Dissolution or Liquidation. In the event of a dissolution or liquidation of the Company, then all outstanding Stock Awards shall terminate immediately prior to such event.

(c) Change in Control--Asset Sale, Merger, Consolidation or Reverse Merger. In the event of (i) a sale, lease or other disposition of all or substantially all of the assets of the Company, (ii) a merger or consolidation in which the Company is not the surviving corporation or (iii) a reverse merger in which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise, then any surviving corporation or acquiring corporation shall assume any Stock Awards outstanding under the Plan or shall substitute similar stock awards (including an award to acquire the same consideration paid to the stockholders in the transaction described in this subsection 12(c) for those outstanding under the Plan). In the event any surviving corporation or acquiring corporation refuses to assume such Stock Awards or to substitute similar stock awards for those outstanding under the Plan, then with respect to Stock Awards held by Participants whose Continuous Status as an Employee, Director or Consultant has not terminated, the vesting of such Stock Awards and any shares of Common Stock acquired under such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated in full, and the Stock Awards shall terminate if not exercised (if applicable) at or prior to such event. With respect to any other Stock Awards outstanding under the Plan, such Stock Awards shall terminate if not exercised (if applicable) prior to such event.

(d) Change in Control--Securities Acquisition. In the event of an acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Exchange Act, or any comparable successor provisions (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or an Affiliate) of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of the Company representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of Directors and provided that such acquisition is not a result of, and does not constitute a transaction described in, subsection 12(c) hereof, then with respect to Stock Awards held by Participants whose Continuous Status as an Employee, Director or Consultant has not terminated, the vesting of such Stock Awards and any shares of Common Stock acquired under such Stock Awards (and, if applicable, the time during which such Stock Awards may be exercised) shall be accelerated in full.

(e) Change in Control--Termination of Continuous Status as an Employee, Director or Consultant.

(i) In the event of a change in control as specified in subsection 12(c) or 12(d) (collectively, a "Change in Control") and Continuous Status as Employee, Director or Consultant of a Participant is either involuntarily terminated without Cause or is voluntarily terminated for Good Reason within one (1) month before or thirteen (13) months after the Change in Control, then the vesting of such Participant's Stock Award and any shares of Common Stock acquired under such Stock Award (and, if applicable, the time during which such Stock Award may be exercised) shall be accelerated by one (1) year.

(ii) The Company or an Affiliate may not terminate the Continuous Status as an Employee, Director or Consultant of a Participant for Cause unless and until there shall have been delivered to such person a copy of a resolution duly adopted by the affirmative vote of at least a majority of the Board at a meeting of the Board called and held for the purpose (after reasonable notice to such person and an opportunity for such person, together with such person's counsel, to be heard before the Board), finding that in the good faith opinion of the Board, such person was guilty of the conduct constituting "Cause" and specifying the particulars thereof in detail.

(iii) Any purported voluntarily termination of the Continuous Status as an Employee, Director or Consultant of a Participant for Good Reason shall be communicated by a notice of termination to the Company and shall state the specific termination provisions relied upon and set forth in reasonable detail the facts and circumstances claimed to provide a basis for such termination.

(iv) If any benefit received or to be received by such person pursuant to the acceleration of the vesting and/or exercisability of Stock Award would constitute an "excess parachute payment" subject to excise tax under Section 4999 of the Code (the "Excise Tax"), the amount or benefit to be received by such person shall be reduced if such reduction, taking into account all applicable federal, state and local income and employment taxes and the Excise Tax, results in a greater after-tax benefit for such person. The determination by the Company's independent auditors of any required reduction pursuant hereto shall be conclusive and binding upon such person.

(f) Definitions.

(i) "Good Reason" means, with respect to the voluntary termination of the Continuous Status as an Employee, Director or Consultant of a Participant in connection with a Change in Control, (i) reduction of such person's rate of compensation as in effect immediately prior to the Change in

Control by greater than ten percent (10%), except to the extent the compensation of other similarly situated persons are accordingly reduced, (ii) failure to provide a package of welfare benefit plans that, taken as a whole, provide substantially similar benefits to those in which such person is entitled to participate immediately prior to the Change in Control (except that such person's contributions may be raised to the extent of any cost increases imposed by third parties) or any action by the Company that would adversely affect such person's participation or reduce such person's benefits under any of such plans, (iii) a change in such person's responsibilities, authority, titles or offices resulting in diminution of position, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith that is remedied by the Company promptly after notice thereof is given by such person, (iv) a request that such person relocate to a worksite that is more than fifty (50) miles from such person's prior worksite, unless such person accepts such relocation opportunity, (v) a material reduction in duties, (vi) a failure or refusal of any successor company to assume the obligations of the Company under an agreement with such person or (vii) a material breach by the Company of any of the material provisions of an agreement with such person. For purposes of this definition, "Company" shall include an Affiliate of the Company and a successor to the Company.

(ii) "Cause" means, with respect to the involuntary termination of the Continuous Status as an Employee, Director or Consultant of a Participant, misconduct, including: (i) conviction of any felony or any crime involving moral turpitude or dishonesty; (ii) participation in a fraud or act of dishonesty against the Company or an Affiliate; (iii) conduct that, based upon a good faith and reasonable factual investigation and determination by the Company, demonstrates gross unfitness to serve; or (iv) intentional, material violation of any agreement with the Company, or of any statutory duty to the Company, that is not corrected within thirty (30) days after written notice thereof. Physical or mental disability shall not constitute "Cause." For purposes of this definition, "Company" shall include an Affiliate of the Company and a successor to the Company.

(g) Modification of Incentive Stock Options. Notwithstanding the foregoing, any adjustments made pursuant to Section 12 with respect to Incentive Stock Options shall be made only after the Board, after consulting with counsel for the Company, determines whether such adjustments would constitute a "modifications" of such Incentive Stock Option (as that term is defined in Section 424(h) of the Code) or would cause any adverse tax consequences for the holders of such Incentive Stock Options. If the Board determines that such adjustments made with respect to Incentive Stock Options would constitute a modification of such Incentive Stock Options, it may refrain from making such adjustments, unless the holder of an Incentive Stock Option specifically requests in writing that such adjustment be made and such writing indicates that the holder has full knowledge of the consequences of such "modification" on his or her income tax treatment with respect to the Incentive Stock Option.

13. AMENDMENT OF THE PLAN AND STOCK AWARDS.

(a) The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 12 relating to adjustments upon changes in stock, no amendment shall be effective unless approved by the stockholders of the Company to the extent such approval is necessary to satisfy the requirements of Section 422 of the Code or any NASDAQ or securities exchange listing requirements.

(b) To the extent required by applicable law, recipients of Stock Awards shall be provided with financial statements at least annually.

(c) It is expressly contemplated that the Board may amend the Plan in any respect the Board deems necessary or advisable to provide eligible Employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to Incentive Stock Options and/or to bring the Plan and/or Incentive Stock Options granted under it into compliance therewith.

(d) Rights and obligations under any Stock Award granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the person to whom the Stock Award was granted and (ii) such person consents in writing.

(e) The Board at any time, and from time to time, may amend the terms of any one or more Stock Award; provided, however, that the rights and obligations under any Stock Award shall not be impaired by any such amendment unless (i) the Company requests the consent of the person to whom the

Stock Award was granted and (ii) such person consents in writing.

14. TERMINATION OR SUSPENSION OF THE PLAN.

(a) The Board may suspend or terminate the Plan at any time. Unless sooner terminated, the Plan shall terminate on the day before the tenth anniversary of the earlier of the date the Plan is adopted by the Board or approved by the stockholders of the Company, whichever is earlier. No Stock Awards may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) Rights and obligations under any Stock Award granted while the Plan is in effect shall not be impaired by suspension or termination of the Plan, except with the written consent of the person to whom the Stock Award was granted.

15. EFFECTIVE DATE OF PLAN.

The Plan shall become effective as determined by the Board, but no Stock Awards granted under the Plan shall be exercised unless and until the Plan has been approved by the stockholders of the Company, which approval shall he within twelve (12) months before or after the date the Plan is adopted by the Board.

Exhibit 10.7

COLLABORATION AGREEMENT

This Collaboration Agreement (the "Agreement") is made and entered into as of January 1, 2000 (the "Effective Date") by and among Exelixis Pharmaceuticals, Inc., a Delaware corporation having its principal place of business in South San Francisco, California ("Exelixis"), Bayer Corporation, an Indiana corporation having its principal place of business in Pittsburgh, Pennsylvania ("Bayer"), and GenOptera LLC, a Delaware limited liability company having its principal place of business in South San Francisco, California (the "LLC"). Each of Exelixis, Bayer and the LLC may be referred to herein individually as a "Party" or collectively as the "Parties."

Background

A. Exelixis has technology, materials, and expertise relating to the identification of proteins and nucleic acids involved in intracellular pathways or networks in insects and nematodes and to the development of high-throughput assays that can identify compounds having potential utility in inhibiting or enhancing the activity of such pathway proteins or nucleic acids.

B. Bayer has an extensive library of small molecules, and has substantial experience in the research (including target research), development (including assay development), and commercialization of pesticides for use in the markets for crop and plant protection and non-human animal health (including companion animal care).

C. Exelixis and Bayer A.G., an Affiliate of Bayer, have been working together in the field of pesticide research under an existing Collaboration Agreement (the "Original Agreement") entered into as of May 1, 1998 (the "Original Agreement Date") and terminated as of the Effective Date by a separate agreement between Exelixis and Bayer A.G. Exelixis and Bayer have now decided to organize the LLC to continue and expand the research performed under the Original Agreement, and to make the collaboration between Exelixis and Bayer exclusive within the field of insecticides and nematicides, as and to the extent further defined herein.

Now, Therefore, in consideration of the foregoing and the covenants and promises contained in this Agreement, the Parties agree as follows:

1. Definitions

As used herein, the following capitalized terms shall have the following meanings (with terms defined in the singular having the same meanings when used in the plural):

1.1 "A List Reserved Target" has the meaning set forth in Section 6.1.

1.2 "Affiliate" means a Person who controls, is controlled by or is under common control with (a) the referenced Party or (b) another Person. For purposes of this definition, (1) the word "control" (including, with correlative meaning, the terms "controlled by" or "is under common control with") means the power to direct or cause the direction of the management and policies of the relevant Person, or the ownership of at least fifty percent (50%) of the voting stock or voting power of such Person if it is a legal entity, and (2) Bayer and Bayer AG are Affiliates of each other, the LLC shall not be considered an Affiliate of either Bayer or Exelixis, and neither Bayer nor Exelixis shall be considered an Affiliate of the LLC.

1.3 "Annual FTE Rate" means the amount to be paid over a 12-month period by the LLC to Exelixis to support one FTE for such period. The Annual FTE Rate will be [*] for the first Contract Year. For each subsequent Contract Year, this rate will be [*].

1.4 "Approval Application" means the appropriate application(s), together with all documents, data and information concerning a Product required to be included with such application, that is necessary to obtain Regulatory Approval to manufacture, use, import, distribute, market and/or sell a Product for use in the Field of Use in a particular country.

1.5 "B List Reserved Target" has the meaning set forth in Section 6.1.

1.6 "Bayer Assay" means, with respect to a particular Target, an in vitro or in vivo assay (other than an LLC Assay) developed by or on behalf of Bayer as provided in Sections 2.11(b), 3.2, 4.3(b), 5.3 and 6.2(b) that can measure whether a particular molecule or compound inhibits or antagonizes (or, if appropriate, agonizes or enhances) the function of the Target.

1.7 "Bayer Compounds" are compounds, excluding the Bayer Pesticides and any and all compounds that Bayer and/or an Affiliate of Bayer was marketing or developing on the Original Agreement Date, to which Bayer has access and which it has the right to test and that Bayer A.G. tested under the Original Agreement or that Bayer tests under this Agreement.

1.8 "Bayer Know-How" means Information Controlled by Bayer or any Affiliate of Bayer that is necessary or useful for conducting the LLC's obligations under the Research Plan, or for the discovery, preparation or use of Targets or LLC Assays, or for the development or use of the Sequence Library or Sequence Database and that is disclosed to the LLC and/or Exelixis under this Agreement and/or the Original Agreement. Bayer Know-How excludes the Bayer Patents.

1.9 "Bayer Patents" means all Patents Controlled by Bayer or any Affiliate of Bayer, covering inventions made prior to the end of the Research Term, including those made prior to the Effective Date, that claim or cover a Bayer Pesticide or its use, the discovery, manufacture or use of a Target or LLC Assay, the development or use of the Sequence Library or Sequence Database, or the discovery, manufacture or use of a Collaboration Compound or Product; and include Joint Patents in which Bayer has an ownership interest.

1.10 "Bayer Pesticide" means any compound Controlled by Bayer that has been shown to have potential utility in pest control as an insecticide, arachnicide and/or nematicide, but the target for such activity was not known as of the Original Agreement Date.

1.11 "Bayer Product" means a product that contains a Collaboration Compound.

1.12 "Candidate Target" means (a) a Target identified, mapped, cloned, and validated in the course of the Target Identification Program or (b) a Sequence-Based Target that is identical with a Target described in subsection (a) of this Section 1.12.

1.13 "Chemical Development Program" means a chemical research program conducted to find a compound with commercial value when formulated into a product. For clarity, a Chemical Development Program includes, without limitation, the synthesis of derivatives, modifications and analogues whether made through medicinal chemistry, the study of structure-activity relationships, combinatorial chemistry or a structure-based design program.

1.14 "Chief Executive Officer" means the Chief Executive Officer of the LLC.

1.15 "Cognate Target" means any Candidate Target, (i) the function of which a particular Bayer Pesticide agonizes, antagonizes, enhances or counteracts to achieve the insecticide or nematicide (as applicable) effect, which function was not known to Bayer, Exelixis or an Affiliate of either of them as of the Original Agreement Date and was determined as a result of the investigation of the mechanism of action of a Bayer Pesticide through work conducted by the LLC or Exelixis, or (ii) [*].

1.16 "Collaboration Compound" means

(a) a compound (other than an Excluded Compound), having a molecular weight below [*], that:

(i) agonizes, antagonizes, enhances or inhibits the function of a Target, wherein such activity was discovered by or on behalf of Bayer or its Affiliate or licensee by screening the compound in a Selected Assay for the Target or in a Bayer Assay for the Target, within [*] after the first use of such Selected Assay or Bayer Assay by Bayer or its Affiliate or licensee; or

(ii) agonizes, antagonizes, enhances or inhibits the function of a Target, wherein such activity was discovered by a material use by or on behalf of Bayer or its Affiliate or licensee of the Exelixis Know-How, Exelixis Patents, LLC Know-How or LLC Patents (other than Selected Assays or Bayer Assays), within [*] after the Effective Date or if later by [*]; or

(iii) is a compound synthesized in connection with a Chemical Development Program based on or arising from a compound (including, without limitation, derivatives of an Excluded Compound) that meets the criteria in Section 1.16(a)(i) or 1.16(a)(ii) and that is shown to agonize, antagonize, enhance or inhibit the function of a Target; or

(iv) is identified by Bayer or its Affiliate or licensee (other than the LLC) as provided in Section 2.4(c) within [*] after the first use by Bayer or its Affiliate or licensee of an assay or Target described in Section 2.4(c); or

(b) is a [*] useful in the Field of Use and that is discovered by or on behalf of Bayer or its Affiliate or licensee under this Agreement and/or was discovered by or on behalf of Bayer AG or its licensee under the Original Agreement.

The definition of "Collaboration Compound" does not include any compound identified and developed without any use of a Selected Assay, Target or Confidential Information of the LLC or Exelixis. References in this Section 1.16 to a "licensee" of Bayer shall include sublicensees but shall exclude the LLC in those cases where the compound satisfies the definition of an LLC Compound.

1.17 "Confidential Information" means with respect to a Party, Information that is owned or Controlled by such Party, its Affiliates or sublicensees, including information of Third Parties known to such Party by reason of any collaboration with such Third Party or under any confidentiality agreement with such Third Party, that is disclosed by such Party to the one or both of the other Parties hereto pursuant to this Agreement, and that is identified by the disclosing Party in writing, or is acknowledged by the receiving Party in writing, to be confidential to the disclosing Party or to a Third Party at the time of disclosure to the receiving Party if disclosed in tangible form, or is confirmed by the disclosing Party to the receiving Party as confidential within thirty (30) days after disclosure if initially disclosed orally by the disclosing Party. Confidential Information will not include any information which:

(a) Already Known Without Breach. Was already known to the receiving Party, without breach of any obligation of confidentiality by any Party, at the time of disclosure by the disclosing Party;

(b) Generally Available Or In Public Domain Without Breach. Was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving Party by the disclosing Party, or became generally available to the public or otherwise part of the public domain after its disclosure to the receiving Party by the disclosing Party, in each case without breach of any obligation of confidentiality by the receiving Party or subsequently becomes part of the public domain without breach of any obligation of confidentiality by the receiving Party;

(c) Freely Disclosed By Certain Third Parties. Was disclosed to the receiving Party, other than under an obligation of confidentiality, by a Third Party who had no obligation to the disclosing Party not to disclose such information to others;

(d) Freely Disclosed By Disclosing Party To Others. Is disclosed by the disclosing Party to others without an obligation of confidentiality;

(e) Required To Be Disclosed. Is required to be disclosed pursuant to law, subject, except for disclosure of financial information to the extent required by securities laws to be disclosed, to the protective provisions set forth in Section 18.6 of the Operating Agreement; or

(f) Independently Developed. The receiving Party can document was subsequently and independently developed by employees or others on behalf of the receiving

Party without use of any Confidential Information disclosed to the receiving Party or such others by the disclosing Party.

1.18 "Contract Year" means a 12-month period of time commencing on the Effective Date or any anniversary of the Effective Date, and designated by a number one larger than the number of full 12-month periods since the Effective Date at the commencement of such period of time.

1.19 "Control" means, with respect to any compound, material, Information or intellectual property right (including without limitation those relating to an LLC Assay, Bayer Assay, Exelixis Assay, Bayer Pesticide, Bayer Compound, Collaboration Compound, Exelixis Agrochemical Compound, Product or Target), possession by a Party of the ability to grant access, a license, or a sublicense to such compound, material, Information or intellectual property right as provided for herein, without violating the terms of any agreement or other arrangements with any Third Party existing at the time such Party would be first required hereunder to grant the other Party such access.

1.20 "Core Improvements" means any and all improvements to Exelixis Core Technology made by FTEs, any entity other than Bayer or any individual other than a Bayer employee under this Agreement after the Effective Date. The JSC will propose and the LLC will decide whether inventions made by FTEs, any entity other than Bayer or any individual other than a Bayer employee are Core Improvements or not. In case of disagreement within the JSC, an external expert appointed by the LLC shall make such proposal.

1.21 "Dedicated FTE" means any FTE who, at the time in question, performs work solely for the LLC.

1.22 "Development" means conducting in vitro and/or in vivo investigations and trials on a Collaboration Compound for use in the Field of Use, starting with Bayer's decision to enter the F\\2\\-Phase as to such Collaboration Compound.

1.23 "Dollars" or "$" means United States dollars.

1.24 "Excluded Compound" means any compound owned or Controlled by Bayer that, prior to any use or screening of such compound in a Selected Assay or Bayer Assay or in any material use under this Agreement or the Original Agreement of Exelixis Know-How, Exelixis Patents, LLC Know-How or LLC Patents, is known to Bayer, and has been shown by or on behalf of Bayer or its Affiliate to have [*] activity, in testing such as microscreening or in actual data from greenhouse or field experiments typically used by Bayer to determine whether a compound has [*] activity.

1.25 "Exelixis Agrochemical Compound" means a compound (including early stage compounds such as hits and leads) having a molecular weight below [*] that has activity in the Field of Use and that:

(a) agonizes, antagonizes, enhances or inhibits the function of a Selected Target identified in the Target Identification Project or present in the Sequence Database,

[*]=CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 406 OF THE SECURITIES ACT OF 1933, AS AMENDED.

wherein such activity was discovered by or on behalf of Exelixis or its Affiliate or collaborator by screening the compound in an LLC Assay for the Target (if permitted by the LLC under Section 4.6(a)) within [*] after the first use of such LLC Assay by Exelixis or its Affiliate or collaborator; or

(b) agonizes, antagonizes, enhances or inhibits the function of an Unselected Non-Cognate Target, wherein such activity was discovered by or on behalf of Exelixis or its Affiliate or collaborator by screening the compound in an Exelixis Assay for such Target (if permitted by the LLC under Section 4.3(a)) within [*] after the first use of such Exelixis Assay by Exelixis or its Affiliate or collaborator; or

(c) is a compound synthesized in connection with a Chemical Development Program based on or arising from a compound that meets the criteria in Section 1.25(a) or (b) and that is shown to agonize, antagonize, enhance or inhibit the function of a Selected Target identified in the Target Identification Project or present in the Sequence Database or an Unselected Non-Cognate Target, respectively.

The definition of "Exelixis Agrochemical Compound" does not include any compound identified and developed without any use of an LLC Assay, Exelixis Assay, Selected Target or Unselected Non-Cognate Target.

1.26 "Exelixis Agrochemical Product" means a product that is commercialized by Exelixis or by a licensee of Exelixis (other than Bayer) in the Field of Use and that contains an Exelixis Agrochemical Compound.

1.27 "Exelixis Assay" means, with respect to a particular Target, an in vitro or in vivo assay developed by or on behalf of Exelixis that can measure whether a particular molecule or compound inhibits or antagonizes (or, if appropriate, agonizes or enhances) the function of the Target.

1.28 "Exelixis Core Technology" means the [*] used by Exelixis (whether owned by Exelixis or used by it under license from Third Parties) generally in its business. The JSC will consider in good faith and propose modifications of this definition after the Effective Date and the LLC will decide whether to make such modifications. In case of disagreement within the JSC, an external expert appointed by the LLC shall make such proposal.

1.29 "Exelixis Human Health Compound" means a compound having a molecular weight below [*] that has activity outside the Field of Use and that agonizes, antagonizes, enhances or inhibits the function of a Candidate Target or a Sequence-Based Target, wherein such activity was discovered by or on behalf of Exelixis or its Affiliate or collaborator by screening the compound in an LLC Assay or an Exelixis Assay for the Candidate Target or the Sequence-Based Target, within [*] after first use of such assay by Exelixis or its Affiliate or collaborator.

1.30 "Exelixis Human Health Product" means any product commercialized by Exelixis or a licensee of Exelixis (other than Bayer) outside the Field of Use that contains an Exelixis Human Health Compound.

1.31 "Exelixis Know-How" means Information Controlled by Exelixis or any Affiliate of Exelixis that (a) is necessary or useful for performing an LLC Assay or Bayer Assay or otherwise for discovering a Collaboration Compound and is disclosed to the LLC and/or Bayer under this Agreement and/or the Original Agreement, or (b) is derived from the FlyTag database. Exelixis Know-How excludes the Exelixis Patents.

1.32 "Exelixis Patents" means all Patents Controlled by Exelixis or any Affiliate of Exelixis, covering inventions made prior to the end of the Research Term, including those made prior to the Effective Date, that (a) claim or cover the manufacture or use of an LLC Assay or Target, or the discovery of a Collaboration Compound, or (b) are derived from the FlyTag database; and include Joint Patents in which Exelixis has an ownership interest.

1.33 "Field of Use" means any use [*].

1.34 "Force Majeure Event" means, as to a Party, an event or condition having a material adverse effect upon such Party due to circumstances beyond such Party's reasonable control and that by the exercise of commercially reasonable due diligence it is unable to prevent. Circumstances beyond the reasonable control of a Party include, but are not limited to, fire, strikes, insurrections, riots, embargoes, shortages, war-time rationing or preferences, delays in transportation, inability to obtain supplies of raw materials or requirements or regulations of any government or any other civil or military authority in the relevant jurisdiction.

1.35 "F\\2\\-Phase" means the stage of research and development of a Collaboration Compound for use in the Field of Use where Bayer selects the Collaboration Compound for formal development work to generate the data needed for registration, such as toxicological, environmental and ecobiological data, metabolism studies, and residue studies.

1.36 "Full Time Employee" or "FTE" means the equivalent of one employee of Exelixis, working full time for one work year.

1.37 "Independent Research" means:

(a) with respect to Exelixis, work performed by employees or consultants of Exelixis other than Dedicated FTEs or persons while acting as Shared FTEs that does not utilize Confidential Information of another Party (other than that Confidential Information of the LLC permitted to be used in Section 11.3(c)); or

(b) with respect to Bayer, work performed by employees or consultants of Bayer that does not utilize Confidential Information of another Party (other than that Confidential Information of the LLC permitted to be used in Section 11.2(c)).

1.38 "Information" means information, results and data of any type whatsoever, in any tangible or intangible form whatsoever, including without limitation inventions, practices, methods, techniques, specifications, formulations, formulae, knowledge, know-how, skill, experience, test data including pharmacological, biological, chemical, biochemical, toxicological and clinical test data, analytical and quality control data, stability data, studies and procedures, and patent and other legal information or descriptions.

[*]=CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 406 OF THE SECURITIES ACT OF 1933, AS AMENDED.

1.39 "Joint Invention" means all inventions, developments, results, know-how and other Information, and all intellectual property relating thereto, jointly conceived by employees of or consultants to two or more of the Parties in the course of work performed pursuant to this Agreement after the Effective Date and reduced to practice during the Research Term or within [*] thereafter.

1.40 "Joint Patent" means any Patent claiming a Joint Invention.

1.41 "JSC" means the Joint Scientific Committee of the LLC, as further defined in the Operating Agreement.

1.42 "LLC Assay" means, with respect to a particular Selected Target, an in vitro or in vivo assay developed by the LLC in the course of the Research or by a Third Party subcontracted by the LLC pursuant to Section 3.3, including the required reagents for performing such assay that are not otherwise readily available, that is suitable for [*] and that can measure whether a particular molecule or compound inhibits or antagonizes (or, if appropriate, agonizes or enhances) the function of the Selected Target.

1.43 "LLC Compound" means a compound (including early stage compounds such as hits and leads) having a molecular weight below [*] that:

(a) agonizes, antagonizes, enhances or inhibits the function of a Target, wherein such activity was discovered by or on behalf of the LLC or its Affiliate or sublicensee by screening the compound in an LLC Assay for the Target;

(b) is a compound synthesized in connection with a Chemical Development Program based on or arising from a compound that meets the criteria in subsection (a) and that is shown to agonize, antagonize, enhance or inhibit the function of a Target; or

(c) is identified by the LLC or its Affiliate or licensee as provided in Section 2.4(c) within [*] after the first use by the LLC or its Affiliate or licensee of an assay or target described in Section 2.4(c).

The Parties understand and agree that the definition of "LLC Compound" does not include any compound identified and developed without any use of an LLC Assay, Selected Assay, Target or Confidential Information of Exelixis or Bayer.

1.44 "LLC Know-How" means Information Controlled by the LLC or any Affiliate of the LLC that (a) concerns a Target or is necessary or useful for performing an LLC Assay, Exelixis Assay or Bayer Assay or otherwise for discovering a Collaboration Compound, Exelixis Agrochemical Compound or Exelixis Human Health Compound, or the manufacture, use or sale of a Product, and is disclosed to Exelixis and/or Bayer under this Agreement, or (b) is derived from the Sequence Library or Sequence Database. LLC Know-How excludes the LLC Patents.

1.45 "LLC Patents" means all Patents Controlled by the LLC or any Affiliate of the LLC, covering inventions made prior to the end of the Research Term, that (a) claim or cover the discovery, manufacture or use of a Target, LLC Assay, Exelixis Assay or Bayer Assay, or the

discovery of a Collaboration Compound, Exelixis Agrochemical Compound or Exelixis Human Health Compound, or the manufacture, use or sale of a Product, or (b) are derived from the Sequence Library or Sequence Database; and include Joint Patents in which the LLC has an ownership interest.

1.46 "Management Committee" shall mean the Management Committee of the LLC, as further defined in the Operating Agreement.

1.47 "Net Sales" means the total amount invoiced or otherwise charged by Bayer or Exelixis or their respective Affiliates or sublicensees, as applicable, on account of the sale of a Product to a Third Party, less the following deductions to the extent actually incurred and invoiced or charged to the purchaser based upon the sale of such Product: (a) credits, allowances, discounts and rebates to, and chargebacks from the account of, such Third Party for spoiled, damaged, out-dated and returned Product; (b) actual freight and insurance costs incurred in transporting such Product; (c) sales, value-added and other direct taxes incurred; and (d) customs duties, surcharges and other governmental charges incurred in connection with the exportation or importation of such Product. In calculating the Net Sales of a Product, any rebates, discounts, commissions, costs, expenses or payments other than those expressly provided above in this Section 1.47 shall not be deducted from the amount invoiced or otherwise charged on account of sale of such Product.

1.48 "Non-Cognate Target" means any Candidate Target or Sequence-Based Target that is not a Cognate Target.

1.49 "Operating Agreement" means the Operating Agreement of the LLC of even date herewith.

1.50 "Patent" means (a) all patent applications heretofore or hereafter filed or having legal force in any country; (b) all unexpired patents that have issued or in the future issue therefrom, including without limitation utility, model and design patents and certificates of invention; and (c) all divisionals, continuations, continuations-in-part, reissues, reexaminations, renewals, extensions (including supplemental protection certificates), additions, registrations or confirmations to or of any such patent applications and patents.

1.51 "Person" means a natural person, corporation, partnership (whether general or limited), a limited liability company, or any trust, estate, association, custodian, nominee or any other individual or entity in its own or representative capacity, and in each case, as to a legal entity, whether formed under the laws of the United States or of any state thereof or of any non-United States jurisdiction.

1.52 "Product" means a Bayer Product, Exelixis Agrochemical Product, or Exelixis Human Health Product.

1.53 "Putative Related Family Member" means an Unselected Non-Cognate Target that is identified in accordance with Section 4.4(a).

1.54 "Regulatory Approval" means any and all approvals (including supplements, amendments, pre- and post-approvals, pricing and reimbursement approvals), licenses, registrations or authorizations of any national, supra-national (e.g., the European Commission or the Council of the European Union), regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity, that are necessary for the manufacture, distribution, use or sale of a Product in a regulatory jurisdiction.

1.55 "Related Family Member" means, with respect to a particular Selected Target, a Putative Related Family Member that the Parties determine, as set forth in Section 4.4(b), to be [*].

1.56 "Research" means the research efforts conducted by a Party or the Parties pursuant to this Agreement during the Research Term, together with the research efforts conducted by Exelixis and/or Bayer A.G. under the Original Agreement during the term of the Original Agreement. Research includes work performed under the Target Identification Project and the Sequencing Project and such other research activities as specified by the LLC.

1.57 "Research Field" means research directed only towards the discovery and testing of insecticides (including compounds acting against other invertebrate animals) and nematicides for crop protection, [*].

1.58 "Research Orthologue" means, with respect to a first gene or protein that was discovered in the course of the Collaboration and naturally occurs in a particular species, a second gene or protein that naturally occurs in a different species, was identified by a Party in the course of work other than Independent Research, and has sufficient sequence homology or evidence of functional equivalence to be considered the counterpart of such first gene or protein.

1.59 "Research Plan" means a detailed plan for research under this Agreement as recommended by the JSC and approved by the LLC from time to time during the Research Term.

1.60 "Research Term" means the period commencing on the Effective Date and ending on the date specified in Section 2.1(b) unless earlier terminated pursuant to Section 14.3.

1.61 "Reserved Target" means any target designated as set forth in Section 6.1.

1.62 "Selected Assay" means an LLC Assay for which Bayer commences screening for Collaboration Compounds within the period set forth in Section 3.3.

1.63 "Selected Cognate Target" means a Cognate Target that the LLC has selected for LLC Assay development as provided in Section 3.1 or that Bayer has selected for Bayer Assay development as provided in Section 3.2 or 5.3.

1.64 "Selected Non-Cognate Target" means: (a) a Non-Cognate Target that the LLC has selected for LLC Assay development as provided in Section 3.1 or 4.3(a) or that Bayer has selected for Bayer Assay development as provided in Section 3.2 or 4.3(a), or (b) a Target that Bayer has selected for Bayer Assay or LLC Assay development as provided in Section 2.11.

1.65 "Selected Target" means a Selected Cognate Target, Selected Non-Cognate Target or Selected A List Reserved Target.

1.66 "Sequence-Based Target" means a Target contained in the Sequence Database.

1.67 "Sequence Database" means the compilation of the readable sequence data from a Sequence Library.

1.68 "Sequence Library" means an arrayed, normalized cDNA or genomic library created from samples provided by Bayer from an arthropod or helminth species selected by Bayer.

1.69 "Sequencing Project" means the research project described in Section 2.4.

1.70 "Shared FTE" means an FTE furnished by, and comprised of, the collective services of persons who perform work for the LLC and also work on other Exelixis projects, both internal and in collaboration with Third Parties.

1.71 "Target" means (a) a gene or gene product or portion thereof that is identified in the course of the Research, (b) a gene or gene product or portion thereof Controlled by Exelixis that it licenses to the LLC for Research in the Research Field, (c) a gene or gene product obtained by Bayer or the LLC using sequence information provided by Exelixis pursuant to this Agreement or the Original Agreement, or (d) a Research Orthologue of a gene, gene product or portion thereof that meets the criteria set forth in Section 1.71(a), (b) or (c). For clarity, Section 1.71(a) includes Sequence-Based Targets, Candidate Targets and A List Reserved Targets. The Parties understand and agree that any gene or gene product or portion thereof that is discovered through Independent Research is not a Target.

1.72 "Target Identification Project" means that research project described in Section 2.3 and Articles 3, 4 and 5 regarding identification of Cognate Targets and/or Non-Cognate Targets and development of LLC Assays.

1.73 "Third Party" means any entity or individual other than the Parties and other than the Affiliates of the Parties.

1.74 "Unselected Assay" means an LLC Assay which Bayer fails to select or for which Bayer fails to commence screening for Collaboration Compounds within the period set forth in Section 3.3.

1.75 "Unselected Cognate Target" means a Cognate Target that both the LLC and Bayer failed to select as provided in Section 3.1, 3.2 or 5.3.

1.76 "Unselected Non-Cognate Target" means a Non-Cognate Target that both the LLC and Bayer failed to select as provided in Section 3.1, 3.2 or 4.3.

2. Collaborative Research

2.1 Overview of Research Projects.

(a) Under the terms of the Original Agreement, Exelixis has already performed Research on the Target Identification Project and the Sequencing Project. During the Research Term, the LLC shall undertake the Research, to be conducted on a cooperative and collaborative basis with Exelixis and Bayer in accordance with a new Research Plan agreed upon by the Parties. To the extent consistent with the resources of the LLC provided under this Agreement or otherwise available to the LLC, the LLC may establish Research projects in addition to the Target Identification Project and the Sequencing Project for the Parties to conduct within the Research Field.

(b) Unless terminated pursuant to Section 14.7, the Research Term will initially last eight (8) years from the Effective Date, and it will automatically be extended beyond the eighth anniversary of the Effective Date, in one year increments, unless Exelixis or Bayer gives written notice, at least [*] prior to the eighth or any subsequent anniversary of the Effective Date, of its intent to terminate the Research Term.

2.2 Research Plan. The Research shall be conducted in accordance with a Research Plan approved by the LLC based on the recommendation of the JSC. The initial Research Plan under this Agreement shall be recommended by the JSC at its first meeting after the Effective Date, and shall include the continuation of the Research underway as of the Effective Date with appropriate additions and modifications arising from the increased level of Research effort arising from this Agreement. Prior to the first meeting of the JSC, the Research Plan shall be determined by the LLC. Any changes to the Research Plan will require the recommendation of the JSC or, if a decision of the JSC cannot be reached, the approval of such change by the LLC. If the revised Research Plan requires a personnel change of [*] or more of the FTEs working in a particular discipline, then such Research Plan shall provide for a reasonable time for Exelixis to implement such change. If the revised Research Plan requires Exelixis to purchase or lease more than [*] of equipment or to acquire licenses that were not already budgeted for purchase, lease or license at such time, then such change shall require the consent of Exelixis unless the LLC agrees (i) to purchase such additional capital equipment and/or to acquire such additional licenses, as assets of the LLC, or (ii) to pay for such purchase or lease expenses in excess of [*], which agreement in either case will require that Bayer also agree with the LLC in writing to fund such amounts as an increase in LLC operating expenses.

2.3 Target Identification Project. The goal of the Target Identification Project is to discover, isolate and validate Cognate Targets and Non-Cognate Targets and to develop appropriate LLC Assays directed at such Cognate Targets and Non-Cognate Targets and useful for the identification of novel insecticides and nematicides. The research carried out by the LLC under the Target Identification Project and each Party's rights with respect to the data, Targets and LLC Assays that arise from the Target Identification Project are set forth below and in Articles 3, 4 and 5 .

(a) Research Performed Prior to the Effective Date. Exelixis has already performed substantial Research in the Target Identification Project under the Original Agreement. Commencing on the Effective Date, the LLC shall assume responsibility for all

Research then in progress and shall begin new Research in accordance with the Research Plan. The rights and obligations with respects to all data, Targets and LLC Assays arising in the course of the Research shall be the same regardless of whether the underlying work was performed by Exelixis or Bayer A.G. under the Original Agreement, by the Parties under this Agreement, or a combination of both. In this regard:

(i) The LLC shall have the right to decide, pursuant to Section 3.1, whether the LLC will develop an LLC Assay for any Candidate Target for which Exelixis provided to Bayer A.G. the information set forth in Section 3.1 prior to the Effective Date and for which Bayer A.G. did not, prior to the Effective Date, select such Candidate Target as a Selected Target. For any such Candidate Target which was provided prior to the Effective Date, the rights of Bayer set forth in Section 3.2 shall come into effect on [*], and the rights of the Parties set forth in Sections 4.3 and 5.3 shall come into effect on [*] if Bayer fails to select such Candidate Target or designate such Candidate Target as a Putative Related Family Member by such date.

(ii) Any assays in development as of the Effective Date which are delivered to Bayer pursuant to this Agreement after the Effective Date shall be deemed to be LLC Assays, subject to the rights of the LLC and Exelixis set forth in Sections 4.6 and 5.5.

(b) Target Identification. In the event that the Research Plan calls for the LLC to perform target identification research upon a Bayer Pesticide other than those Bayer Pesticides upon which research was conducted by Exelixis prior to the Effective Date, the LLC shall request and Bayer shall provide to the LLC within sixty (60) days after of such request, a reasonable amount of each such Bayer Pesticide. The LLC will study the feasibility of isolating [*] that are resistant to the Bayer Pesticides, or using other research capabilities of Exelixis to identify Targets. Based on these feasibility studies Bayer shall prioritize those Bayer Pesticides upon which the LLC shall perform further work under the Research to identify Candidate Targets (as defined below). For each of these selected Bayer Pesticides, the LLC will endeavor to: (i) isolate [*], as appropriate, that are resistant to the Bayer Pesticide, or apply other Exelixis discovery capabilities as appropriate; (ii) map and clone the genes responsible for the resistance in such [*]; and (iii) identify and validate genes encoding Targets that may be useful for the identification of Collaboration Compounds. Each Target for which the LLC has successfully completed steps (i), (ii), and (iii) above shall be deemed a "Candidate Target." The JSC shall recommend to the LLC and the LLC shall decide whether each Candidate Target identified is a Cognate Target or Non-Cognate Target.

2.4 Sequencing Project. Under the Original Agreement, Exelixis and Bayer AG commenced a Sequencing Project (formerly known as an "EST Library Project") intended to create an expressed sequence tag ("EST") library for an [*] species of interest and a database comprising sequenced ESTs from said species. During the Research Term, the LLC shall continue the Sequencing Project in accordance with the Research Plan and this Section 2.4. The Research Plan may be amended by the written agreement of the LLC and Exelixis, to expand the Sequencing Project to include one or more additional sequencing projects to be performed by Shared FTEs, including but not limited to genomic sequencing projects.

(a) For each project in the Sequencing Project, Bayer AG has selected or Bayer will select an [*] species with relevance to Bayer's crop protection business. For each species that Bayer AG did not provide Exelixis with whole organism and tissue samples from such species, Bayer shall provide such materials to the LLC. Using these whole organism and tissue samples, Shared FTEs will create a Sequence Library. Shared FTEs will perform [*] sequencing upon the number of clones from the Sequence Library specified in the Research Plan and approved by Exelixis and compile the readable sequence data from such Sequence Library (approximately [*] of the sequencing lanes are expected by the Parties to be readable, but such expectation is not binding) into a Sequence Database specifically arising from the Research.

(b) Shared FTEs or Dedicated FTEs will perform cross-species comparisons between the Sequence Database and proprietary Exelixis sequence banks and between the Sequence Database and publicly available databases, with the intention of identifying gene fragments or Targets with potential utility in the Research Field. The LLC will provide Bayer and Exelixis access to the Sequence Database and any information relating to the such targets or otherwise derived from such comparisons. The Sequence Database and sequence-derived information will be supplied to Bayer and Exelixis in the computer-readable format agreed upon under the Original Agreement.

(c) Bayer may identify and validate Sequence-Based Targets without selecting such Targets. Bayer shall select a Sequence-Based Target prior to conducting further Research and Development work using such a Sequence-Based Target. Upon selection, a Sequence-Based Target shall become a Selected Non-Cognate Target and any compounds identified by use of such Target or LLC Assays or Bayer Assays based on such Target will be Collaboration Compounds subject to all milestone and premium fee obligations outlined in Sections 9.3 and 9.4 [*].

(d) The LLC will allocate from the Research commitment set forth in Section 2.5 sufficient FTEs to perform the sequencing dictated by the Research Plan and not exceeding Exelixis' uncommitted sequencing capacities. The JSC will attempt in good faith to project sequencing needs [*] in advance.

(e) The LLC may, upon the allocation of sufficient FTEs from the Research commitment set forth in Section 2.5, expand the Sequencing Project to include more than one [*] species (not exceeding Exelixis' uncommitted sequencing capacities). Bayer shall retain the right to select any additional species and the Parties' rights and obligations with respect to the additional Sequence Libraries and Sequence Databases shall be the same as for the initial Sequence Library and Sequence Database.

2.5 Research Commitment; FTEs.

(a) In the first Contract Year, the LLC shall provide Exelixis with [*] in Research funding and shall carry forward [*] for Research funding for the subsequent Contract Year. At least [*] in advance of the commencement of each Contract Year after the first Contract Year, Exelixis shall provide the LLC with a written calculation of the Annual FTE Rate for the following Contract Year in accordance with Section 1.3. If such Annual FTE Rate exceeds [*], the LLC shall provide Exelixis, at least [*] in advance of the commencement of

such Contract Year, written notice of whether the LLC commits to provide sufficient Research funding (which shall include any carry-forward described in this Section 2.5(a)) in the subsequent Contract Year to support [*] FTEs at such Annual FTE Rate. If the LLC does not provide such commitment, then the LLC shall specify such lesser amount of research funding which it commits to provide in the forthcoming Contract Year, which amount shall not be less than [*] plus any carry-forward described in this Section 2.5(a). The number of FTEs which are funded during any given Calendar Year, which shall equal the sum of such level of funding specified by the LLC plus any carry-forward described in Section 2.5(b) divided by the Annual FTE Rate in effect for such Calendar Year (with any partial number being rounded down), is referred to in this Section 2.5 and Section 9.2 as the "Specified FTEs." The amount of Research funding provided to Exelixis by the LLC in each Contract Year after the first Contract Year shall equal the result of the following calculation: multiply the number of Specified FTEs by the Annual FTE Rate for such Calendar Year and deduct from the product of such multiplication the amount of any Exelixis carry-forward described in Section 2.5(b).

(b) During each Contract Year in which the number of Specified FTEs (as defined in Section 2.5(a)) equals [*], Exelixis shall provide [*] FTEs for the Research, [*] of which shall be Dedicated FTEs and [*] of which shall be Shared FTEs initially. During any Contract Year in which the number of Specified FTEs does not equal [*], Exelixis shall provide such number of Specified FTEs, with any reduction in FTEs below [*] or increase above [*] to be effected pro rata between Dedicated FTEs and Shared FTEs in the ratio agreed upon in the Research Plan. If Exelixis is unable to provide the number of Specified FTEs for a particular Contract Year, then the excess of the level of funding provided by the LLC during such Contract Year, divided by the product the Annual FTE Rate for such Calendar Year times the number of FTEs actually provided by Exelixis in such Contract Year, shall be carried forward by Exelixis and used to pay for FTEs in the following Contract Year as provided in Section 2.5(a).

(c) None of the Dedicated FTEs or Shared FTEs which the LLC is committed to fund under Section 2.5(b) may be allocated by the LLC to (a) collaborations between the LLC and Third Parties, (b) projects that involve the use of LLC Assay(s) for screening purposes (except for implementation of LLC Assays at Bayer's HTS facility) or (c) development of LLC Compounds. Prior to any amendment of the Research Plan to provide for the performance of such tasks by the LLC, the LLC shall, with the written approval of Bayer, increase the number of FTEs for which it provides research funding under this Agreement in order to allocate sufficient new FTEs, funded by the LLC, to perform such tasks. At any time during the Research Term, the LLC, with the separate prior written consent of Exelixis, may increase the number of Specified FTEs funded by the LLC under this Agreement.

(d) The Exelixis employees who provide FTE services to the LLC under this Agreement shall remain employees of Exelixis, and Exelixis shall be solely responsible for their recruiting, evaluation, compensation, management and termination. Exelixis shall indemnify Bayer and the LLC and their Affiliates for any claims arising from such employment relationship, as set forth in Article 13.

2.6 Records. The LLC shall maintain records of all work conducted under the Research and all results, data and developments made pursuant to its efforts under the Research. Exelixis shall cause all of its employees performing work on behalf of the LLC to maintain

records of such Research and of other activities in accordance with the practices used by Exelixis in its independent research activities, with work on behalf of the LLC to be maintained in independent laboratory notebooks. Such records shall be complete and accurate and shall fully and properly reflect all work done and results achieved in the performance of the Research and other activities in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes. Exelixis and Bayer shall each have the right to review and copy such records of the LLC at reasonable times to the extent necessary for Bayer and Exelixis to each conduct its Research or perform other obligations under this Agreement, subject to the confidentiality provisions set forth in Article 18 of the Operating Agreement. Bayer or the LLC shall be entitled to review at its expense the laboratory note books maintained by Exelixis for the Shared FTEs, subject to appropriate confidentiality provisions, for the purpose of determining ownership of intellectual property. If Exelixis cites confidentiality concerns, Bayer or the LLC shall be entitled to hire an independent auditor at its expense to review the laboratory note books maintained by Exelixis for the Shared FTEs, subject to appropriate confidentiality provisions, for the purpose of determining own ership of intellectual property.

2.7 Quarterly Reports. Within [*] after the end of each calendar quarter during the term of this Agreement, Exelixis and Bayer shall provide the LLC with a written progress report summarizing the work performed in relation to the goals of the Research projects and the Research Plan and provide such other information required by the Research Plan or reasonably requested by another Party. The LLC shall produce an omnibus report that includes the Information provided by Exelixis and Bayer as well as the corresponding Information regarding the LLC's work. The LLC's obligation under this Section 2.7 shall commence on the Effective Date. Bayer's obligation to provide quarterly reports pursuant to this Section 2.7 will commence in the calendar quarter in which any employee, agent or representative of Bayer first performs Research. Exelixis' obligation to provide quarterly reports pursuant to this Section 2.7 will commence in the calendar quarter in which any employee, agent or representative of Exelixis, other than a Dedicated FTE or an employee acting as a Shared FTE, first performs Research.

2.8 Additional Research Projects. In addition to the Target Identification Project and Sequencing Project, the LLC may, in its discretion, identify and direct additional Research projects within the Research Field to the extent resources are available, provided such Research projects are not precluded by another agreement binding upon one of the Parties. Such projects shall be conducted under the guidance of the JSC and the LLC as provided in Article 2. The LLC shall allocate sufficient additional FTEs, as set forth in Section 2.5, to perform such agreed additional Research projects.

2.9 LLC Research Employees. As of the Effective Date, it is not contemplated that the LLC will employ its own research scientists. In the event the LLC determines that the LLC shall hire its own research employees, the Parties shall review this Agreement for the purpose of agreeing on amendments, if any, which may be necessary or appropriate to account for such hiring while still preserving the originally contemplated allocation of rights as among the Parties.

2.10 Targets Supplied by Exelixis. To the extent that it is able to do so, Exelixis will make available to Bayer sequence information and database annotation regarding Targets Exelixis has discovered independently or through its other collaborations. Bayer may pursue

such Targets by selecting them as set forth in Section 2.11, in which case they shall be deemed Selected Non-Cognate Targets.

2.11 Targets Separately Selected by Bayer.

(a) With the exception of Reserved Targets (which are addressed in Article 6), this Section 2.11 sets forth Bayer's rights to pursue Targets not identified in the Target Identification Project. Such Targets shall include (i) Sequence-Based Targets, (ii) Targets obtained from sequences in any database provided by Exelixis hereunder, and (iii) Targets provided by Exelixis pursuant to Section 2.10. Upon selection by Bayer as set forth in Section 2.11(b) or 2.11(c), a Target described in this Section 2.11(a) shall become a Selected Non-Cognate Target unless such Target is identical to a Cognate Target, in which case such Target shall become a Selected Cognate Target.

(b) Bayer may develop a Bayer Assay against a Target described in Section 2.11(a) at its own expense at any time, provided that Bayer first selects such Target as a Selected Non-Cognate Target by written notification to the LLC and [*]. The LLC shall not receive any compensation under [*], but the LLC shall receive all other compensation under Sections 9.3 and 9.4 which is due with respect to any resulting Collaboration Compounds and/or Bayer Products.

(c) In lieu of developing a Bayer Assay directed against a Target described in Section 2.11(a), Bayer may select, by written notification to the LLC, such Target as a Selected Non-Cognate Target for which the LLC will develop an LLC Assay, provided that the LLC has sufficient resources to perform such work. Bayer shall make all payments under Section 9.3 and 9.4 due with respect to such Selected Non-Cognate Target and any resulting Collaboration Compounds and/or Bayer Products.

3. Target and Assay Selection

3.1 Target Selection by the LLC. The LLC may select any Candidate Target that the LLC identifies as a Selected Target and direct the LLC to develop one or more appropriate LLC Assays. Any such selection by the LLC shall be confirmed in writing delivered to each of the Parties (which may be in the form of the minutes of a meeting of the Management Committee). If the LLC does not select any particular Candidate Target as a Selected Target within [*] following the date that the relevant LLC Know-How and Exelixis Know-How relating to such Candidate Target is provided to the LLC, then Bayer shall have the rights set forth in Section 3.2 to select such Candidate Target.

3.2 Target Selection by Bayer. Bayer shall have [*] after the failure of the LLC to timely select a Candidate Target as a Selected Target to select, by written notification to the LLC, such Candidate Target as a Selected Target and to commence development, at Bayer's expense, of a Bayer Assay directed at such Candidate Target. The LLC shall not receive any compensation under [*], but the LLC shall receive all other compensation under Sections 9.3 and 9.4 which is due with respect to any resulting Collaboration Compounds and/or Bayer Products. If Bayer does not select such Candidate Target and commence such assay

development within such [*] period, then the Parties shall have the rights set forth in Sections 4.3 and 5.3.

3.3 LLC Assay Development and Selection. For each Selected Target selected by LLC under Section 3.1 or selected by Bayer under Section 2.11(c) or 6.2(b) for development of an LLC Assay, the LLC will work to develop an LLC Assay that is configured to screen Bayer Compounds in order to identify Collaboration Compounds that inhibit or antagonize (or, if appropriate, agonize or enhance) the function of such Selected Target. The LLC may subcontract the development of LLC Assay(s) for one or more Selected Targets. Upon completion of the LLC Assay development in a format configured for [*] and as further specified in Exhibit A hereto or as otherwise specified by Bayer in writing, the LLC shall present the LLC Assay and all data regarding the applicable Selected Target to Bayer. Bayer shall have [*] after the date of the LLC's presentation in order to commence using such LLC Assay at Bayer's expense to screen for Collaboration Compounds. If Bayer does not commence such screening activity within [*] and Bayer provides the JSC, prior to the end of the [*] period, with a written request for a [*] extension of the period, the LLC shall decide, on a case-by-case basis, whether to grant Bayer such extension. If Bayer commences such screening activity within such [*] period or any such extension thereof, then such LLC Assay shall then be deemed a "Selected Assay." If Bayer does not commence such screening activity within such [*] period and any extension thereof, then such LLC Assay shall be deemed an "Unselected Assay" and so identified in the LLC's books and records, and the LLC and Exelixis shall have the rights set forth in Sections 4.6 and 5.5 with respect to such Unselected Assay.

3.4 Selected Assays. The LLC will deliver to Bayer the format for each Selected Assay and will provide to Bayer [*] of any proprietary reagents developed by the LLC for the Selected Assay for Bayer's use to conduct screening of Bayer Compounds in the Selected Assay. The LLC may allocate FTEs, out of the resources available to conduct Research, to conduct work under the Research Plan to prepare such [*] of reagents to be provided to Bayer, and to the extent that the LLC must expend additional effort or cost beyond such allocation of FTEs in order to provide Bayer with such proprietary reagents, Bayer shall pay the LLC such actual costs and expenses of the LLC to complete such efforts.

3.5 Screening by Bayer. For each Selected Assay or Bayer Assay, Bayer will screen Bayer Compounds at Bayer's sole discretion and expense in the Selected Assay or Bayer Assay for the purpose of identifying Collaboration Compounds active in such Selected Assay or Bayer Assay. For each Collaboration Compound identified in such initial screening, Bayer will then conduct such further work at its expense as it considers advisable in order to identify additional Collaboration Compounds that may have higher activity or superior quality, e. g. selectivity or stability.

3.6 Retained Rights of Exelixis. Except for the options granted in Section 8.9 to Bayer, Exelixis shall retain the exclusive right to use all Non-Cognate Targets, Cognate Targets and A List Reserved Targets outside of the Field of Use. When Exelixis makes a Non-Cognate Target, Cognate Target or Reserved Target available to a Third Party as permitted above, Exelixis shall not disclose to such Third Party any [*], except as otherwise permitted elsewhere in this Agreement.

4. Non-Cognate Targets

4.1 The Parties' Rights Regarding Non-Cognate Targets Selected by the LLC. Bayer and the LLC shall have co-exclusive rights to pursue each Selected Non-Cognate Target in the Research Field. Such co-exclusive right shall not include any sublicensing rights for the LLC (except for LLC Assay development purposes). Subject to Section 8.10(c), Bayer shall have the exclusive right to pursue each Selected Non-Cognate Target in the Field of Use outside the Research Field. Subject to Bayer's option set forth in Section 8.9(b), Exelixis shall have the exclusive right to pursue each Selected Non-Cognate Target outside the Field of Use and may develop an Exelixis Assay directed at a Selected Non-Cognate Target for such purpose.

4.2 The Parties' Rights Regarding Non-Cognate Targets Selected by Bayer. Subject to Section 8.10(c), Bayer shall have exclusive rights to pursue in the Field of Use each Non-Cognate Target it selects. Subject to Bayer's option set forth in Section 8.9(b), Exelixis shall have the exclusive right to pursue each such Selected Non-Cognate Target outside the Field of Use and may develop an Exelixis Assay directed at a Selected Non-Cognate Target for such purpose.

4.3 Unselected Non-Cognate Targets.

(a) After the failure of Bayer to timely select a Non-Cognate Target as a Selected Non-Cognate Target pursuant to Section 3.2, any Party may submit a written request to the LLC for the right to pursue such Unselected Non-Cognate Target in the Field of Use. The LLC shall grant such request unless the LLC has already granted such a request to another Party or licensed such Target to a Third Party for use in the Research Field or, in response to such a request by Exelixis, Bayer commits to promptly commence development of a Bayer Assay directed at such Unselected Non-Cognate Target (in which case such Target shall then be a Selected Non-Cognate Target). After the granting of such a request, the requesting Party may pursue such Unselected Non-Cognate Target within the Field of Use internally or in collaboration with a Third Party. In the event that Exelixis is the requesting Party, Exelixis shall obtain Bayer's written consent prior to the establishment of any collaboration in the Research Field involving such Unselected Non-Cognate Target and any collaboration in the Field of Use involving such Unselected Non-Cognate Target wherein [*]. Exelixis may enter into collaborations in the Field of Use involving such Unselected Non-Cognate Target without the prior approval of Bayer, provided that [*]. Exelixis shall not have the right to grant a Third Party a license to pursue any Unselected Non-Cognate Target in the Research Field except as part of a collaboration with Exelixis permitted in this Section 4.3 and Section 8.10(a). Exelixis shall have the right to grant licenses to compounds identified with apparent activity against such Unselected Non-Cognate Targets, provided, however, that any such compounds that are Exelixis Agrochemical Compounds shall be subject to the rights of Bayer set forth in Section 8.3.

(b) The LLC shall have the right to pursue each Unselected Non-Cognate Target within the Field of Use (unless such right is granted to Exelixis pursuant to this Section 4.3). Exelixis shall have the exclusive right to pursue each Unselected Non-Cognate Target outside the Field of Use. Bayer and Exelixis shall have co-exclusive rights to pursue each Unselected Non-Cognate Target in the field of animal health [*]. Exelixis may develop an Exelixis Assay directed at an Unselected Non-Cognate Target.

[*]=CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 406 OF THE SECURITIES ACT OF 1933, AS AMENDED.

4.4 Related Family Members.

(a) If Exelixis wishes to select an Unselected Non-Cognate Target, it shall discuss with the JSC whether such Unselected Non-Cognate Target [*]. If [*] exists the Unselected Non-Cognate Target shall be deemed a "Putative Related Family Member." Neither the LLC nor Exelixis may pursue within the Field of Use any Putative Related Family Member.

(b) The Parties will work together to determine [*] of the Putative Family Related Member and such Selected Target, and in the course of such work, Exelixis or Bayer will supply to the other, within [*] after the other Party's reasonable request, the relevant requested biological material for testing. Bayer will [*], determine whether [*], and measure the [*]. If the Putative Related Family Member is [*] to such Selected Target and [*], then the Putative Related Family Member is a Related Family Member and Exelixis shall be prohibited from working upon it within the Field of Use. If Bayer subsequently has an HTS assay formatted with respect to such Related Family Member, then Bayer shall retroactively pay [*] for such Related Family Member and all future milestones and royalties shall be due for such Related Family Member, which shall be deemed a separate Selected Target. All Putative Related Family Members that do not become Related Family Members within [*] of designation as a Putative Related Family Members will cease to be Putative Related Family Members and the rights of the Parties set forth in Section 4.3 shall apply to such Targets.

4.5 The Parties' Rights Regarding Selected Assays. Subject to the exceptions set forth in this Section 4.5, Bayer shall have exclusive rights to pursue in the Field of Use each Selected Non-Cognate Target that is the basis for a Selected Assay, such Selected Assay and all Research Orthologues of such Selected Non-Cognate Target. Bayer may approve, in its sole discretion, a request by the LLC to grant it co-exclusive rights in the Field of Use outside the Research Field to pursue a Selected Non-Cognate Target that is the basis for a Selected Assay, such Selected Assay and all Research Orthologues of such Selected Non-Cognate Target. Exelixis shall have the exclusive right to pursue outside the Field of Use each Selected Non-Cognate Target that is the basis for a Selected Assay, such Selected Assay and all Research Orthologues of such Selected Non-Cognate Target. Exelixis may develop an Exelixis Assay directed at a Selected Non-Cognate Target for such purpose. Bayer's rights shall be exclusive within the Research Field and within the Field of Use until the later of (a) [*], or (b) [*]. Bayer may obtain a single [*] extension of the period of exclusivity for a particular Selected Assay by, within [*] prior to the expiration of the initial exclusivity period, submitting a written extension request to the LLC and making a payment of [*] to the LLC within thirty (30) days after the LLC grants such request in writing. The LLC shall grant such request if Bayer provides the LLC with (i) [*] and (ii) [*].

4.6 Unselected Assays.

(a) If Bayer fails to commence using an LLC Assay directed to a Selected Non-Cognate Target to screen for Collaboration Compounds within the period set forth in Section 3.3, then any Party may submit a written request to the LLC for the right to screen such LLC Assay in the Field of Use. The LLC shall grant such request unless the LLC has already (a) commenced use of such LLC Assay for screening purposes in the Research Field (in which case the LLC must have allocated additional FTEs pursuant to Section 2.5 to perform such work), (b)

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granted a license to perform such screening available to a Third Party (subject to Bayer approval), (c) granted such a request to another Party or (d) in response to such a request by Exelixis, Bayer commits to promptly use the LLC Assay to screen Bayer Compounds (in which case such assay shall then be a Selected Assay). After the granting of such a request, the requesting Party may perform such screening within the Field of Use internally or in collaboration with a Third Party. In the event that Exelixis is the requesting Party, Exelixis shall obtain Bayer's written consent prior to the establishment of any collaboration in the Research Field involving such LLC Assay. Exelixis may enter into collaborations in the Field of Use outside the Research Field involving such LLC Assay without the prior approval of Bayer. Exelixis shall not have the right to grant a Third Party a license to perform such screening except on behalf of Exelixis, but shall have the right to grant licenses to compounds identified through screening performed by or on behalf of Exelixis, subject to the rights of Bayer set forth in Section 8.3. Compounds discovered through Exelixis' permitted use of an LLC Assay in the Field of Use may be Exelixis Agrochemical Compounds.

(b) The LLC shall have the right to use each LLC Assay that is not a Selected Assay to screen for compounds with apparent activity inside the Research Field (unless such right is granted to Exelixis pursuant to this Section 4.6) and all such compounds shall be LLC Compounds. Exelixis shall have the exclusive right to use each such LLC Assay to screen for compounds with apparent activity outside the Field of Use.

5. Cognate Targets

5.1 The Parties' Rights Regarding Cognate Targets Selected by the LLC . Bayer and the LLC shall have co-exclusive rights to pursue each Selected Cognate Target in the Research Field (in the case of the LLC, excluding the right to sublicense except for LLC Assay development purposes). Bayer shall have the exclusive right to pursue each Selected Cognate Target in the Field of Use outside the Research Field. Subject to Bayer's option set forth in Section 8.9(b), Exelixis shall have the exclusive right to pursue each Selected Cognate Target outside the Field of Use and may develop an Exelixis Assay directed at a Selected Cognate Target for such purpose.

5.2 The Parties' Rights Regarding Cognate Targets Selected by Bayer. Bayer shall have exclusive rights to pursue in the Field of Use each Cognate Target it selects. Subject to Bayer's option set forth in Section 8.9(b), Exelixis shall have the exclusive right to pursue each such Selected Cognate Target outside the Field of Use and may develop an Exelixis Assay directed at a Selected Cognate Target for such purpose.

5.3 Unselected Cognate Targets. After the failure of Bayer to timely select a Cognate Target as a Selected Cognate Target pursuant to Section 3.2, either Bayer or the LLC may select such Cognate Target as a Selected Cognate Target at any time, provided that such Cognate Target has not already been selected by either Bayer or the LLC and that the LLC has not already licensed, with the prior approval of Bayer, such Target to a Third Party for use in the Research Field. Exelixis shall have the exclusive right to pursue each such Unselected Cognate Target outside the Field of Use. Exelixis may develop an Exelixis Assay directed at such a Target.

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5.4 The Parties' Rights Regarding Selected Assays. Subject to the exceptions set forth in this Section 5.4, Bayer shall have exclusive rights to pursue in the Field of Use each Selected Cognate Target that is the basis for a Selected Assay, such Selected Assay and all Research Orthologues of such Selected Cognate Target. Bayer may approve, in its sole discretion, a request by the LLC to grant it co-exclusive rights in the Field of Use outside the Research Field to pursue a Selected Cognate Target that is the basis for a Selected Assay, such Selected Assay and all Research Orthologues of such Selected Cognate Target. Exelixis shall have the exclusive right to pursue outside the Field of Use each Selected Cognate Target that is the basis for a Selected Assay, such Selected Assay and all Research Orthologues of such Selected Cognate Target. Exelixis may develop an Exelixis Assay directed at a Selected Cognate Target for such purpose.

5.5 Unselected Assays.

(a) If Bayer fails to commence using such LLC Assay to screen for Collaboration Compounds within the period set forth in Section 3.3, then either Bayer may select such LLC Assay as a Selected Assay at any time, provided that the LLC has not already commenced screening of such LLC Assay in the Research Field (in which case the LLC must have allocated additional FTEs pursuant to Section 2.5 to perform such work) or already licensed to a Third Party the right to screen such LLC Assay in the Research Field, subject to Bayer approval. Exelixis shall have the exclusive right to use each such LLC Assay to screen for compounds with apparent activity outside the Field of Use.

(b) The LLC shall have the right to use each LLC Assay that is not a Selected Assay to screen for compounds with apparent activity inside the Research Field (unless such right is granted to Exelixis pursuant to this Section 5.5) or within the Field of Use (and all such compounds shall be LLC Compounds), Exelixis shall have the right to use each such LLC Assay to screen for compounds with apparent activity outside the Field of Use.

6. Reserved Targets

6.1 Designation of Reserved Targets.

(a) During the Research Term, Bayer may designate as a Reserved Target any [*], provided that the number of Reserved Targets at any one time never exceeds [*] and the cumulative number of Reserved Targets never exceeds [*]. A Reserved Target will be classified as an A List Reserved Target if it is present in (i) [*] or (ii) [*] and such target was either (A) [*] or (B) [*]. All Reserved Targets that do not qualify as A List Reserved Targets shall be classified as B List Reserved Targets. The Parties understand and agree that Exelixis does not want to know the identities of the B List Reserved Targets. Thus, Bayer will not reveal the identity of any B List Reserved Target to Exelixis or any member of the LLC other than the CEO, and the CEO shall be contractually prohibited from disclosing such Information to Exelixis or any Dedicated FTE or Shared FTE.

(b) Within [*], Bayer will submit to Exelixis and the LLC a written list which identifies each A List Reserved Target and which indicates the number of B List Reserved

Targets but does not disclose their identities. Bayer shall simultaneously provide to the CEO a separate written list that identifies each B List Reserved Target.

(c) During the Research Term, Bayer may designate new Reserved Targets by written notification to Exelixis and the LLC, provided that the limitations set forth in Section 6.1(a) regarding the number of Reserved Targets are not exceeded. Bayer shall disclose the identity of each new A List Reserved Target and the number of new B List Reserved Targets in such notification and shall simultaneously submit to the CEO a written list that identifies each new B List Reserved Target.

(d) During the Research Term, Bayer may remove particular Reserved Targets from the list by notifying the LLC and the CEO in writing of such intent. Upon receipt of such notification, each such Reserved Target shall cease to be a Reserved Target.

6.2 A List Reserved Targets.

(a) Bayer may perform preliminary research in the Field of Use upon A List Reserved Targets but may not screen assays based on such Targets or identify compounds with activity against such Targets prior to selecting the relevant A List Reserved Target as a Selected A List Reserved Target. Prior to Bayer's selection of an A List Reserved Target as a Selected A List Reserved Target, the LLC shall, at the request of Bayer and the allocation of sufficient resources, perform research upon one or more such A List Reserved Targets, provided such research is limited to the collection of data for the support of patent claims directed at such A List Reserved Targets. During the period after the designation of a target as an A List Reserved Target and before Bayer's selection of such Target as a Selected A List Reserved Target, Bayer shall have exclusive rights (subject to the LLC's right to perform the aforementioned work at the request of Bayer) to pursue such Targets in the Field of Use and Exelixis has exclusive rights (subject to the option set forth in Section 8.9(b)) to pursue such Targets outside the Field of Use.

(b) Within [*] after its designation of a target as an A List Reserved Target, Bayer may select any such Target as a Selected A List Reserved Target upon written notification to the LLC. Such notification shall specify whether an assay based on such Selected A List Reserved Target shall be developed by the LLC (in which case it will be an LLC Assay) or by Bayer (in which case it will be a Bayer Assay). Within [*] after the selection of an A List Reserved Target, Bayer shall [*].

(c) The Parties' rights and obligations with respect to Selected A List Reserved Targets are the same as for Selected Cognate Targets: if the LLC is developing an LLC Assay based on a particular Selected A List Reserved Target, then Section 5.1 shall apply to such Selected A List Reserved Target; if Bayer is developing a Bayer Assay based on a particular Selected A List Reserved Target, then Section 5.2 shall apply. All milestone and premium fee obligations set forth in Section 9.3 and 9.4 shall apply to such Targets and their related assays and compounds ([*]).

(d) The Parties' rights and obligations with respect to A List Reserved Targets that have not been selected [*] after designation are the same as for Unselected Cognate Targets. If Bayer removes an A List Reserved Target from the list of Reserved Targets, then the

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Parties' rights and obligations with respect to such Target shall be the same as for an Unselected Non-Cognate Target. In addition, Bayer shall have the option set forth in Section 8.9(b) with respect to such Targets.

6.3 B List Reserved Targets. Bayer may work upon B List Reserved Targets independently, with Third Parties, or with Exelixis or the LLC under a separate agreement. In the event that a B List Reserved Target is identified in the course of the Target Identification Program, the CEO shall promptly instruct the LLC to stop work on such B List Reserved Target. If Bayer subsequently removes a B List Reserved Target from the list of Reserved Targets, then the CEO shall inform the LLC that it may, if it so desires, resume work on such Target.

7. Product Development

7.1 Development of Collaboration Compounds. Bayer shall have the sole right and responsibility to conduct Development of Collaboration Compounds, either itself or through its Affiliates or licensees on its behalf and at its expense, with the right to file Approval Applications for obtaining and maintaining Regulatory Approval of Products as soon as reasonably practicable. Upon deciding to commence Development on a Collaboration Compound, Bayer shall notify the LLC in writing of such decision. If requested by Bayer in writing, the LLC shall provide Bayer reasonable assistance, at Bayer's expense, in conducting such Development efforts.

7.2 Development Expenses. Bayer shall bear all the costs and expenses incurred by Bayer or its Affiliates relating to the Development of Collaboration Compounds undertaken under this Agreement and to the procurement of such Regulatory Approval of Products.

7.3 Reports. Bayer shall maintain records of all Development activities and all results of any trials, studies and other investigations conducted by or on behalf of Bayer under this Agreement. At least twice a year, Bayer shall provide the LLC written reports summarizing the Development status or otherwise respond informally and reasonably promptly upon the LLC's reasonable written request.

7.4 Development of LLC Compounds. The LLC may develop LLC Compounds in the Research Field and pursue Regulatory Approval for products containing such LLC Compounds, provided the LLC allocates FTEs in addition to the original [*] FTEs, and/or funds for Third Party services, to perform such work. Bayer shall have the option set forth in Section 8.4 with respect to such LLC Compounds.

7.5 Development of Exelixis Compounds And Products. Exelixis shall bear all costs and expenses incurred by it in connection with the discovery and development of compounds and products arising from its use of LLC Know-How and LLC Patents to discover compounds and develop products outside of its activities on behalf of the LLC. Bayer shall have the option set forth in Section 8.3 with respect to those compounds that are Exelixis Agrochemical Compounds.

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8. Exclusivity; Further Bayer and Exelixis Rights

8.1 Exelixis Exclusivity. [*], Exelixis shall not knowingly [*]. The Parties recognize that the nature of the Exelixis technology may make it difficult for Exelixis, acting in good faith, to know whether the results of its activities undertaken on behalf of Third Parties may be [*]. However, if in the course of performing work for any Third Party, Exelixis determines in good faith that its activities appear to be [*], Exelixis shall refrain from any further work which appears to be [*]. The foregoing restriction on work [*] includes that prohibition that Exelixis shall not knowingly engage in [*].

8.2 Exelixis Independent Research Directed At [*]. [*] Exelixis may desire to initiate, on its own and not with a Third Party, a research project involving [*]. In such case it shall disclose to the LLC its planned activities and its reasons for believing that such work is worthwhile. If within [*] after the submission of a written proposal for such independent project to the LLC by Exelixis, the LLC does not elect in writing to Exelixis to include such project within the Research, then Exelixis may pursue such work on its own behalf, at its own expense and without collaboration with Third Parties (other than Exelixis consultants under customary consulting arrangements). Exelixis shall report to the LLC on a quarterly basis regarding its work under any such independent project. At [*], Exelixis may submit to the LLC a written report of its results to that point and request a determination as to whether the LLC desires to bring such project into the Research. If the LLC elects by written notice to Exelixis to bring such project within the Research, then the Parties shall negotiate at arm's length mutually acceptable terms and conditions for such project to be brought into the Research, the LLC shall allocate a sufficient number of FTEs in addition to those previously allocated to the Collaboration to continue the project with reasonable diligence, and the work shall thereafter be conducted as part of the Research. If the LLC does not elect to include such work within the Research, then Exelixis shall be free to pursue it thereafter, alone or with Third Parties.

8.3 Exelixis Agrochemical Compounds. Prior to offering any Third Party the opportunity to acquire a license to research and develop an Exelixis Agrochemical Compound and/or commercialize an Exelixis Agrochemical Product, Exelixis shall provide Bayer with the opportunity to consider whether Bayer or an Affiliate of Bayer wishes to acquire a license in the Research Field or the Field of Use to the Exelixis Agrochemical Compound and any current or future Exelixis Agrochemical Products incorporating such Compound (except for those Exelixis Agrochemical Products for which Bayer has been offered but failed to exercise its option to license under this Section 8.3). When presenting Bayer the opportunity for any such license, Exelixis will provide Bayer in writing with information regarding [*]. The first time that Exelixis offers Bayer the opportunity to license in the Research Field or Field of Use an Exelixis Agrochemical Compound active against a particular Target, Exelixis shall also offer Bayer the opportunity to [*]. Subsequent offers to Bayer shall include those rights set forth in the previous sentence that, at the time of such offers, have not been exclusively licensed to a Third Party. Bayer shall have [*] after such offer in which to inform Exelixis in writing that Bayer or an Affiliate of Bayer is interested in acquiring such a license. If Bayer indicates such interest within the [*] period, then Exelixis and Bayer or Bayer's relevant Affiliate shall negotiate in good faith for up to [*] to reach agreement on the terms of a license agreement which shall be set forth in an executed license agreement. If Bayer fails to notify Exelixis of its interest or Exelixis and Bayer fail to execute a license agreement within the applicable period, then Bayer

or its relevant Affiliate shall provide to Exelixis all information and data collected or generated by Bayer or its relevant Affiliate with respect to such Exelixis Agrochemical Compound and Bayer shall have no rights with respect to such Exelixis Agrochemical Compound or Exelixis Agrochemical Product and Exelixis shall have unrestricted rights to develop said Exelixis Agrochemical Compound and commercialize such Exelixis Agrochemical Product, without compensation to Bayer or the LLC other than that set forth in Section 9.4(b), either independently or in collaboration with one or more Third Parties, [*]. This Section 8.3 shall expire [*].

8.4 LLC Compounds. Prior to offering any Third Party the opportunity to acquire a license to develop an LLC Compound in the Research Field and/or commercialize a product containing such LLC Compound in the Field of Use, the LLC shall provide Bayer with written notice of its intention to do so and all of the information then available to the LLC with respect to such LLC Compounds. When presenting Bayer the opportunity for any such license, the LLC will provide Bayer in writing with information regarding [*]. The first time that the LLC offers Bayer the opportunity to license within the Field of Use any LLC Compound active against a particular Target, the LLC shall also offer Bayer the opportunity to [*]. Subsequent offers to Bayer shall include those rights set forth in the previous sentence that, at the time of such offers, have not been exclusively licensed to a Third Party. Bayer shall have [*] after such offer in which to inform the LLC in writing that Bayer or an Affiliate of Bayer is interested in acquiring such a license. Thereafter, the LLC and Bayer (or such Bayer Affiliate) shall negotiate in good faith for up to [*] to reach agreement on the terms of a license agreement which shall be set forth in either an executed license agreement or an executed legally binding heads of agreement. If Bayer fails to notify the LLC of its interest or the LLC and Bayer (or such Bayer Affiliate) fail to execute a license agreement within the applicable period, then Bayer (or such Bayer Affiliate) shall have no rights with respect to such LLC Compound or product containing such LLC Compound and the LLC shall have unrestricted rights to develop such LLC Compound in the Research Field and commercialize such product containing such LLC Compound in the Field of Use either independently or in collaboration with one or more Third Parties. This Section 8.4 shall expire [*].

8.5 Exelixis Independent Research Collaborations [*]. Except as provided in the penultimate sentence of this Section 8.5, before Exelixis [*] whereby Exelixis would collaborate exclusively with such Third Party during the Research Term in an area that is [*], Exelixis shall notify Bayer and the LLC in writing in reasonable detail of any such opportunity and provide Bayer and the LLC with the same type and quality of information it would make available to such Third Party with respect to such opportunity. Bayer and the LLC shall thereafter have a [*] period in which to notify Exelixis in writing that Bayer or the LLC wishes to pursue such opportunity. The first such Party, if any, as between Bayer and the LLC, to provide Exelixis with timely notification of its interest in the opportunity shall have an additional [*] period in which to negotiate with Exelixis for and execute a binding agreement with Exelixis setting forth the terms of a collaboration encompassing the subject matter described by Exelixis in the information provided to Bayer and the LLC prior to the start of the [*] notice period. During the periods set forth above in this Section 8.5, Exelixis may [*] but may not [*], and may not [*]. If both Bayer and the LLC fail to notify Exelixis of its interest within the [*] period or Exelixis or any notifying Party fails to execute a license agreement within the [*]

period, then neither Bayer nor the LLC shall have any rights with respect to such opportunity and Exelixis shall have unrestricted rights (except as set forth in Section 8.6) to pursue such collaborations with one or more Third Parties, without compensation to Bayer or the LLC, except as set forth in Sections 9.4(b) and (c). The option set forth in this Section 8.5 does not pertain to [*]. This Section 8.5 does not obligate Exelixis to enter into a collaboration with Bayer or the LLC that, in the sole discretion of Exelixis, Exelixis decides is not in its best interests.

8.6 Exelixis Negative Covenant. Exelixis hereby covenants that it shall not commercialize in the Research Field an Exelixis Agrochemical Product for which it has an obligation under Section 8.3 to provide Bayer an opportunity to consider acquiring a license, unless it has fulfilled its obligations under Section 8.3. In addition, Exelixis shall [*].

8.7 Bayer Undertaking Regarding [*]. [*], if Bayer elects to conduct or finance any work at a for-profit organization that is [*], then Bayer shall first offer to the LLC in writing the opportunity to perform such work. If (i) the LLC fails to notify Bayer within [*] following such offer that the LLC is interested in performing such work, (ii) the LLC fails, after timely notice, to [*] or (iii) Bayer and the LLC fail to execute within [*] after the LLC's timely notice a written agreement for the LLC to perform such work, then Bayer may conduct or finance such work at a Third Party for-profit organization. Except as provided in this Section 8.7, Bayer shall retain complete freedom of operation to conduct research and development activities [*].

8.8 Collaboration Compounds. Prior to offering any Third Party the opportunity to acquire a license to develop a Collaboration Compound upon which Bayer has ceased Development, Bayer shall provide Exelixis with the opportunity in writing to consider whether Exelixis wishes to acquire a license to such Collaboration Compound. Bayer shall [*]. Exelixis shall have [*] following its receipt of such writing in which to inform Bayer in writing that it is interested in acquiring a license to such Collaboration Compound. Thereafter, Exelixis and Bayer shall have [*] in which to negotiate and execute a license agreement enabling Exelixis to further develop such Collaboration Compound and to make, have made, import, sell and offer to sell products incorporating such Collaboration Compound. This Section 8.8 does not obligate Bayer to enter into a license agreement with Exelixis that, in the sole discretion of Bayer, Bayer decides is not in its best interests. This Section 8.8 shall expire [*].

8.9 Options for Pharmaceutical Collaborations

(a) Exelixis hereby grants Bayer a royalty-free option to collaborate with Exelixis regarding the use of Cognate Targets, Non-Cognate Targets, and A List Reserved Targets that have human orthologues and LLC Assays based on such Targets for pharmacological research and development under still to be negotiated and agreed upon terms and provisions, provided that Bayer has a pharmaceutical division or Affiliate at the time of exercise of the option and further provided that Exelixis does not then have a pre-existing obligation that would prevent it from collaborating with Bayer with respect to such Target and such disease area.

(b) Exelixis hereby grants Bayer a royalty-free option to establish a pharmaceutical collaboration with Exelixis regarding a Selected Cognate Target, Selected Non-Cognate Target, or A List Reserved Target that has a human orthologue, provided that Bayer has a pharmaceutical division or Affiliate at the time of exercise of the option. If Bayer wishes to exercise this option, it shall notify Exelixis in writing within (i) [*], (ii) [*], or (iii) [*]. Such notification shall identify the Selected Cognate Target, Selected Non-Cognate Target or A List Reserved Target and the disease area in which it is interested in collaborating with Exelixis. Provided Exelixis does not then have a pre-existing obligation that would prevent it from collaborating with Bayer with respect to such Target and such disease area, Exelixis and Bayer shall have [*] (or longer upon mutual agreement) following receipt of such notification to negotiate and enter into a collaboration agreement regarding such Target and such disease area. During the [*] period Exelixis will not [*].

8.10 Use of Targets in the Field of Animal Health.

(a) Exelixis and Bayer shall have co-exclusive rights with the right to sublicense as permitted under Section 4.3 to pursue Unselected Non-Cognate Targets in the field of animal health (which is part of the Field of Use). Exelixis and Bayer may also perform Independent Research upon such Targets.

(b) Bayer shall have exclusive rights (with the right to sublicense) to pursue Cognate Targets, and A List Reserved Targets, in the field of animal health (which is part of Field of Use). Exelixis may perform research in the field of animal health upon such Targets as follows: Exelixis shall not begin work on any genetic entry point that, at such time, is a Cognate Target, or an A List Reserved Target. If Exelixis discovers a Target during research that is at such time a Cognate Target or an A List Reserved Target, it can reveal the identity of such Target to its Third Party collaborator but cannot perform further work upon such Target in the field of animal health.

(c) Commencing [*] after the delivery of an LLC Assay directed at a Selected Non-Cognate Target, Exelixis shall have the right (with the right to sublicense as permitted under Section 4.3) to pursue such Selected Non-Cognate Target in the field of animal health (which is part of the Field of Use), provided that Bayer is not then developing an animal health product based on such Target and further provided that any Exelixis collaboration with a Third Party regarding such Selected Non-Cognate Target is subject to approval by Bayer if [*], and [*]. Exelixis and Bayer may also perform Independent Research upon such Targets.

8.11 Independent Research. Subject to Sections 8.1, 8.2, 8.5, 8.7 or as otherwise set out in this Agreement, Bayer, Exelixis and the LLC may each perform Independent Research during the Research Term.

9. Payments

9.1 License Fee And Research Commitment Fee. The LLC shall pay Exelixis a license fee of $10,000,000 and a separate research commitment fee of $10,000,000 (for aggregate payments under this Section 9.1 of $20,000,000). Exelixis shall invoice the LLC (and send a copy of the first such invoice to Bayer) for one-half of each amount on the Effective Date

and the first anniversary of the Effective Date, and the LLC shall make such payment within [*] thereafter.

9.2 Research Funding. From the Effective Date until the end of the Research Term, Exelixis will invoice the LLC (and send a copy of the first such invoice to Bayer) for and the LLC will make within [*] thereafter quarterly advance payments to Exelixis sufficient to pay for the number of Specified FTEs (as defined in Section 2.5(a)) then performing Research under this Agreement multiplied by the then current Annual FTE Rate. In any event, for each calendar quarter, the amount of research funding provided by the LLC to Exelixis shall be not less than one-quarter of the amount calculated in Section 2.5(a) and shall only exceed [*] in the event that the LLC commits to provide more than [*] in Research funding in the applicable Contract Year as set forth in Section 2.5(a).

9.3 Milestone Payments. Commencing on the Effective Date, Bayer shall pay the LLC the following amounts within [*] after the LLC's invoice following the occurrence of each of the events specified below:

(a) [*] upon (i) [*], (ii) [*] or (iii) [*];

(b) [*] upon [*];

(c) [*] upon [*]; and

(d) [*] upon [*].

9.4 Premium Fee Payments.

(a) Bayer Products. Bayer shall pay the LLC a running premium fee of [*] on the aggregate Net Sales of Bayer Products in addition to amounts payable above. For each Bayer Product, Bayer's obligations to pay premium fees will expire on a country-by-country basis on the later of: (i) [*] or (ii) [*]. After the expiration of Bayer's premium fee obligation hereunder on a Bayer Product in a particular country, the license set forth in Section 11.5 with respect to such Bayer Product in such country shall continue in force perpetually with no further premium fee or other payment obligations.

(b) Exelixis Agrochemical Products. Exelixis shall pay the LLC a running premium fee of: [*] from such Exelixis Agrochemical Product. Exelixis' obligations to pay premium fees will expire on a country-by-country basis on the later of: (A) [*] or (B) [*]. After the expiration of Exelixis' premium fee obligation hereunder on an Exelixis Agrochemical Product in a particular country, the license set forth in Section 11.3 with respect to such Exelixis Agrochemical Product in such country shall continue in force perpetually, with no further premium fee or other payment obligations.

(c) Exelixis Human Health Products. Exelixis shall pay the LLC a running premium fee of the lesser of [*] on the aggregate Net Sales of each Exelixis Human Health Product or [*] of Exelixis' sublicensing income from such Exelixis Human Health Product. Exelixis' obligations to pay premium fees will expire, on a country-by-country basis on the later

of: (i) [*] or (ii) [*]. After the expiration of Exelixis' premium fee obligation on an Exelixis Human Health Product in a particular country, the license set forth in Section 11.3 with respect to such Exelixis Human Health Product in such country shall continue in force perpetually, with no further premium fee or other payment obligations.

(d) Combination Products. If a Product contains a Collaboration Compound, an Exelixis Human Health Compound or Exelixis Agrochemical Compound combined as a single product with one or more other active ingredients (a "Combination Product"), then Net Sales of such Combination Product for premium fee purposes under Section 9.4 shall be calculated as follows: the Net Sales of the Combination Product shall be calculated in accordance with the definition of Net Sales under Section 1.47, and then such Net Sales shall be adjusted on a country-by-country basis as follows:

(i) The Net Sales of such Combination Product shall be multiplied by the fraction A/(A+B), where A is [*]; or

(ii) If the [*] is not available on an independent basis, the Net Sales of such Combination Product shall be multiplied by a percentage, determined by mutual agreement of the Parties, which represents [*].

(iii) In the case a synergistic effect of at least [*] times results from the combination of active ingredients in the sold Combination Products based on evidence on the active ingredients, the Party paying premium fees for such Product shall give the Party or Parties to whom premium fees are due notice thereof. The relevant Parties shall promptly after such notice meet to negotiate and agree in good faith upon a commercially reasonable adjustment of Net Sales for such Combination Product. Such adjustment shall be based on a reasonable measure, as agreed by the relevant Parties in good faith, of the economic value of the contribution of the Collaboration Compound, Exelixis Human Health Compound or Exelixis Agrochemical Compound as compared to the economic value of the contribution of the other active ingredient(s) in such Combination Product.

9.5 Reports on Payments. After the first commercial sale of a Product on which payments are to be made by Bayer or Exelixis hereunder, the Party with a payment obligation shall make quarterly written reports to the other Parties within [*] after the end of each calendar quarter, stating in each such report, separately for each selling Party and each of its Affiliates and sublicensees, the number, description, and aggregate Net Sales, by country, of each Product sold during the calendar quarter upon which a payment is to be made under Section 9.4 above. Subject to any reductions permitted pursuant to the express terms of this Agreement, concurrently with the making of such reports, the Party with the payment obligation shall deliver such payment to the Party or Parties entitled to such payment.

9.6 Payment Method. All payments due under this Agreement shall be noncreditable and nonrefundable, except as to errors, and as to any amounts disputed in good faith and determined not to have been due or agreed by the relevant Parties not to be due, and shall be made by bank wire transfer in immediately available funds to an account designated by the LLC. All payments hereunder shall be made in United States dollars.

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9.7 Place of Payments and Currency Conversions. If any currency conversion is required in connection with the calculation of payments hereunder, such conversion shall be made using the selling exchange rate for conversion of the Wall Street Journal for the last business day of the calendar quarter to which such payment pertains. If at any time legal restrictions prevent the prompt remittance of any payments owed on Net Sales in any jurisdiction, Bayer or Exelixis may make such payments by depositing the amount thereof on local currency in a bank account or other depository in such country in the name of the LLC. Bayer or Exelixis shall promptly notify the LLC in writing, of the circumstances leading to such deposit and, at the LLC's request, cooperate with the LLC to repatriate such amounts.

9.8 Records; Inspection.

(a) Bayer and Exelixis and their Affiliates and sublicensees shall keep complete, true and accurate books of account and records for the purpose of determining the payments to be made under this Agreement. Such books and records shall be kept at the principal place of business of such Party, as the case may be, for at least [*] years following the end of the calendar quarter to which they pertain.

(b) Such records will be open for inspection during such [*] year period by a public accounting firm to whom Bayer or Exelixis, as applicable, has no reasonable objection, solely for the purpose of verifying payment statements hereunder. Such inspections may be made not more than once each calendar year, at reasonable times and on reasonable prior written notice. Inspections conducted under this Section 9.8 shall be at the expense of the requesting Party, unless a variation or error producing an increase exceeding five percent (5%) of the amount stated for any period covered by the inspection is established in the course of any such inspection, whereupon all costs relating to the inspection for such period and the full amount of any unpaid amounts that are so discovered will be paid promptly by Bayer or Exelixis, as applicable.

(c) All information concerning payments and reports, and all information learned by a Party in the course of any audit or inspection shall be subject to the confidentiality provisions set forth in Article 18 of the Operating Agreement. The public accounting firm employees shall sign customary confidentiality agreement as a condition precedent to their inspection and shall report to the LLC only that information which would be contained in a properly prepared payment report by Bayer or Exelixis, as applicable.

(d) Upon request and subject to confidentiality, any Party shall provide a written explanation of the discovery and development of any compound that the requesting Party reasonably suspects may be a Collaboration Compound, Exelixis Agrochemical Compound or Exelixis Human Health Compound. If the Parties cannot agree within [*], the requesting Party shall: (i) engage an independent, mutually acceptable technical consultant within [*] who is bound by an appropriate confidentiality agreement to review the source documents for such discovery and development and determine whether the compound is royalty-bearing to the LLC, (ii) in the event that no mutually agreeable technical consultant is found, each Party may engage its own technical consultant within such [*] period and those two consultants shall pick within [*] days thereafter a third consultant to perform the review and make such determination, or (iii)

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be deemed to have agreed that the compound in question is not royalty-bearing to the LLC. The Party whose view is contrary to the decision of the consultant shall bear the cost of such review.

9.9 Withholding Taxes.

(a) Any Party with a premium fee payment obligation under this Agreement shall have the right to deduct from the premium fee payments the tax which a receiving Party is liable to pay thereon under the tax law of the country from which such payment is being made. The party receiving such payment shall immediately be sent a tax receipt certifying the payments of the tax, so that such receiving Party may use it for claiming a credit on the tax payable by it in its own country. No deduction shall be made if the receiving Party furnishes a document from the tax authorities of the country from which such payment is being made by the time of the payment of the premium fees certifying that the premium fees are exempt from withholding.

(b) German value added tax (VAT) will be administered by Bayer for the LLC. The LLC will not invoice any VAT to Bayer.

(c) Each Party undertakes to cooperate with the other Parties to achieve lawful tax arrangements which are most favorable for all Parties, without prejudice to the rights or treatment of any one Party.

9.10 Subscription Fees. Commencing on the Effective Date, LLC may license the Sequence Database to Third Parties.

9.11 Relationship To Licenses. The premium fee payments provided for herein are in consideration of the various services, covenants, allocations of rights, and grants of licenses set forth in this Agreement. Such premium fees shall be paid regardless of whether the recipient of such payment then possesses intellectual property which covers the Product which is the subject of the premium fee payment, and similarly, such payments shall expire at the end of the term set forth in Section 9.4(a), 9.4(b), or 9.4(c), respectively, even if the Party previously receiving such payments continues to hold intellectual property which covers such Product.

9.12 Late Payment Penalty. Any payment due under this Article 9 that is not paid by [*] after the payment's due date shall accrue interest, which must be paid by the Party with the payment obligation to the recipient Party, on a daily basis at a rate equal to [*] (or the maximum amount permitted by law, if less), from the date first owed until paid.

10. Inventions and Patents

10.1 Ownership of Research Intellectual Property.

(a) Bayer shall own the entire right, title and interest in and to any and all inventions, developments, results, know-how and other Information, and all intellectual property relating thereto, made solely by Bayer and its employees or agents and arising from work performed pursuant to this Agreement after the Effective Date, and Patents covering such intellectual property.

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(b) The LLC shall own the entire right, title and interest in and to any and all inventions, developments, results, know-how and other Information (other than Core Improvements), and all intellectual property relating thereto, made solely by the Dedicated FTEs and Shared FTEs and arising from work performed pursuant to this Agreement after the Effective Date, and Patents covering such intellectual property.

(c) Exelixis shall own the entire right, title and interest in and to any and all inventions, developments, results, know-how and other Information, and all intellectual property (including Patents) relating thereto, and made solely by employees or agents of Exelixis other than Dedicated and Shared FTEs and arising from work performed pursuant to this Agreement after the Effective Date, and Patents covering such intellectual property.

(d) Exelixis shall own the entire right, title and interest in and to any and all inventions, developments, results, know-how and other Information relating to Core Improvements, and all intellectual property relating thereto, and Patents covering such intellectual property.

(e) Subject to the provisions of Section 10.3(d), the Joint Inventions and Joint Patents shall be jointly owned by the Parties that made, whether directly or through their employees or agents (which, in the case of the LLC, shall be the Dedicated FTEs and the Shared FTEs), such Joint Inventions and Joint Patents. Each inventing Party shall each own an undivided one-half or one-third (if the number of inventing Parties is two or three, respectively) interest in and to such Joint Inventions or Joint Patents. Each joint owner shall have the right to grant licenses under or to assign its interest in, such Joint Patents, only to the extent as provided for in this Agreement or as otherwise agreed in writing by the other joint owner(s). Each Party shall have the right to grant licenses under its interest in any Joint Patent to the other Parties and their Affiliates. Bayer may freely grant a license to Bayer AG or an Affiliate of Bayer under or assign to Bayer AG or an Affiliate of Bayer, Bayer's ownership interest in any Joint Patent. All questions concerning inventions and/or inventorship and/or the construction of or effect of Patents shall be decided in accordance with the laws relating to inventorship and other relevant laws of the country in which the particular Patent has been filed or granted, as the case may be.

(f) The Sequence Library and the Sequence Database will be owned exclusively by the LLC, subject to the licenses granted herein to Exelixis and Bayer.

10.2 Disclosure of Patentable Inventions. In addition to the disclosures required under Sections 2.6 and 7.3, each Party shall submit a written report to the other Parties within [*] after the end of each quarter describing any invention arising during the prior quarter in the course of the Research done during the Research Term which it believes may be patentable. The LLC and Exelixis shall provide Bayer with drafts of any patent application which discloses an LLC Assay or Target prior to filing, allowing adequate time for review and comment by Bayer if possible; provided, however, that the LLC and/or Exelixis shall not delay the filing of any patent application pursuant to Section 10.3 below.

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10.3 Patent Prosecution and Maintenance; Abandonment.

(a) Exelixis Patents.

(i) Exelixis shall retain control over, and shall bear all expenses related to, the filing, prosecution, and maintenance of all Exelixis Patents; except as set forth in Section 10.3(a)(ii).

(ii) If Exelixis elects to cease prosecution of or not maintain any Exelixis Patent that [*], Exelixis shall notify [*] in writing not less than [*] before any relevant deadline. [*] shall have the right to assume control over the prosecution or maintenance of such Exelixis Patent, provided that [*] shall bear all expenses related thereto; but title to any such Exelixis Patent shall remain in Exelixis.

(b) LLC Patents.

(i) The LLC shall retain control over, and shall bear all expenses related to, the filing, prosecution, and maintenance of all LLC Patents, except as set forth in Section 10.3(b)(ii).

(ii) If the LLC elects to cease prosecution of or not maintain any LLC Patent, the LLC shall notify Bayer and Exelixis in writing not less than [*] before any relevant deadline. If Bayer gives notice to Exelixis within [*] of notification from the LLC, Bayer shall have the right to assume control over the prosecution or maintenance of such LLC Patent, provided that Bayer shall bear all expenses related thereto; but title to any such LLC Patent shall remain in the LLC. If Bayer does not give such notice, Exelixis shall have the right to assume control over the prosecution or maintenance of such LLC Patent, provided that Exelixis shall bear all expenses related thereto; but title to any such application or patent shall remain in the LLC.

(c) Bayer Patents. Bayer shall retain control over, and shall bear all expenses related to, the filing, prosecution and maintenance of all Bayer Patents.

(d) Joint Patents.

(i) Control. The Parties or Party at the time owning any Joint Patent shall jointly or solely, as applicable, control the filing, prosecution, and maintenance of such Joint Patent.

(ii) Expenses and Relinquishment of Ownership.

(1) [*] shall bear all expenses related to the filing, prosecution, and maintenance of all Joint Patents at the time jointly owned by [*]. If [*] elects to not pay any expense related to such Joint Patent, [*] shall notify the other joint owner(s) of such Joint Patent in writing not less than two (2) months before any relevant deadline, and such notification shall constitute a relinquishment by [*] of its ownership interest in such Joint Patent, which shall thereafter be jointly or solely owned by the remaining joint owner(s).

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(2) [*] shall bear all expenses related to the filing, prosecution, and maintenance of all Joint Patents at the time jointly owned by [*] and not jointly owned by [*]. If [*] elects to not pay any expense related to such Joint Patent, [*] shall notify [*] in writing not less than one (1) month before any relevant deadline, and such notification shall constitute a relinquishment by [*] of its ownership interest in such Joint Patent, which shall thereafter be solely owned by [*].

(3) Each of [*] and [*] shall bear all expenses related to the filing, prosecution, and maintenance of all Joint Patents of which it is then a sole owner.

10.4 Confidential Treatment. All information disclosed under Sections 10.2 and 10.3 shall be treated as confidential and subject to the terms set forth in Article 18 of the Operating Agreement.

11. Licenses

11.1 LLC Research License.

(a) Bayer hereby grants the LLC a fully paid-up, nonexclusive, worldwide license, with the right to sublicense only for LLC Assay development purposes, under all relevant Bayer Know-How and Bayer Patents to conduct its Research activities within the Research Field under this Agreement, including without limitation making and using making and using the Bayer Pesticides and the LLC Assays for Research purposes and making the Sequence Library. Such license shall expire at the end of the Research Term unless it is continued pursuant to Section 14.5. This license does not grant the LLC any commercialization rights, i.e. to make or use Bayer Compounds or Collaboration Compounds.

(b) Exelixis hereby grants the LLC a fully paid-up, worldwide license, with the right to sublicense only for LLC Assay development purposes, under all relevant Exelixis Patents and Exelixis Know-How to perform Research activities within the Research Field under this Agreement. Such license shall be exclusive, but shall expire at the end of the Research Term unless such license is continued thereafter on a non-exclusive basis pursuant to Section 14.4.

11.2 Bayer Research License.

(a) Exelixis hereby grants the LLC a non-exclusive, fully paid-up, worldwide license (with the right to sublicense only to Bayer) under all relevant Exelixis Know-How and Exelixis Patents that are necessary to enable Bayer to conduct Bayer's permitted Research and Development activities hereunder in the Field of Use to identify and select Collaboration Compounds, including the right to make and use the Selected Assays within the Field of Use for the sole purpose of identifying Collaboration Compounds. Subject to Section 4.5, the LLC may not sublicense to Bayer the right: (i) to make or use Targets pursued by the LLC or Exelixis or a licensee of either of them, pursuant to Section 4.3 or 5.3, (ii) to make or use an LLC Assay that is not a Selected Assay, (iii) to use a Selected Assay outside of the Field of Use, or (iv) except with the written consent of Exelixis, any right to practice Third Party technology which has been licensed to Exelixis.

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(b) Except to the extent of the limitations set forth in the final sentence of Section 11.2(a), the LLC hereby grants Bayer a fully paid-up, worldwide sublicense under the license set forth in Section 11.2(a).

(c) The LLC hereby grants Bayer a non-exclusive, fully paid-up, worldwide license under all relevant LLC Know-How and LLC Patents to enable Bayer to conduct Bayer's Research and Development activities hereunder in the Field of Use to identify and select Collaboration Compounds, including the right to make and use the Selected Assays for the sole purpose of identifying Collaboration Compounds. Subject to Section 4.5, this license does not grant Bayer the right: (i) to make or use Targets pursued by the LLC or Exelixis or a licensee of either of them, pursuant to the Section 4.3 or 5.3, (ii) to make or use an LLC Assay that is not a Selected Assay, or (iii) to use a Selected Assay outside of the Field of Use. Bayer may use the following Confidential Information of the LLC use in its Independent Research in any field, provided that Bayer does not [*] using such Confidential Information: [*]. Bayer may petition the LLC at any time during the term of this Agreement to add certain Confidential Information of the LLC to the foregoing list. Such addition shall only be made upon the mutual written agreement of all of the Parties.

(d) Bayer may not sublicense its rights under the license and sublicense granted in this Section 11.2, except to Affiliates or Third Party contractors performing such Research and Development activities solely on Bayer's behalf.

11.3 Licenses to Exelixis.

(a) Bayer hereby grants to the LLC a fully paid-up, worldwide non-exclusive license, with the right to sublicense only to Exelixis, under all relevant Bayer Know-How and Bayer Patents that arise from work performed under this Agreement solely for Exelixis to conduct its permitted activities in research, development and commercialization (other than Independent Research) in the Field of Use and outside the Field of Use under this Agreement. This license does not grant Exelixis any rights to make or use Bayer Pesticides, Bayer Compounds, Collaboration Compounds or LLC Compounds.

(b) The LLC hereby grants Exelixis a fully paid-up, worldwide exclusive sublicense under the license granted in Section 11.3(a), solely for Exelixis to conduct its permitted activities in research, development and commercialization (other than Independent Research) in the Field of Use and outside the Field of Use under this Agreement. Exelixis may grant sublicenses under this sublicense only to permitted Third Party collaborators of Exelixis and only for the purposes of collaboratively pursuing Exelixis' permitted research, development and commercialization activities in the Field of Use and outside the Field of Use under this Agreement. This license does not grant Exelixis any rights to make or use Bayer Pesticides, Bayer Compounds, Collaboration Compounds or LLC Compounds.

(c) Except to the extent of the of the exclusivity specified in this Agreement, the LLC hereby grants Exelixis a fully paid-up, worldwide license, with the right to sublicense, under all relevant LLC Patents and the LLC Know-How to perform research, development and commercialization activities outside the Research Field. Such license shall be exclusive except as to Bayer's and the LLC's permitted uses of Selected Assays, Bayer Assays and LLC Assays

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under this Agreement. Such license shall not convey any rights to make, use or sell Bayer Pesticides, Bayer Compounds, Collaboration Compounds or LLC Compounds. Exelixis may use the following Confidential Information of the LLC in Exelixis' Independent Research in any field, provided that Exelixis does not [*] using any of the following LLC Confidential Information: [*]. Exelixis may petition the LLC at any time during the term of this Agreement to add certain Confidential Information of the LLC to the foregoing list. Such addition shall only be made upon the mutual written agreement of all of the Parties.

(d) The LLC hereby grants Exelixis an exclusive, fully worldwide license, with the right to sublicense, under all relevant LLC Patents and LLC Know-How to perform Research, Development and commercialization activities in the Research Field as permitted under Sections 4.3 and 4.6.

11.4 Development License.

(a) Exelixis hereby grants the LLC a worldwide, exclusive license (with the right to sublicense only to Bayer) under all relevant Exelixis Know-How and Exelixis Patents for Bayer to conduct Development of Collaboration Compounds.

(b) The LLC hereby grants Bayer a worldwide, exclusive sublicense under the license set forth in Section 11.4(a) (with the right for Bayer further to sublicense) for Bayer to conduct Development of Collaboration Compounds.

(c) The LLC hereby grants to Bayer a worldwide, exclusive license (with the right to sublicense) under all relevant LLC Know-How and LLC Patents to conduct Development of Collaboration Compounds.

(d) Bayer may not sublicense its rights under the license and sublicense granted in Section 11.4(b) except to Affiliates or Third Party contractors performing such Development activities solely on Bayer's behalf.

11.5 Commercialization License.

(a) The LLC hereby grants Bayer and its Affiliates a worldwide, exclusive license (with the right to sublicense) under all relevant LLC Know-How and LLC Patents, to the extent required for Bayer, its Affiliates and sublicensees to make, have made, use, have used, import, have imported, offer to sell, sell and have sold Bayer Products in the Field of Use.

(b) Exelixis hereby grants Bayer and its Affiliates a worldwide, exclusive license (with the right to sublicense) under all relevant Exelixis Know-How and Exelixis Patents, to the extent required for Bayer, its Affiliates and sublicensees to make, have made, use, have used, import, have imported, offer to sell, sell and have sold Bayer Products in the Field of Use.

11.6 Joint Patents. Each Party shall have a worldwide, co-exclusive right to practice the Joint Patents in which it has an ownership interest arising from the work under this Agreement without any duty to account. Except for licensing rights and assignment rights expressly granted herein, such right shall not include a right to grant sublicenses or assignments

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of ownership interest (other than from Bayer to Bayer AG or a Bayer Affiliate), except with the mutual consent of all of the owners.

11.7 Sublicenses of Third Party Technology. To the extent that any of the licenses granted herein include sublicenses of technology licensed from a Third Party to a Party, each such sublicense is subject to the terms of the license agreement between such Party and such Third Party.

11.8 Negative Covenant. Each Party agrees that it will not practice technology licensed to it under this Agreement outside the scope of the licenses granted herein. Except as specifically provided herein, no Party grants to the other Parties any license, express or implied, to any technology, know-how, inventions, improvements, trade secrets or materials that it possesses. Upon the termination of the Research, neither party shall have any implied license to any technology, know-how, inventions, improvements, trade secrets or materials of the other Party except as specifically provided herein.

11.9 Certain Commitments As To Licenses. Each Party will use its respective commercially reasonable diligent efforts during the Research Term (which efforts will not, absent express prior written agreement of the relevant Party hereto, require any Party to pay additional money, whether by increased royalty rates or other payments, or grant additional rights, to any Third Party) as follows:

(a) Bayer Commitments. On the part of Bayer, to provide, with respect to licenses as to which Bayer or its Affiliates become licensees after the Effective Date within the Research Field, and/or within such areas outside of the Research Field in which the LLC has, pursuant to Section 2.4 of the Operating Agreement, designated to be of interest to the LLC, for such license rights to be sublicensed to the LLC, with or without a further right of the LLC to sublicense them to Exelixis; and

(b) Exelixis Commitments. On the part of Exelixis, to provide, with respect to licenses as to which Exelixis or its Affiliates become licensees after the Effective Date within the Research Field, and/or within such areas outside of the Research Field in which the LLC has, pursuant to Section 2.4 of the Operating Agreement, designated to be of interest to the LLC, for such license rights to be sublicensed to the LLC, with or without a further right of the LLC to sublicense them to the Bayer; and

(c) LLC Commitments. On the part of the LLC, provide, with respect to licenses, other than from Bayer or Exelixis, as to which the LLC becomes a licensee after the Effective Date within the Research Field, and/or within such areas outside of the Research Field in which the LLC has, pursuant to Section 2.4 of the Operating Agreement, designated to be of interest to the LLC, for such license rights to be sublicensed by the LLC to Bayer and Exelixis.

12. Enforcement of Patent Rights

12.1 General. Each Party will provide notice to the other Parties of any infringement of an Exelixis Patent, LLC Patent, Bayer Patent, or Joint Patent. In any action to enforce any of such Patents against alleged infringement, the Party or Parties prosecuting such action shall bear

all costs and expenses thereof, and the other Parties will provide reasonable assistance, if requested, in such action at the expense of the Party or Parties prosecuting such action.

12.2 Exelixis Patents. Exelixis shall have the first right, but not the obligation, to enforce the Exelixis Patents (other than the Joint Patents) against any infringer. Any amounts recovered by Exelixis from an infringer of such Patents shall be retained by Exelixis. If Exelixis does not exercise such right within [*] after notice of infringement of an Exelixis Patent (other than a Joint Patent) [*], then [*] has the right to enforce such Exelixis Patent in the name of Exelixis. Any amounts recovered by [*] from an infringer of such Exelixis Patent shall first be applied to reimburse [*] costs and expenses of the action, and any remaining amounts shall be treated as revenue of [*].

12.3 LLC Patents. The LLC shall have the first right, but not the obligation, to enforce the LLC Patents (other than the Joint Patents) against any infringer. If the LLC does not exercise such right within [*] after notice of infringement of an LLC Patent, then Exelixis and Bayer shall each have the right, but not the obligation, to enforce such LLC Patent in the name of the LLC, and shall agree on which of them shall enforce such LLC Patent. Any amounts recovered by an enforcing Party from an infringer of such LLC Patent shall first be applied to reimburse such enforcing Party's costs and expenses of the action, and any remaining amounts shall be treated as revenue of [*].

12.4 Bayer Patents. Bayer shall have the sole right, but not the obligation, to enforce the Bayer Patents (other than the Joint Patents) against any infringer. Any amounts recovered by Bayer from an infringer of such Patents shall be retained by Bayer.

12.5 Joint Patents.

(a) In the case of a Joint Patent that is at the time jointly owned by two or more Parties, each then jointly owning Party shall have the right, but not the obligation, to enforce such Joint Patent in the name of the then joint owners, and the then jointly owning Parties shall agree on which of them shall enforce such Joint Patent. Any amounts recovered by an enforcing Party from an infringer of such Joint Patent shall first be applied to reimburse such enforcing Party's costs and expenses of the action, and any remaining amounts shall be divided equally among those Parties that had agreed to accept the obligation of enforcement.

(b) In the case of a Joint Patent that has become solely owned by a Party, that Party shall have the right, but not the obligation, to enforce such Patent against any infringer. Any amounts recovered by such Party from an infringer of such Patent shall be retained by such Party.

13. Indemnification

13.1 Collaboration Compounds and Products. Subject to compliance with Section 13.3, Bayer shall indemnify, defend and hold harmless Exelixis, its Affiliates, the LLC and their respective agents and employees, from and against any and all losses, liabilities, damages, costs, fees and expenses, including reasonable legal costs and attorneys' fees ("Losses") resulting from a Third Party claim, suit or action concerning and to the extent attributable to a Collaboration

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Compound, a Bayer Product or the permitted use of a Bayer Pesticide, but excluding any Losses resulting from the gross negligence or intentionally wrongful act or omission of the LLC, Exelixis, its Affiliates or sublicensees or any of their employees or agents.

13.2 Exelixis Products and Personnel. Subject to compliance with Section 13.3, Exelixis shall indemnify, defend and hold harmless Bayer, its Affiliates, the LLC and their respective agents and employees, from and against any and all losses, liabilities, damages, costs, fees and expenses, including reasonable legal costs and attorneys' fees ("Losses") resulting from (a) a Third Party claim, suit or action concerning and to the extent attributable to an Exelixis Agrochemical Compound, Exelixis Human Health Compound or a Product containing such a Compound, and (b) a Third Party claim, suit or action arising from Exelixis' employment relationship with personnel providing FTE services under this Agreement (including without limitation claims based on personal injury or unlawful discharge), but in each case excluding any Losses resulting from the gross negligence or intentionally wrongful act or omission of the LLC, Bayer, its Affiliates or sublicensees or any of their employees or agents.

13.3 Indemnity Procedure. In the event a Party is seeking indemnification under Section 13.1 or 13.2, the Party seeking indemnification shall inform the indemnifying Party in writing of a claim as soon as reasonably practicable after it receives notice of the claim, shall permit the indemnifying Party to assume direction and control of the defense of the claim (including the right to settle the claim solely for monetary consideration), and, at the expense of the indemnifying Party, shall cooperate as reasonably requested in the defense of the claim. Each indemnified Party shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnifying Party if representation of the indemnified Party by the counsel retained by the indemnifying Party would be inappropriate due to actual or potential differing interests among the Parties. The indemnifying Party may not settle such action or claim, or otherwise consent to an adverse judgment in such action or claim, that diminishes the rights or interests of an indemnified Party without the express written consent of such indemnified Party.

14. Term of Agreement And Termination

14.1 Term. This Agreement shall expire upon the latest of: (a) the end of Research Term, (b) the expiration of all payment obligations of Bayer and Exelixis hereunder, and (c) the expiration of all LLC Patents. Sections 10.1 and 11.6, Articles 13, 14, 15 and 16, and the commercialization licenses set forth in Sections 11.3 and 11.5 shall survive such expiration.

14.2 Termination of Research Term. Upon [*], the licenses granted to the LLC under Section 11.1 shall terminate. If such termination of the Research Term was due to dissolution of the LLC, then Exelixis shall use all unspent research payments as of the effective date of such termination to wind down the LLC's Research efforts in an orderly manner with Bayer deemed to have granted an appropriate license to allow Exelixis to perform such wind down activities. If such termination of the Research Term was not due to dissolution of the LLC, then Bayer and the LLC shall have the right to cause Exelixis to perform continuing research (i.e. Target identification and LLC Assay development) pursuant to a Research Plan mutually agreed by Bayer and Exelixis for a period of [*] beyond the end of the Research Term to complete the development of LLC programs under way at the end of the Research Term. If Bayer and the LLC exercise the aforementioned right, they shall be deemed to have granted appropriate

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licenses to Exelixis under the Bayer Know-How, Bayer Patents, LLC Know-How and LLC Patents to enable Exelixis to perform such continuing research; such licenses shall expire at the end of such [*] period. The number of FTEs to be supported during such [*] period shall be mutually agreed by Bayer and Exelixis, and Bayer shall pay Exelixis for such work at the Annual FTE Rate then in effect. Thereafter, such research shall cease, Bayer's payment obligations under Section 9.2 shall cease, provided that Bayer shall make all such payments which had accrued prior to the date of such termination, and each Party's rights and obligations under this Agreement (other than those limited to the Research Term) with respect to Targets, LLC Assays, Bayer Assays, LLC Compounds, Collaboration Compounds, Exelixis Agrochemical Compounds, Exelixis Human Health Compounds, Products and Exelixis' rights outside the Research Field shall continue as specified in this Agreement. This Agreement shall continue in effect until the date set forth in Section 14.1 or until terminated pursuant to Section 14.3.

14.3 Material Breach.

(a) If any Party believes that another Party is in material breach of this Agreement, such Party (the "Non-Breaching Party") shall give notice of such alleged breach to each Party which it believes to be in material breach (the "Breaching Party"), with a concurrent notice to the other Party. Such notice shall state with specificity the nature of the breach. If the Breaching Party either cures such breach within [*] of such notice or, if it is not possible to cure such breach within such [*] period, the Breaching Party commences diligent, good faith efforts to cure such breach during such [*] period and continues using such efforts for a prompt and successful cure of the breach, then the Non-Breaching Party shall have no further remedy except the right to recover money damages, if any, through arbitration pursuant to Article 17 of the Operating Agreement and to protect its rights in Confidential Information and intellectual property, either through arbitration or judicial relief.

(b) If the Breaching Party does not cure the alleged breach as provided in Section 14.3(a), the Non-Breaching Party shall have the right to commence an arbitration pursuant to Article 17 of the Operating Agreement to either (i) seek specific performance of this Agreement and/or recover money damages, or (ii) seek to terminate this Agreement and exercise the rights of a non-defaulting Party set forth in Section 14.2(c) or 14.2(d) of the Operating Agreement (termination and dissolution of the LLC or purchase of the interest of the Defaulting Party). If the arbitrator determines that a material breach of this Agreement has occurred, the arbitrator shall order specific performance and/or the payment of money damages, unless the arbitrator determines either that such relief would be inadequate to compensate the Non-Breaching Party for the harm resulting from the breach or that in view of the circumstances then prevailing, the Breaching Party cannot provide adequate assurances that if this Agreement and the LLC were to continue, the Non-Breaching Party would in the future receive the benefits of its bargain set forth herein and therein. If the arbitrator makes a determination that specific performance and/or money damages would be inadequate or that the Breaching Party cannot provide such adequate assurances, then the Non-Breaching Party may terminate this Agreement and make either of the elections set forth in Section 14.2(c) or 14.2(d) of the Operating Agreement.

14.4 Acquisition Of The LLC By Bayer. Under certain circumstances set forth in Article 13 of the Operating Agreement, Bayer has the right to purchase Exelixis' ownership

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interest in the LLC. In the event Bayer concludes such a transaction, the following terms and conditions shall apply. In any appraisal of the value of the LLC for purposes of establishing the price of any such transaction, the appraiser shall value the LLC on the basis that the terms and conditions set forth in this Section 14.4 shall be in effect as of the closing of such acquisition.

(a) Bayer's acquisition of Exelixis' ownership interest in the LLC shall terminate any right of Exelixis to receive a portion of the premium fees payable by Bayer under Section 9.4(a). However, the premium fee obligations of Exelixis set forth in Sections 9.4(b) and 9.4(c) shall continue in effect.

(b) Exelixis shall provide continuing Research services to the LLC for a period of [*] following the closing of Bayer's acquisition of Exelixis' interest in the LLC, provided that (i) such work is limited to a continuation of projects underway at the time of such closing, or related work agreed to by Exelixis, (ii) Bayer or the LLC pays Exelixis for its FTEs engaged in such transitional work at the Annual FTE Rate then in effect, and (iii) the level of FTE effort devoted by Exelixis to the LLC research shall wind down in an orderly manner mutually agreed in writing by Bayer and Exelixis.

(c) The ownership and license rights applicable to all Assays, Compounds, Products, and Targets in existence immediately prior to the closing of such transaction shall continue without modification, except that the license granted to the LLC in Section 11.1(b): (i) shall continue on an exclusive basis for [*] following the closing of such transaction, following which it shall continue perpetually on a nonexclusive basis, subject to the modification set forth in the following sentence, and (ii) may be sublicensed by the LLC to Bayer and its Affiliates (but not to any Third Party). At the end of the exclusive period described in the preceding clause (i), the license from Exelixis to the LLC shall be modified to exclude any license under Third Party technology licensed to Exelixis and sublicensed to the LLC pursuant to Section 11.1(b). Rights with respect to Targets, assays, compounds and products arising from the activities of the Parties under this Agreement shall not be affected by reason of the acquisition by Bayer, except to the extent that the Research Term shall then be deemed to have ended as of such closing and, accordingly, the duration of certain provisions of this Agreement will be affected.

(d) Exelixis shall cooperate reasonably in enabling Bayer and the LLC to replicate the ability to use the Exelixis technology which was used by the Dedicated FTEs and Shared FTEs in the performance of Research on behalf of the LLC in the [*] prior to the closing of the acquisition by Bayer. Bayer or the LLC shall bear all costs associated with such replication of technology and shall reimburse Exelixis for any costs incurred by Exelixis in that regard (with internal resources to be reimbursed at the Annual FTE Rate then in effect and out-of-pocket costs which exceed the customary inclusions within the Annual FTE Rate to be reimbursed at cost). This Section 14.4(d) shall not require Exelixis to transfer or sublicense to the LLC any licenses to practice Third Party technology, but Exelixis shall (i) cooperate with the LLC in approaching any such Third Parties from which Exelixis has licensed technology used in the Research to seek licenses directly from such Third Party to the LLC, and (ii) in those cases, if any, where Exelixis holds an exclusive license with a right of sublicense, Exelixis shall negotiate in good faith to grant such a sublicense to the LLC on a basis which generates no net profit to Exelixis and imposes no net cost on Exelixis by reason of such sublicense or as a result of the LLC's use of such sublicensed technology. By way of example, under this Section 14.4(d),

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Exelixis shall cooperate with the LLC in enabling the LLC to purchase equipment and supplies from Exelixis' vendors, shall share with Exelixis reasonable quantities of specialty chemicals not readily available from vendors (with reimbursement of the manufacturing cost of such chemicals), and shall demonstrate to LLC personnel the use of Exelixis technology.

14.5 Acquisition Of The LLC By Exelixis. Under certain circumstances set forth in Article 13 of the Operating Agreement, Exelixis has the right to purchase Bayer's ownership interest in the LLC. In the event Exelixis concludes such a transaction, the following terms and conditions shall apply. In any appraisal of the value of the LLC for purposes of establishing the price of any such transaction, the appraiser shall value the LLC on the basis that the terms and conditions set forth in this Section 14.5 shall be in effect as of the closing of such acquisition.

(a) Exelixis' acquisition of Bayer's ownership interest in the LLC shall terminate any right of Bayer to receive a portion of the premium fees payable by Exelixis under Sections 9.4(b) and 9.4(c). The premium fee obligations of Bayer set forth in Section 9.4(a) shall continue in effect but shall be reduced to a rate of [*].

(b) Exelixis shall provide continuing Research services to the LLC for the benefit of Bayer for a period of up to [*] following the closing of Exelixis' acquisition of Bayer's interest in the LLC, provided that (i) such work is limited to a completion of any LLC Assays already under development at the time of such closing, (ii) Bayer or the LLC pays Exelixis for its FTEs engaged in such transitional work at the Annual FTE Rate then in effect, and (iii) the level of FTE efforts devoted by Exelixis to the LLC research shall wind down in orderly manner mutually agreed in writing by Bayer and Exelixis.

(c) The ownership and license rights applicable to all Assays, Compounds, Products, and Targets in existence immediately prior to the closing of such transaction shall continue without modification, except that the license granted to the LLC in Section 11.1(a): (i) shall continue perpetually on a nonexclusive basis, subject to the modification set forth in the following sentence, and (ii) may be sublicensed by the LLC to Exelixis and its Affiliates (but not to any Third Party). The license from Bayer to the LLC shall be modified to exclude any license under Third Party technology licensed to Bayer and sublicensed to the LLC pursuant to Section 11.1(a) and the right to use the Bayer Pesticides. Rights with respect to Targets, assays, compounds and products arising from the activities of the Parties under this Agreement shall not be affected by reason of the acquisition by Exelixis, except to the extent that the Research Term shall then be deemed to have ended as of such closing and, accordingly, the duration of certain provisions of this Agreement will be affected.

14.6 Acquisition Of The LLC By A Third Party. The Operating Agreement requires the approval of Exelixis and Bayer prior to the merger or acquisition of the LLC by a Third Party. In the event of such a merger or acquisition, Exelixis, Bayer and the acquiring Third Party may mutually agree to amend this Agreement. If no such mutual agreement is reached, the Research Term will terminate upon the closing of such merger or acquisition.

14.7 Termination and Dissolution of the LLC. Under certain circumstances set forth in Section 12.1 of the Operating Agreement, Exelixis or Bayer has the right to terminate and dissolve the LLC. In the event that such termination and dissolution occurs, the Research Term

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shall terminate and the terms set forth in Section 14.2 of this Agreement and 12.5 of the Operating Agreement shall apply.

15. Representations & Warranties

15.1 Representations and Warranties of Exelixis.

(a) Exelixis is duly organized and validly existing and in good standing under the laws of Delaware and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof.

(b) Exelixis is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder.

(c) As of the Effective Date, Exelixis [*].

(d) Subsequent to the Effective Date, [*].

(e) Exelixis [*]. Exelixis has the rights necessary to grant the licenses from Exelixis to LLC which are set forth in this agreement.

(f) Exelixis has determined that as of the Effective Date the value of the exclusive licenses acquired by Exelixis under this Agreement and the Operating Agreement does not exceed [*].

15.2 Representations and Warranties of Bayer.

(a) Bayer is duly organized, validly existing and in good standing under the laws of Indiana and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof.

(b) Bayer is duly authorized to execute and deliver this Agreement and to perform its obligations hereunder.

(c) Bayer has the rights necessary to grant the licenses from Bayer to LLC which are set forth in this agreement.

(d) Bayer ha s the rights necessary to grant the licenses set forth herein to (i) [*] and (ii) [*].

(e) Bayer has [*].

(f) Bayer has determined that as of the Effective Date the value of the exclusive licenses acquired by Bayer under this Agreement and the Operating Agreement does not exceed [*].

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16. Miscellaneous

16.1 Dispute Resolution. The dispute resolution procedures set forth in Article 17 of the Operating Agreement shall apply to all disputes between the Parties under this Agreement.

16.2 Confidentiality. The confidentiality provisions set forth in Article 18 of the Operating Agreement shall apply to all Confidential Information disclosed by one Party to another Party under this Agreement.

16.3 Performance By Affiliates. The Parties recognize that portion of this Agreement may be performed by Affiliates of Bayer or Exelixis, and that Products may be commercialized by such Affiliates under appropriate agreements. Each of Bayer and Exelixis hereby guarantees that any of its Affiliates which participates in the performance of this Agreement or the commercialization of Products will comply with the terms and conditions of this Agreement. In the event of any dispute between Bayer or Exelixis and an Affiliate of such other Party arising from or related to this Agreement, such dispute may be brought directly against such other Party under this Agreement without any obligation to first seek to resolve such dispute or exhaust remedies with respect to such Affiliate.

16.4 Limitation of Liability. EXCEPT AS SPECIFICALLY PROVIDED IN ARTICLE 13, IN NO EVENT SHALL EITHER PARTY, ITS DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR AFFILIATES BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES, WHETHER BASED UPON A CLAIM OR ACTION OF CONTRACT, WARRANTY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT, OR OTHERWISE, ARISING OUT OF THIS AGREEMENT. For clarification, the foregoing sentence shall not be interpreted to limit or to expand the express rights specifically granted in the sections of this Agreement, including without limitation Article 12.

16.5 Entire Agreement; Amendment. This Agreement, together with Exhibit A (which the Parties shall agree upon [*] and shall append to this Agreement), sets forth the agreement among the Parties with respect to the specific subject matter hereof, and, except as otherwise set forth herein, supersedes and terminates all prior representations, agreements and understandings among the Parties regarding the subject matter hereof. No alteration, amendment, change or addition to this Agreement will be binding upon the Parties unless in writing and signed by an authorized signatory of each Party.

16.6 Assignment. Subject to the terms of the Operating Agreement, no Party may assign or transfer this Agreement or any rights or obligations hereunder without the prior written consent of the other Parties, except that (a) a Party may make such an assignment without the other Parties' consent to an Affiliate or to a successor to all or substantially all of the related business assets of such Party relating to this Agreement, whether by way of a merger, sale of stock, sale of assets or other similar transaction; and (b) each of Bayer and Exelixis may contract to Third Parties any of its marketing and sales rights with respect to Products, and such contracts shall not be considered assignment of rights and obligations as provided above.

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16.7 Notices. All notices, requests, consents and other communications hereunder to any Party will be deemed to be sufficient if contained in a written instrument delivered in person, including delivery by recognized express courier, fees prepaid, or sent by facsimile transmission or duly sent by first class registered or certified mail, return receipt requested, postage prepaid, in each case addressed as set forth below, or to such other address as may hereinafter be designated in writing by the recipient to the sender pursuant to this Section 16.7. All such notices, requests, consents and other communications will be deemed to have been received in the case of personal delivery, including delivery by express courier, on the date of such delivery; in the case of facsimile transmission, on the date of transmission; and in the case of mailing, on the third day after deposit in the U.S. mail, proper postage prepaid.

If to Exelixis: Exelixis Pharmaceuticals, Inc.
260 Littlefield Avenue
South San Francisco, CA 94080
Attention: Chief Executive Officer
Facsimile: 650-825-2205

With a copy to: Cooley Godward LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306
Attention: Robert L. Jones
Facsimile: 650-857-0663

If to Bayer: Bayer Corporation
8400 Hawthorne Road
Kansas City, MO 64120-0013
Attention: William G. Ferguson, Vice President and
Assistant General Counsel
Facsimile: 816-242-2739

With a copy to: Heller Ehrman White & McAuliffe
525 University Avenue
Palo Alto, CA 94301
Attention: Bruce W. Jenett
Facsimile: 650-324-0638

If to the LLC: GenOptera LLC
c/o Exelixis Pharmaceuticals, Inc.
260 Littlefield Avenue
South San Francisco, CA 94080
Attention: Chief Executive Officer of GenOptera LLC
Facsimile: 650-825-2205

16.8 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, then such provisions will be enforced to the maximum extent possible under applicable law and the remainder of such provisions will be excluded from

this Agreement, and the balance of this Agreement will be interpreted as if such provisions or portion(s) thereof were so excluded and will continue to be enforceable in accordance with its terms.

16.9 Force Majeure Events. Except as otherwise provided herein, no Party will be in breach of this Agreement, or liable to the other Parties, for any loss, damage, detention, delay or failure of performance to the extent such loss, damage, detention, delay or failure is caused by a Force Majeure Event provided that the Party claiming excuse uses its commercially reasonable efforts to overcome the same. In the event of a Force Majeure Event, the obligations of the affected Party will be suspended as long as such Force Majeure Event continues.

16.10 Hardship. If, during the period of this Agreement, performance of this Agreement should lead to unreasonable hardship for one Party taking the interests of all Parties into account, the Parties will endeavor to agree in good faith to amend this Agreement in view of such circumstance.

16.11 Electronic Data Interchange. If the Parties elect to facilitate their activities hereunder by electronically sending and receiving data in agreed formats (also referred to in general usage as Electronic Data Interchange or EDI) in substitution for conventional paper-based documents, the terms and conditions of this Agreement will apply to such EDI activities and communications as if such EDI communication, and as if such communication were sent by facsimile.

16.12 Counting Of Time. Whenever days are to be counted under this Agreement, the first day will not be counted and the last day will be counted, such that if a notice is delivered on a Monday to one Party, for example, with a five (5) day reply period hereunder, the reply must be sent to the sending Party (not received by such sending Party) by such recipient member no later than 11:59 a.m. local time for the sender, on the Saturday next following such Monday.

16.13 Certain Third Parties. Except with respect to the rights of certain Persons to be indemnified pursuant to Article 13 of this Agreement, which Persons are intended as third party beneficiaries of their respective rights be indemnified as set forth therein, able to enforce their respective rights to such indemnification as if they were a party hereto, nothing in this Agreement, express or implied, is intended to confer upon any person, other than the Parties hereto and their successors and assigns, any rights or remedies under or by reason of this Agreement.

16.14 No Grant Of Rights. Except as specifically stated herein, no Party grants to any other Party hereto any rights or license to any intellectual property rights or other rights of the first Party.

16.15 Captions. The captions to Sections of this Agreement have been inserted for identification and reference purposes only and will not be used to construe or interpret this Agreement.

16.16 Costs And Attorneys' Fees. Except as otherwise provided in Article 11 of the Operating Agreement, including the definition of "Damages" under Section 1.21 of the

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Operating Agreement, if any action, suit or other proceeding is instituted concerning or arising out of this Agreement or any transaction contemplated hereunder, the prevailing Party will recover all of such Party's reasonable fees and costs of attorneys incurred in each such action, suit or other proceeding, including any and all appeals or petitions therefrom.

16.17 Expenses. Except as otherwise provided in this Agreement (a) all expenses incurred by a Party in connection with its obligations under this Agreement will be borne solely by such Party, and (b) each Party will be responsible for appointing its own employees, agents and representatives, who will be compensated by such Party.

16.18 Non-Waiver. The failure of a Party in any one or more instances to insist upon strict performance of any of the terms and conditions of this Agreement will not be construed as a waiver or relinquishment, to any extent, of the right to assert or rely upon any such terms or conditions on any future occasion.

16.19 Disclaimer of Agency. This Agreement will not render any Party the legal representative or agent of another, nor will any Party have the right or authority to assume, create, or incur any Third Party liability or obligation of any kind, express or implied, against or in the name of or on behalf of another except as expressly set forth in this Agreement or except as may be expressly agreed in advance in writing by the Party to be bound.

16.20 Further Assurances. The Parties will execute and deliver any further instruments or documents and perform any additional acts that are or may become necessary to carry out the purposes and intent of this Agreement.

16.21 Binding Effect. This Agreement will be binding on and inures to the benefit of each Party and its respective transferees, successors, assigns and legal representatives.

16.22 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be an original and all of which will constitute together the same document. This Agreement, which Bayer and Exelixis executed on December 15, 1999, shall become effective upon execution by the LLC.

16.23 Governing Law. The law of the State of California, excluding that body of law known as conflict of laws, will be the applicable substantive law for all matters involving this Agreement, except those governed by federal law, which will apply to such other matters.

16.24 Official Language. The official text of this Agreement and any appendices, Exhibits hereto, will be made, written and interpreted in English. Any notices, accounts, reports, documents, disclosures of information or statements required by or made under this Agreement, whether during its term or upon expiration or termination thereof, will be in English. In the event of any dispute concerning the construction or meaning of this Agreement, reference will be made only to this Agreement as written in English and not to any other translation into any other language.

16.25 Internal Section References. All references in this document to Sections are to Sections hereof except as otherwise indicated.

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In Witness Whereof, the Parties hereto have duly executed this Agreement as of the date first above written.

Exelixis Pharmaceuticals, Inc.	Bayer Corporation
By: /s/ George Scangos	By: /s/ Emil E. Lansu
Name: George Scangos	Name: Emil E. Lansu
Title: President & CEO	Title: Executive Vice President

GenOptera LLC

By: /s/ Frank F. Reuscher

Name: Frank F. Reuscher

Title: Chief Executive Officer

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COLLABORATION AGREEMENT
AMONG

EXELIXIS PHARMACEUTICALS, INC.,

BAYER CORPORATION, AND

GENOPTERA LLC

DATED AS OF JANUARY 1, 2000

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EXHIBIT 10.8

LLC OPERATING AGREEMENT

GENOPTERA LLC

This Operating Agreement (the "Agreement"), is entered into as of December __, 15, 1999 (the "Effective Date"), by and among Bayer Corporation, an Indiana corporation ("Bayer") and Exelixis Pharmaceuticals, Inc., a Delaware corporation ("Exelixis"), as the initial members (the "Members") of OpteraGenOptera LLC, a Delaware limited liability company (the "LLC") to be formed by Bayer and Exelixis on or before January 1, 2000; immediately upon its formation, the LLC will execute and deliver a counterpart copy hereof and thereupon will become a party hereto. Terms not otherwise defined in this Agreement will have the meanings set forth for such terms in Article I hereof.

RECITALS

WHEREAS, the Members will have formed the LLC, on or before January 1, 2000, as provided in Section 2.1 hereof, to identify and validate biochemical targets useful within the Field of Use, and to format high throughput screening assays based upon such targets, in each case within the Field of Use, and in each case based initially upon certain technology of Exelixis and Bayer AG which was used in connection with, and certain technology developed under, the Original Collaboration Agreement, and such other matters as the Members may agree in writing with each other from time to time, as an amendment hereto; and

WHEREAS, simultaneously with their execution and delivery hereof, Bayer and Exelixis also have executed and delivered the LLC Collaboration Agreement, which also will be effective as of January 1, 2000; and

WHEREAS, the Members and the LLC desire to enter into this Agreement, to set forth the respective ownership interests of the Members in the LLC and the principles by which the LLC will be operated and governed;

NOW, THEREFORE, in consideration of mutual covenants and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

The following terms will have the meanings set forth below for purposes of this Agreement:

1.1 Accounting Period" means, for each Fiscal Year, the period beginning on January 1 and ending on December 31, provided that (a) the first Accounting Period will commence on the date of formation of the LLC and if the LLC is formed in 1999 will end on December 31,

1999, and if the LLC is formed in 2000 will end on December 31, 2000, and (b) a new Accounting Period will commence on any date on which a Substitute Member is admitted to the LLC.

1.2 "Act" means the Delaware Limited Liability Company Act.

1.3 "Adjusted Capital Account" means, with respect to any Member, the balance in the capital account of such Member, increased by the amount of such Member's share, determined in accordance with Treasury Regulations Section 1.704-2(g), of "partnership minimum gain," within the meaning of Treasury Regulations Section 1.704-2(d), and such Member's share, determined in accordance with Treasury Regulations Section 1.704-2(i), of "partner nonrecourse debt minimum gain," within the meaning of Treasury Regulations Section 1.704-2(i).

1.4 "Affiliate" means a Person who controls, is controlled by or is under common control with (a) the referenced Member or (b) another Person. For purposes of this definition (1) the word "control" (including, with correlative meaning, the terms "controlled by" or "is under common control with") means the power to direct or cause the direction of the management and policies of the relevant Person, or the ownership of at least fifty percent (50%) of the aggregate stock or voting power of all classes of stock and/or other voting securities of such Person if it is a legal entity, and (2) Bayer and Bayer AG are Affiliates of each other, and (3) for purposes of this Agreement, the LLC is not an Affiliate of Bayer or of Exelixis, nor is either of Bayer or Exelixis an Affiliate of the LLC, and (4) Bayer and Bayer AG, on the one hand, and Exelixis, on the other hand, are not, merely by virtue of this Agreement or the LLC Collaboration Agreement, deemed to be Affiliates of each other.

1.5 "Agreement" means this Operating Agreement as it may be amended from time to time.

1.6 "Appraiser" means an independent investment bank, accounting firm or other entity which has no material relationship with either Member or any of their Affiliates or the LLC, and who is experienced in appraising and determining the fair market value of agriculture-based, genetic screening-based or other technology-based companies. For purposes of this Agreement, a "material relationship" is defined as any relationship, including holding more than one percent (1%) of the stock of the relevant Person, or having a senior executive (any LLC officer or similar position) of such bank, firm or other entity, who is also serving or has served, during the two (2) years immediately preceding such Appraiser's selection, as an employee, LLC officer or Director, or similar position, of such relevant Person, or which bank, firm, entity or senior executive is consulting with or for such relevant Person on any ongoing retained basis, or in a non-ongoing retention or engagement during the two (2) years immediately preceding such Appraiser's selection.

1.7 "Auction" and "Auctioneer" will have the meanings set forth for such terms in Section 13.5 hereof.

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1.8 "Bayer AG" means a corporation organized under the laws of Germany, which is the parent corporation of Bayer.

1.9 "Bankruptcy" means, with respect to any Person, that a petition has been filed by or against such Person as a "debtor" and the adjudication of such Person as a bankrupt under the provisions of the bankruptcy laws of the United States have commenced, or that such Person has made an assignment for the benefit of its creditors generally or a receiver has been appointed for substantially all of the property and assets of such Person, unless the same has been vacated, set aside or stayed within sixty (60) days after such filing.

1.10 "Buyout" means the purchase by one Member of all of the Membership Interest of the other Member pursuant to the provisions of Article XIII hereof.

1.11 "Capital Account" means, for each Member, a separate account maintained by the LLC in accordance with the following provisions:

(a) Increases. The Capital Account of each Member will be increased by:

(i) Money and Property Contributed. The amount of money and the agreed fair market value of any property contributed to the LLC by such Member, or paid by such Member for the benefit of the LLC pursuant to this Agreement (net of any liabilities secured by such property that the LLC is considered to assume or hold subject to for purposes of Section 752 of the Code), in each case as a Capital Contribution by such Member,

(ii) Share of Net Income, Etc. Such Member's share of Net Income (or items thereof) and other items of LLC income and gain allocated to it pursuant to this Agreement, and

(iii) Certain Assumption of Liabilities. The amount of liabilities of the LLC assumed by such Member, to the extent not taken into account under Section 1.11(a)(i) hereof, and any other amounts required by Treasury Regulations Section 1.704-1(b), if the Management Committee determines that such increase is consistent with the economic arrangement among such Members as expressed in this Agreement; and

(b) Decreases. The Capital Account of each Member will be decreased by:

(i) Money And Property Distributed. The amount of money and the agreed fair market value of any property distributed by the LLC to such Member pursuant to the provisions of this Agreement (net of any liabilities secured by such property that such Member is considered to assume or hold subject to for purposes of Section 752 of the Code),

(ii) Share of Net Loss, Etc. Such Member's share of Net Loss (or items thereof) and other items of LLC loss and deduction allocated to it pursuant to this Agreement, and

(iii) Certain Assumption of Liabilities. The amount of liabilities of such Member assumed by the LLC (to the extent not taken into account under Section 1.11(a)(i)

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hereof) and any other amounts required by Treasury Regulations Section 1.704-1(b), if the Management Committee determines that such decrease is consistent with the economic arrangement among such Members as expressed in this Agreement.

1.12 "Capital Contribution" of a Member means the contribution by such Member to the LLC pursuant to Article IV hereof.

1.13 "Carrying Value" means, with respect to any LLC asset, such asset's adjusted basis for federal income tax purposes, except as follows:

(a) Initial Carrying Value of Contributed Asset. The initial Carrying Value of any asset contributed by a Member to the LLC will be the fair market value of the asset upon contribution, as agreed upon in writing by the contributing Member and the LLC.

(b) Adjustments Upon Certain Acquisitions And Distributions. In the discretion of the Management Committee, or upon the written request of either Member to the Management Committee, with a copy to the other Member, the Carrying Values of all LLC assets may be adjusted to equal their respective fair market values, as determined by the Management Committee, and the resulting unrecognized gain or loss allocated to the Capital Accounts of the Members as though such assets had been sold for their respective fair market values as of the following times: (i) the acquisition of an additional interest in the LLC by any Member in exchange for more than a de minimis Capital Contribution; and (ii) the distribution by the LLC to a Member of more than a de minimis amount of LLC assets, unless all Members receive simultaneous distributions of either undivided interests in the distributed property or identical LLC assets in proportion to their interests in the LLC.

(c) Certain Adjustments to Equal Fair Market Value On Liquidation or Termination of LLC. The Carrying Values of all LLC assets will be adjusted to equal their respective fair market values, as determined by the Management Committee, and the resulting unrecognized gain or loss allocated to the Capital Accounts of such Members as though such assets had been sold for their respective fair market values as of the following times: (i) the date the LLC is liquidated within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g); and (ii) the termination of the LLC pursuant to the provisions of this Agreement.

(d) Certain Increases or Decreases. The Carrying Values of LLC assets will be increased or decreased to the extent required under Treasury Regulations Section 1.704-1(b)(2)(iv)(m) if the adjusted tax basis of such LLC assets is adjusted pursuant to Code Sections 732, 734 or 743.

(e) Adjustment To Equal Fair Market Value On Distribution. The Carrying Value of an LLC asset that is distributed (whether in liquidation of the LLC or otherwise) to one or more Members will be adjusted to equal its fair market value, as determined by the Management Committee, and the resulting unrecognized gain or loss allocated to the Capital Accounts of such Members as though such asset had been sold for such fair market value.

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(f) Adjustment For Depreciation, Etc. The Carrying Value of an LLC asset will be adjusted by the depreciation, amortization or other cost recovery deductions, if any, taken into account by the LLC with respect to such asset in computing Net Profit or Net Loss.

1.14 "Certificate of Formation" means the Certificate of formation of the LLC.

1.15 "Changed Circumstance" means any of the following:

(a) Continuing Force Majeure Event. A Continuing Force Majeure Event occurs with respect to a Member.

(b) Exelixis-Specific Matters. Any or all of the following will be a Changed Circumstance with respect only to Exelixis:

(i) Certain Sales of Assets. Subject to the last sentence of this Section 1.15(b)(i), the sale, lease, conveyance or other disposition of [*] or more of the net value, as determined using United States generally accepted accounting principles, of the assets of Exelixis, as an entirety or substantially as an entirety, to any other Person or to any "group," within the meaning of Section 10(d)(3) of the Exchange Act, that includes such Person, and in each case other than Bayer or Bayer AG, in one or a series of transactions. For purposes of this Section 1.15(b)(i), any transaction as a result of which the holders of all classes of stock and/or other voting securities of Exelixis immediately prior to such transaction own, directly or indirectly, at least [*] of the aggregate voting stock or voting power of all classes of stock and/or other voting securities of the transferee Person immediately after such transaction, will not constitute a Changed Circumstance as to Exelixis, unless, and until the date upon which, Bayer gives Exelixis written notice, which notice Bayer must give within [*] after Bayer has received from Exelixis, under Section 13.2(a)(i) hereof, a Proposed Changed Circumstances Notice of such event, or has received from Exelixis, under Section 13.2(a)(ii) hereof, a Final Notice of such proposed event, that one or more of the transferee or proposed transferee Person(s) and/or the Affiliate(s) of such Person(s), as relevant, is (or are), [*].

(ii) Certain Changes of Control. Subject to the provisions of Section 1.15(b)(ii)(A) and (B) hereof, any transaction or series of transactions (as a result of a tender offer, merger, consolidation or otherwise) that involves a transfer of securities of Exelixis, if as a result of such transfer any Person, including a "group," within the meaning of Section 10(d)(3) of the Exchange Act, that includes such Person, and in each case other than Bayer or Bayer AG, acquires "beneficial ownership" (as defined in Rule 13d-3 under the Exchange Act) of [*] or more of the aggregate stock and/or other voting securities of Exelixis, and such Person or "group" did not, immediately before such transaction, hold directly or indirectly, [*] or more of the aggregate stock or voting power of all classes of stock and/or other voting securities of Exelixis. For purposes of this Section 1.15(b)(ii):

(A) Requirement Of Certain Notice By Bayer. Such event will not constitute a Changed Circumstance as to Exelixis unless, and until the date upon which, Bayer gives written notice to the Management Committee and to Exelixis, which notice Bayer must give within [*] after Bayer has received from Exelixis, under Section 13.2(a)(i) hereof, a

Proposed Changed Circumstances Notice of such event, or has received from Exelixis, under Section 13.2(a)(ii) hereof, a Final Notice of such proposed event, that, in the good faith judgment of Bayer, such event does or would materially adversely impact the business, operations and/or financial potential of the LLC, and/or that one or more of the Persons, including their Affiliates, as relevant, to whom such equity is transferred, or to whom such equity is proposed to be transferred, is (or are), [*]; and

(B) Certain Equity Financings By Exelixis. The closing of any equity financing of Exelixis after the Effective Date, by the issuance by Exelixis of its own securities (including without limitation stock of Exelixis and/or securities, such as options, warrants or convertible promissory notes, exercisable for or convertible by their terms into stock of Exelixis), will not constitute a Changed Circumstance as to Exelixis unless, and until the date upon which, Bayer gives Exelixis written notice, which notice Bayer must give within [*] after Bayer has received from Exelixis, under Section 13.2(a)(i) hereof, a Proposed Changed Circumstances Notice of such event, or has received from Exelixis, under Section 13.2(a)(ii) hereof, a Final Notice of such proposed event, that the Person(s), including a "group," within the meaning of Section 10(d)(3) of the Exchange Act, that includes such Person(s), and in each case other than Bayer or Bayer AG, , to whom such equity is issued is (or are), [*].

(iii) Certain Resignations or Terminations, Etc. Subject to the provisions of Section 1.15(b)(iii)(D) hereof, the resignation, termination, demotion, death or disability of, cumulatively, [*] or more Key Exelixis Individuals, as follows:

(A) Resignation. The resignation, at any time prior to [*], by a Key Exelixis Individual from all employment and consultancy relationships with Exelixis and all of its Affiliates. For purposes of this Agreement, a Key Exelixis Individual will be deemed to have resigned from all employment and consultancy relationships with Exelixis and all of its Affiliates on the date after which such individual is neither an employee nor serving as a consultant under a written agreement with Exelixis or such Affiliate which requires that such individual render services actively, and not merely be available on a standby-by or retained on-call basis, for at least one-half of such individual's full working time.

(B) Termination. The termination, with or without cause, at any time prior to [*], by a Key Exelixis Individual, from all employment and consultancy relationships with Exelixis and all of its Affiliates, whether by death, disability or otherwise.

(C) Disability or Demotion Without Resignation or Termination. At any time prior to [*], the disability of a Key Exelixis Individual (if there is no termination or resignation by such individual nor by Exelixis as a result of such disability), to the extent that, or any demotion of such Key Exelixis Individual to a position of authority and/or title with Exelixis and/or its Affiliates that, in either case, in the good faith judgment of Bayer after consultation with Exelixis, and as so notified in writing by Bayer to the Management Committee, does or would materially adversely impact the business, operations and/or financial potential of the LLC.

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(D) Exclusions; Consultation With Bayer, Bayer Approval of Certain Replacements. This Section 1.15(b)(iii) will not apply as to any Key Exelixis Individual who, immediately upon such termination or resignation with Exelixis and all of its Affiliates, commences full-time employment or full-time consultancy with Bayer, or Bayer AG, or with the LLC with Bayer's prior written consent thereto. This Section 1.15(b)(iii) also will not apply with respect to the termination, resignation, death, disability or demotion of any Key Exelixis Individual, whether or not an FTE, until the [*] anniversary of the date of such event, if the position held by such individual is filled by Exelixis within such [*] period, provided that:

(1) Consultation With Bayer. Exelixis will consult in good faith with Bayer as to the replacement for such individual.

(2) Bayer Approval of Certain Replacements. Bayer's approval, which approval Bayer will not unreasonably or untimely withhold, will in each case be required for the individual replacement selected by Exelixis for each of the positions of [*] (or equivalent position) of Exelixis (occupied by [*] at the Effective Date), and [*] (or equivalent position) of Exelixis (occupied by [*] at the Effective Date). Furthermore, if any [*] of the following positions becomes vacant within [*] of each other by the termination, resignation, death, disability or demotion of any Key Exelixis Individual, Bayer's approval, which approval Bayer will not unreasonably or untimely withhold, will be required for the individual replacement selected by Exelixis for each of such [*] positions: (a) [*] of Exelixis (or [*] if there is then no [*] (occupied by [*] at the Effective Date), (b) [*] (or equivalent position) of Exelixis (occupied by [*] at the Effective Date), (c) [*] (or equivalent position) of Exelixis, and (d) [*] (or equivalent position) of Exelixis. The [*] period referred to in this Section 1.15(b)(iii)(D)(2) will commence on the date of, as relevant, the termination, resignation, death, disability or demotion of the first of the [*] Key Exelixis Individuals in question.

(c) Bayer Specific Matters. Either or both of the following will be a Changed Circumstance with respect only to Bayer, provided that, for purposes of this Section 1.15(c), the term "insecticide" means [*]:

(i) Certain Sales Of Assets. Subject to the last sentence of this Section 1.15(c)(i), the sale, lease, conveyance or other disposition, in one or a series of transactions to any other Person or "group," within the meaning of Section 10(d)(3) of the Exchange Act, that includes such Person, and in each case other than Exelixis or Bayer AG, of [*] or more of the net value, as determined under United States generally accepted accounting principles, of those assets of Bayer constituting at the time in question Bayer's insecticide business (as the term "insecticide" is defined in the first paragraph of Section 1.15(c) hereof), or of [*] or more of the net value, as determined under United States generally accepted accounting principles, of the overall assets of Bayer if Bayer has not previously sold, leased, conveyed or otherwise disposed of [*] or more of the net value of its insecticide business. For purposes of this Section 1.15(c)(i), any transaction as a result of which the holders of all classes of stock and/or other voting securities of Bayer immediately prior to such transaction own, directly or indirectly, at least [*] of the aggregate voting stock or voting power of all classes of stock and/or other voting securities of the transferee Person immediately after such transaction, will not constitute a Changed Circumstance as to Bayer.

(ii) Certain Changes Of Control. Subject to the provisions of Section 1.15(c)(ii)(A) and (B) hereof, any transaction or series of transactions (as a result of a tender offer, merger, consolidation or otherwise) that involves a transfer of securities of Bayer (or, if Bayer's insecticide business then is being conducted in a separate legal entity that is at the time an Affiliate of Bayer, then involving a transfer of securities of such entity), if as a result of such transfer any Person, including a "group," within the meaning of Section 10(d)(3) of the Exchange Act, that includes such Person, and in each case other than Exelixis or Bayer AG, acquires "beneficial ownership" (as defined in Rule 13d-3 under the Exchange Act) of [*] or more of the aggregate stock and/or other voting securities of Bayer or of such separate legal entity, and such Person or "group" did not, immediately before such transaction, hold directly or indirectly, [*] or more of the aggregate stock or voting power of all classes of stock and/or other voting securities of Bayer or of such separate legal entity, as relevant. For purposes of this Section 1.15(b)(ii):

(A) Requirement Of Certain Notice By Exelixis. Such event will not constitute a Changed Circumstance as to Bayer unless, and until the date upon which, Exelixis gives written notice to the Management Committee and to Bayer that, in the good faith judgment of Exelixis, such event does or would materially adversely impact the business, operations and/or financial potential of the LLC, which notice Exelixis must give within [*] after Exelixis has received from Bayer, under Section 13.2(a)(i) hereof, a Proposed Changed Circumstances Notice of such event, or has received from Bayer, under Section 13.2(a)(ii) hereof, a Final Notice of such proposed event.

(B) Certain Conditions. Such event will constitute a Changed Circumstance as to Bayer only (1) if at the time in question Bayer's insecticide business is being conducted in whole or in material part by or within a separate legal entity other than Bayer or Bayer AG, and at least [*] of the aggregate stock or voting power of all classes of stock and/or other voting securities of such entity is held by Bayer or by Bayer AG immediately before the consummation of such transaction, or (2) if at the time Bayer's insecticide business is being conducted by Bayer, and if Bayer AG, immediately before the consummation of such transaction (a) does not own, directly or indirectly, at least [*] of the aggregate voting stock or voting power of all classes of stock and/or other voting securities of Bayer and (b) does not otherwise have the power to direct or cause the direction of the management and policies of the insecticide business of Bayer.

(d) LLC Lack Of Freedom To Operate. Subject to the last sentence of this Section 1.15(d), the [*] anniversary of the delivery by Bayer to Exelixis of a "Lack Of Freedom To Operate Notice". A "Lack Of Freedom To Operate Notice" means Bayer's written notice that, in the good faith judgment of Bayer, after Bayer has consulted with Bayer's patent counsel and with Exelixis, and after Bayer's patent counsel has consulted with Exelixis' patent counsel, with respect thereto, there exist sufficient dominant patents, or other intellectual property rights, of any third party (other than an Affiliate of Bayer or an Affiliate of Exelixis), with respect to the subject and focus of the LLC Collaboration Agreement, and/or of the LLC, as to create a material risk of exposure of the LLC and/or of Bayer or its Affiliates to an action for infringement by such third party by reason of any intellectual property licensed to the LLC by Exelixis and/or by any intellectual property belonging to the LLC (apart from any such

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intellectual property licensed to the LLC by Bayer or by any Bayer Affiliate), and to create a failure of the essential purpose of the LLC and of the LLC Collaboration Agreement if the LLC and the LLC Collaboration Agreement were to continue. Such event will not constitute a Changed Circumstance if, prior to such [*] anniversary, Exelixis and/or the LLC have executed with such third party a license, or an agreement not to bring an action for infringement as to the relevant intellectual property, in either case in favor of the LLC, and in favor of Bayer and Exelixis and their respective Affiliates, with respect to the intellectual property rights or alleged intellectual property rights of such third party in question, meeting the criteria set forth in the next sentence. Such license (i) must be approved by the Management Committee, and by Exelixis if Exelixis is to be a party to the license, or is to be responsible for any payments thereunder, as is described in clause (ii) of this Section 1.15(d) immediately following, and (ii) may contain provision for the payment to the licensor of commercially reasonable license commitment or upfront fees, royalties or premium fees, provided that (A) if the potential infringement of such third party's right is determined by Bayer, after the consultation described in the first sentence of this Section 1.15(d), to derive primarily from intellectual property rights of Exelixis licensed to the LLC, then [*] will be responsible for payment of any such license or commitment fees, royalties or premium fees thereunder, and (B) if the potential infringement of such third party's right is determined by Bayer, after the consultation described in the first sentence hereof, to derive primarily from intellectual property rights of the LLC licensed in to the LLC, then [*] will be responsible for payment of any such license or commitment fees, royalties or premium fees thereunder.

1.16 "Code" means the Internal Revenue Code of 1986, as amended.

1.17 "Collateral Agreements" means any license or other agreement to which
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the LLC is a party or by which it is bound, and any license or other agreement to which either or both Members are a party or by which either or both Members are bound and that relate to the LLC, other than (a) the LLC Collaboration Agreement, (b) this Agreement, and (c) any agreements between Bayer and Bayer AG.

1.18 "Commencement Date" means January 1, 2000, or such other date as the
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Members agree in writing as an amendment hereto

1.19 "Confidential Information" means, with respect to a party hereto,
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information that is owned or controlled by such party, its Affiliates or sublicensees, including information of third parties known to such party by reason of any collaboration with such third party or under any confidentiality agreement with such third party, that is disclosed by such party hereto, to one or both of the other parties hereto pursuant to this Agreement, and that is identified by the disclosing party in writing, or is acknowledged by the receiving party in writing, to be confidential to the disclosing party or to a third party at the time of disclosure to the receiving party if disclosed in tangible form, or is confirmed by the disclosing party to the receiving party as confidential within thirty (30) days after disclosure if initially disclosed orally by the disclosing party. Confidential Information will not include any information which:

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(a) Already Known Without Breach. Was already known to the receiving party, without breach of any obligation of confidentiality by any party, at the time of disclosure by the disclosing party;

(b) Generally Available Or In Public Domain Without Breach. Was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving party by the disclosing party, or became generally available to the public or otherwise part of the public domain after its disclosure to the receiving party by the disclosing party, in each case without breach of any obligation of confidentiality by the receiving party;

(c) Freely Disclosed By Certain Third Parties. Was disclosed to the receiving party, other than under an obligation of confidentiality, by a third party who had no obligation to the disclosing party not to disclose such information to others;

(d) Freely Disclosed By Disclosing Party To Others. Is disclosed by the disclosing party to others without an obligation of confidentiality;

(e) Required To Be Disclosed. Is required to be disclosed pursuant to law, subject, except for disclosure of financial information to the extent required by securities laws to be disclosed, to the protective provisions set forth in Section 18.6 hereof; or

(f) Independently Developed. The receiving party can document was subsequently and independently developed by employees or others on behalf of the receiving party without use of any Confidential Information disclosed to the receiving party or such others by the disclosing party.

1.20 "Continuing Force Majeure Event" means a Force Majeure Event as to the Affected Member, which continues for at least [*], on a [*] anniversary calculation, after delivery of written notice to the Affected Member by the Non-Affected Member, with a copy to the Management Committee, reciting facts therein in reasonable detail regarding (a) the date upon which, in the good faith judgment and knowledge of the Non-Affected Member, such Force Majeure Event commenced for the Affected Member, (b) the general nature of such Force Majeure Event, and (c) that the Force Majeure Event (i) is having or would have, in the good faith judgment of the Non-Affected Member, a material adverse effect upon the Affected Member's ability to perform such Affected Member's obligations under this Agreement, the LLC Agreement, and/or the relevant Collateral Agreements, and (ii) does have or would have, in the good faith judgment of the Non-Affected Member, a material adverse effect on the business or operations of the LLC.

1.21 "Damages" means, subject to the provisions of Article XI hereof, all costs, liabilities, obligations, damages, fines, penalties, deficiencies, losses and judgments, including reasonable fees and costs of attorneys, accountants, and other customary and commercially reasonable advisors, in each case after the application of any amounts recoverable under insurance contracts or similar arrangements and from other third parties, by the Person claiming indemnity under this Agreement.

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1.22 "Deadlock" means the inability of the Members to resolve a dispute in accordance with the provisions of Section 17.1 hereof before arbitration under Section 17.2 hereof, including without limitation the failure of the Management Committee to timely agree on a budget and/or Strategic Plan for the LLC as provided in Section 8.8 hereof.

1.23 "Dissociated Member" means a Member who has suffered a Bankruptcy or Dissolution.

1.24 "Dissolution" of a Member means that such Member has terminated its existence, whether partnership or corporate, wound up its affairs and dissolved, provided that a change in the membership constitution of any Member that is a general partnership will not constitute "Dissolution" hereunder, whether or not such Member is deemed technically dissolved for partnership law purposes, for so long as the business of such Member is continued.

1.25 "Dissolution Event" as to a Member means:

(a) Attachment, Etc. Attachment, execution or other judicial seizure of all or any substantial part of a Member's assets, or of a Member's interest in the LLC, or any part thereof, and in each case remaining undismissed or undischarged for a period of [*] after the levy thereof, if the occurrence of such attachment, execution or other judicial seizure has, in the good faith judgment of the Non-Affected Member, communicated in writing by the Non-Affected Member to the Affected Member and to the Management Committee, a materially adverse effect upon the performance by such Affected Member of its obligations under this Agreement, the LLC Collaboration Agreement, and/or the relevant Collateral Agreements, provided that such attachment, execution or seizure will not constitute a Dissolution Event if the Affected Member posts a bond sufficient to fully satisfy the amount of such claim or judgment within [*] after the levy thereof and the LLC's assets, and/or, as relevant, such Affected Member's interest in the LLC, are thereby released from the lien of such attachment; and/or

(b) Bankruptcy or Dissolution Of A Member. The Bankruptcy or Dissolution of a Member.

1.26 "Event of Default" and "Affected Member" and "Non-Affected Member" and "Default Notice" will have the meanings set forth for such terms in Article XIV hereof.

1.27 "Excess Negative Balance" for purposes of Section 9.2 hereof, means the excess of the negative balance in a Member's Adjusted Capital Account (computed with any adjustments which are required by Treasury Regulations Section 1.704-1(b)(2)(ii)(d)) over the amount such Member is obligated to restore to the LLC, computed under the principles of Treasury Regulations Section 1.704-1(b)(2)(ii)(c), inclusive of any addition to such restoration obligation pursuant to application of the provisions of Treasury Regulations Section 1.704-2.

1.28 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

1.29 "Fair Market Value" means the fair market value of a Membership Interest as determined under Section 13.1 hereof.

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1.30 "Field of Use" will have the same meaning, at the time in question under this Agreement, as is given for such term at the time in question under the LLC Collaboration Agreement.

1.31 "Fiscal Year" means the period from January 1 to December 31 of each year, or as otherwise required by law or as otherwise determined by the Management Committee.

1.32 "Force Majeure Event" means, as to a Member, an event or condition having a material adverse effect upon such Member due to circumstances beyond such Member's reasonable control and that by the exercise of commercially reasonable due diligence it is unable to prevent. Circumstances beyond the reasonable control of a Member include, but are not limited to, fire, strikes, insurrections, riots, embargoes, shortages, war-time rationing or preferences, delays in transportation, inability to obtain supplies of raw materials or requirements or regulations of any government or any other civil or military authority in the relevant jurisdiction.

1.33 "FTE" means a full-time equivalent employee or consultant, as the case may be.

1.34 "FTE Amount" means the amount required to be paid by the LLC to Exelixis under the LLC Collaboration Agreement for the FTE's.

1.35 "JSC" means the Joint Scientific Committee, or its successor committee, established by the Members as provided in the Section 6.13(a) of this Agreement.

1.36 "Key Exelixis Individual" means, as relevant, the individual who at the time in question is filling the position of [*] (or [*], if there is no [*]) of Exelixis (occupied by [*] at the Effective Date), or of [*] (or equivalent position) of Exelixis (occupied by [*] at the Effective Date), or of [*] (or equivalent position) of Exelixis (occupied by [*] at the Effective Date), or of [*] (or equivalent position) of Exelixis (occupied by [*] at the Effective Date).

1.37 "LLC Collaboration Agreement" means that certain LLC Collaboration Agreement of even date herewith among Bayer, Exelixis and the LLC, as it may be amended after the Effective Date in accordance with its terms.

1.38 "LLC Operating Expense Amounts" means (a) professionals' fees and costs incurred by the LLC (or, as to patent matters referred to in clause (i) immediately following, if so requested by the Management Committee in writing of Bayer, then professionals' fees and costs incurred by Bayer on behalf of the LLC) in the conduct of its business for (i) preparing, applying for, maintaining and defending and prosecuting alleged infringement of, LLC patents throughout the world as determined by the Management Committee, including FTE expenses (other than the FTE Amount) and out of pocket costs incurred by Exelixis in connection with such activities that in each case have been mutually agreed to by the LLC and Exelixis in writing, and (ii) the salary and benefits of any LLC officer or LLC employee (FTE's not being employees of the LLC)to the extent not paid directly by Bayer or by Exelixis, as relevant, to such individual, and (iii) amounts that are paid by Bayer pursuant to Section 2.10 hereof for insurance; and (b) amounts determined by the Management Committee as needed for the operations of the LLC, which have been (i) identified in any annual budget for the LLC, as it may have been amended, which has been

approved by the Management Committee as provided herein, or (ii) otherwise approved by the Management Committee as being required for the operations of the LLC, which will include all amounts, if any, determined by the Management Committee to be needed by the LLC for Research (as defined in the LLC Collaboration Agreement) funding beyond the minimum [*] (or such then-current amount as may be provided in any amendment hereto) per calendar year required to be paid by the LLC to Exelixis under the LLC Collaboration Agreement for Research funding, to the extent that sufficient third-party funds described in Section 4.3(a) hereof (excluding premium fees from the Members and milestone payments from Bayer under the LLC Collaboration Agreement) are not available for such Research funding. In each case, LLC Operating Expense Amounts will not include (1) the minimum [*] (or such then-current amount as may be provided in any amendment hereto), in the calendar year in question, of the additional Capital Contributions of Bayer called for under Section 4.2 hereof to be expended by the LLC under the LLC Collaboration Agreement to fund Research funding , nor (2) any premium fee payments to the LLC by Bayer or by Exelixis, nor (3) any milestone payments by Bayer to the LLC under the LLC Collaboration Agreement.

1.39 "Management Committee" means the Management Committee of the LLC.

1.40 "Member" means Bayer, or Exelixis, or any other Person who holds a Membership Interest in the LLC and who is admitted to the LLC as a Member in accordance with the provisions of this Agreement.

1.41 "Members" means both Members, or, when there are more than two, all Members.

1.42 "Member Representative" means each employee of or consultant to Bayer and each employee of or consultant to Exelixis selected to serve on the Management Committee as provided herein.

1.43 "Membership Interest" means the interest of a Member in the LLC.

1.44 "Net Income" or "Net Loss" means, respectively, the net book income or loss of the LLC for any relevant period. The net book income or loss of the LLC will be computed in accordance with federal income tax principles under the method of accounting elected by the LLC for federal income tax purposes, adjusted by:

(a) Tax-Exempt Income, Etc. Including as income or deductions, as appropriate, any tax-exempt income and related expenses that are neither properly included in the computation of taxable income nor capitalized for federal income tax purposes;

(b) LLC Organizational Expenses. Including as a deduction when paid or incurred (depending on the LLC's method of accounting) any amounts paid to organize the LLC except that amounts for which an election is properly made by the LLC under Code Section 709(b) will be accounted for as provided therein;

(c) Certain Losses On Sale Or Exchange Of Property. Including as a deduction any losses incurred by the LLC in connection with the sale or exchange of property

notwithstanding that such losses may be disallowed to the LLC for federal income tax purposes under the related party rules of the Code, including Code Sections 267(a)(1) or 707(b);

(d) Certain Gain Or Loss On Certain Dispositions. Calculating the gain or loss on disposition of LLC assets and the depreciation, amortization or other cost- recovery deductions, if any, with respect to LLC assets by reference to their Carrying Value rather than their adjusted tax basis; and

(e) Certain Exclusions. Excluding as an item of income, gain, loss or deduction any items allocated pursuant to Section 9.2 hereof or any gross income allocated under Section 9.1(b) hereof.

1.45 "Percentage Interest" means, as to the relevant Member, the interest of such Member in the LLC, which initially will be sixty percent (60%) for Bayer and forty percent (40%) for Exelixis, as such Percentage Interest may be automatically adjusted by application of Article XVI hereof.

1.46 "Person" means a natural person, corporation, partnership (whether general or limited), a limited liability company, or any trust, estate, association, custodian, nominee or any other individual or entity in its own or representative capacity, and in each case, as to a legal entity, whether formed under the laws of the United States or of any state thereof or of any non-United States jurisdiction.

1.47 "Original Collaboration Agreement" means that certain Collaboration Agreement dated as of May 1, 1998, as amended, by and between Exelixis and Bayer AG.

1.48 "Pro Rata Share" as to a Member's right of first offer under Article XVI hereof, means the Percentage Interest of such Member in the LLC, calculated without giving effect to the relevant offer by the LLC, multiplied times the percentage of interest, or units, or other securities, offered by the LLC.

1.49 "Regulatory Allocations" will have the meaning set forth for such term in Section 9.2(h) hereof.

1.50 "Research Field" will have the same meaning, at the time in question under this Agreement, as is given for such term at the time in question under the LLC Collaboration Agreement.

1.51 "SEC" means the Securities and Exchange Commission.

1.52 "Securities Act" means the Securities Act of 1933, as amended.

1.53 "Subscribing Members" will have the meaning for such term set forth in Section 16.1 hereof.

1.54 "Substantial Disagreement" means the failure of the Management Committee, and/or of the Members, if the Members' approval is required under this Agreement in addition to

Management Committee approval, to reach agreement, within the relevant time period required under this Agreement, on the operations of the LLC, including (a) the budget for the LLC, and/or the Strategic Plan for the LLC, and any respective amendment thereto, and/or (b) any other issue which has, or is likely to have, in either case in the good faith view of either Member as so communicated in writing to the Management Committee and to the other Member, a material adverse impact on the business or operations or financial potential of the LLC or of the notifying Member, including without limitation selection and commercialization of assays, targets, or the like, in each case involving, and only with respect to, the LLC. Any failure of the Management Committee or the Members to (1) approve a proposed modification of the Research Field or Field of Use, or (2) agree upon raising additional capital for the LLC, or (3) agree as to issuance of additional Membership Interests, or (4) agree as to admitting Substitute Members will not be a "Substantial Disagreement" nor subject to the provisions of Section 17.1 or 17.2 hereof. For purposes of Section 13.5 hereof, any dispute over the existence of a Force Majeure Event, or with respect to any written agreement to which the LLC is a party or by which it is bound, will not be a "Substantial Disagreement," the resolution of such disputes being governed solely by Sections 17.1 and 17.2 hereof.

1.55 "Substitute Member" means a Person who has, pursuant to this Agreement, been admitted to all the rights of membership in the LLC as a Member.

1.56 "Treasury Regulations" means regulations issued pursuant to the Code.

1.57 "Tax Matters Member" means Bayer.

1.58 "Unadjusted Excess Negative Balance," for purposes of Section 9.2 hereof, will have the same meaning as Excess Negative Balance, except that the Unadjusted Excess Negative Balance of a Member will be computed without effecting the reductions to such Member's Capital Account that are described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d).

ARTICLE II
FORMATION OF THE LLC AND RELATED MATTERS

2.1 Formation Of The LLC. The Members will have formed the LLC pursuant to the Act on or before January 1, 2000, to be in legal existence on January 1, 2000, by causing the Certificate of Formation to be filed in the Office of the Secretary of the LLC of State of Delaware, and by this Agreement intend to establish rules and regulations governing the LLC's ownership and control upon and after its creation. The LLC will not commence business prior to January 1, 2000 without the prior written consent of both Bayer and Exelixis.

2.2 Name And Principal Place Of Business Of The LLC. Unless and until amended in accordance with this Agreement and the Act, the name of the LLC will be OpteraGenOptera LLC. The principal place of business of the LLC will be located at the premises of Exelixis, at 260 Littlefield Avenue, South San Francisco, CA 94080, or such other place as the Management Committee from time to time determines.

2.3 Delaware Registered Office And Agent For Services Of Process. The LLC will maintain a Delaware registered office and agent for service of process as required by Section 104

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of the Act. The Delaware registered office and agent for service of process will be The Prentice-Hall Corporation System, Inc., 32 Loockerman Square, Suite L100, Dover, Delaware 19904, or such other place and person as the Management Committee may designate.

2.4 Purpose. The purpose of the LLC is to engage, subject to the other provisions of this Agreement, in any lawful act or activity for which a limited liability company may be organized under the Act, including without limitation, and to the extent permitted hereunder and thereunder, the entry by the LLC into and performance of its obligations under the LLC Collaboration Agreement and agreements with third parties and other documents and instruments, including without limitation those connected with collaborative and/or licensing relationships, for research and development within or outside of the Research Field, and/or commercialization, within or outside of the Field of Use, of intellectual property licensed to or to which the LLC otherwise has relevant rights, in each case relevant to the purpose, from time to time during the term hereof, of the LLC.

2.5 Term. The term of the LLC will commence upon the later to occur of (a) the filing of a Certificate of Formation for the LLC in the office of the Secretary of State of Delaware or (b) the execution of this Agreement by the two initial Members, and will continue in perpetuity unless terminated earlier as provided herein.

2.6 Review At End Of Research Term. The Members will meet to discuss in good faith the future of the LLC and their involvement therein no later than [*] prior to the end of the Research Term, as defined in and as determined under the LLC Collaboration Agreement.

2.7 Approval And Ratification Of LLC Collaboration Agreement and Collateral Agreements; Commitment To Perform Obligations. Bayer and Exelixis, as the intended initial Members, hereby approve and ratify, on behalf of the LLC, prospectively as of the Commencement Date, the execution and delivery by the Chief Executive Officer of the LLC, on behalf of the LLC, of, and the LLC's performance of its obligations under, the LLC Collaboration Agreement and such Collateral Agreements as are listed on Exhibit A attached hereto as existing at the Commencement Date, and as they may exist from time to time during the term of the LLC. The Members and the LLC hereby agree and commit to performing their respective obligations under those of the LLC Collaboration Agreement and such Collateral Agreements as they may exist at the Effective Date, or the Commencement Date, or may thereafter exist, in each case to which the Member(s) and/or the LLC is a party or by which it is or they are bound.

2.8 Management To Budget And Strategic Plan. Upon approval by the Management Committee of each of the LLC's annual budgets and Strategic Plans as provided in Section 8.8 hereof, the LLC will implement and will conduct its affairs in accordance with such relevant budget and Strategic Plan.

2.9 Bank Accounts. The LLC will, subject to the provisions of Section 4.5 hereof, maintain bank accounts in such banks as the Management Committee may designate exclusively for the deposit and disbursement of funds of the LLC. All funds received by the LLC will, subject to the provisions of Section 4.5 hereof, be promptly deposited in such accounts. The

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signatories on such account(s) will be determined from time to time by the Management Committee.

2.10 Insurance. The LLC will be insured on its own behalf with insurers who maintain an A.M. Best rating of "A" or better for all property, liability and workers' compensation insurance and such other insurance as is required under applicable mortgages, leases, agreements and other instruments and statutes, or as determined by the Management Committee and, as provided under Section 11.1(e) hereof, such insurance covering the Member Representatives, officers, employees, consultants and agents of the LLC, as the Management Committee determines to be appropriate or necessary. Bayer will use its good faith efforts to include the LLC, the Member Representatives, the members of the JSC, the officers of the LLC, and the employees of the LLC (if any), under Bayer's insurance programs if the coverage thereunder and premiums therefor would be less expensive than if the LLC obtained such insurance on its own, provided that if such inclusion results in any additional cost for premiums to Bayer from its insurers, the LLC will reimburse such excess as an expenses to Bayer as LLC Operating Expense Amounts pursuant to Section 10.1(b)(ii) hereof.

ARTICLE III
MEMBERSHIP

3.1 Members. The initial Members of the LLC will be Bayer and Exelixis. Additional Persons may be admitted to the LLC as a Member only upon the prior written consent of both Members and upon such terms and conditions as both of (or all of, if there are then more than two Members) Members and the LLC agree in writing with such additional Person as an amendment hereto.

3.2 Representations And Warranties. Each Member hereby severally represents and warrants to the LLC (with future Members so representing as of the date upon which they become a Member by execution and delivery of a counterpart copy hereof) and to the other Member (or other Members, if then more than two), as follows:

(a) Authorization. Such Member is a corporation, duly organized, validly existing, and in good standing under the law of its state of organization, and it has full power and authority to execute and enter into this Agreement and to perform its obligations hereunder, and all actions necessary for the due authorization, execution, delivery and performance by such Member of this Agreement have been duly taken;

(b) Compliance With Other Instruments. Such Member's authorization, execution, delivery, and performance of this Agreement do not conflict with any other agreement or arrangement to which such Member is a party or by which it is bound;

(c) Purchase Entirely For Own Account. Such Member is acquiring its Membership Interest in the LLC for such Member's own account for investment purposes only and not with a view to or for the resale, distribution, subdivision or fractionalization thereof and has no contract understanding, undertaking, agreement or arrangement of any kind with any

Person to sell, transfer or pledge to any Person such Membership Interest or any part thereof nor does such Member have any plans to enter into any such agreement;

(d) Investment Experience. By reason of its business or financial experience, such Member has the capacity to protect its own interests in connection with the transactions contemplated hereunder, is able to bear the risks of an investment in the LLC, and at the present time could afford a complete loss of such investment;

(e) Disclosure Of Information. Such Member is aware of the LLC's business affairs and financial condition and has acquired sufficient information about the LLC to reach an informed and knowledgeable decision to acquire an interest in the LLC;

(f) Federal And State Securities Laws. If federal and state securities laws apply to the Membership Interests, such Member acknowledges that the Membership Interests have not been registered under the Securities Act or any state securities laws, inasmuch as they are being acquired in a transaction not involving a public offering, and under such laws, may not be resold or transferred by such Member without appropriate registration or the availability of an exemption from such requirements. In this connection, such Member represents that it is familiar with SEC Rule 144, as presently in effect, and understands the resale limitations imposed thereby and by the Securities Act.

3.3 Resignation Or Withdrawal Of A Member. Except as specifically provided herein, neither Member may withdraw from membership in the LLC or withdraw such Member's interest in the capital of the LLC. A Dissociated Member or its legal representative will be entitled to participate in the winding up of the LLC to the same extent as the other Member.

3.4 Transfer Or Assignment Of Membership Interest; Admission Of Substitute Members. Neither Member may transfer, sell, encumber, mortgage, assign or otherwise dispose of any portion of its Membership Interest except on such terms, including any amendment hereto, as the other Member may agree in writing. Any purported transfer, sale, encumbrance, mortgage, assignment, or disposition of a Membership Interest in contravention of this Section 3.4 will be void and of no effect to, on or against the LLC, any Member, any creditor of the LLC or any claimant against the LLC. Notwithstanding any other provision of this Agreement, no Person will be admitted as a Substitute Member and admitted to all the rights of the Member that assigned its respective Membership Interest, without the prior written approval of both Members. If so admitted, the Substitute Member will have all the rights and powers of, and will be subject to all the restrictions and liabilities of, such Member who originally assigned the Membership Interest. The admission of a Substitute Member will not release either Member who previously assigned its Membership Interest from any liability of such assigning Member to the LLC that may have existed before such substitution. Consents required hereunder may be given in advance of any transfer by any writing signed by a Member. A Substitute Member, upon admission to the LLC, will be, and be deemed referred to herein as, a Member for all purposes thereafter.

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ARTICLE IV
CONTRIBUTIONS TO CAPITAL;
OUTSOURCED TREASURY OPERATIONS OF LLC

4.1 Initial Cash Contribution By Bayer. On the Commencement Date, Bayer will contribute to the LLC, as Bayer's initial Capital Contribution to the LLC to its Capital Account, a total of ten million dollars ($10,000,000.00) in cash on the Commencement Date.

4.2 Additional Cash Contributions.

(a) First Anniversary Cash Contribution By Bayer. If at the first anniversary of the Commencement Date (i) the LLC is still in existence, and (ii) neither Bayer nor Exelixis has terminated its participation as a Member in the LLC, then, on the first anniversary of the Commencement Date, Bayer will contribute an additional ten million dollars ($10,000,000.00) in cash to the LLC, as an additional Capital Contribution by Bayer to its Capital Account.

(b) FTE Amount Contribution By Bayer. Bayer will contribute to the LLC, in cash, in each case as a Capital Contribution by Bayer to its Capital Account additional to Bayer's Capital Contributions under Sections 4.1 and 4.2(a) hereof, at the times and in the amounts specified in the LLC Collaboration Agreement as in effect at the time in question, the FTE Amount, up to a maximum FTE Amount of [*], (or such other amount as may then be required under this Agreement if amended after the Effective Date to so provide), for each successive twelve (12) month period from and after the Commencement Date.

(c) LLC Operating Expense Amounts. In addition, subject to the limitations set forth in Section 4.3 hereof, Bayer will pay in cash to the LLC, or to such third parties as the Chief Executive Officer of the LLC and/or Chief Financial Officer of the LLC of the LLC directs Bayer in writing, with each such payment by Bayer to the LLC or to such third party being a Capital Contribution by Bayer to its Capital Account under Sections 4.1 and 4.2(a) and (b) hereof, (i) upon at least ten (10) days' prior written notice by the Chief Executive Officer of the LLC and/or Chief Financial Officer of the LLC of the LLC to Bayer, with a copy to the Management Committee, [*] LLC Operating Expense Amounts set forth in the LLC's then-approved budget for such quarter, and (ii) upon at least thirty (30) days' prior written notice from the Chief Executive Officer of the LLC and/or Chief Financial Officer of the LLC of the LLC to Bayer, with a copy to the Management Committee, such other LLC Operating Expense Amounts as the Management Committee has determined are necessary to the operations of the LLC beyond such budget, either by amendment to a previously-approved budget as provided herein, or on an urgent need basis, as will be set forth in the relevant notice to Bayer. Any payments by Bayer directly of the salary or consulting fees, bonus (as provided within the LLC budget), expenses and benefits for any individual furnished by Bayer and serving as an LLC officer or other employee of the LLC, as provided under Section 7.4 hereof, whether paid directly by Bayer to such individual or paid by Bayer to the LLC as part of LLC Operating Expenses, will be considered as an additional Capital Contribution in cash by Bayer to its Capital Account, as part of the LLC Operating Expenses for purposes of distributions under Section 10.1(b)(iv)(A) hereof. Any payments by Exelixis directly (as provided within the LLC budget or otherwise as provided for in Section 7.4 hereof) of the salary or consulting fees,

bonus, expenses and benefits for any individual furnished by Exelixis and serving as an LLC officer or other employee of the LLC, will be considered as a Capital Contribution in cash by Exelixis to its Capital Account, as will be considered as part of the LLC Operating Expenses for purposes of distributions under Section 10.1(b)(iv)(B) hereof.

4.3 Use Of Certain Funds For LLC Operating Expenses; Limitations On Bayer's Obligation To Make Capital Contributions To The LLC; Limitation On Capital Contributions By Exelixis. Notwithstanding the provisions of Section 4.2 hereof:

(a) Use Of Certain Funds For Operating Expenses. Except as may be otherwise determined from time to time by the Management Committee, the LLC may use, for payment of LLC Operating Expenses, prior to the LLC demanding funds from Bayer for LLC Operating Expenses under the provisions of Section 4.2(c) hereof, all amounts received by the LLC from third parties, including without limitation interest, license fees or other payments, that are not required, by their terms as received by the LLC from such third party or by law, to be held in escrow, as a creditable or refundable deposit, or otherwise required to be held against a future event. To the extent that such funds are so used, then the demand by the LLC to Bayer for LLC Operating Expense amounts occurring next after such use will be only for the amount then needed for LLC Operating Expenses after taking into account such use of such other funds.

(b) Limitations As To Bayer Payment To LLC Of LLC Operating Expense Amounts Arising From Existence Of Sufficient Other LLC Operating Funds. Bayer's obligation to pay any LLC Operating Expense Amounts to the LLC, as a Capital Contribution or otherwise, will be, at Bayer's sole election communicated in writing to Exelixis and to the Management Committee, suspended for so long as, and to the extent that, the FTE Amount equals or exceeds [*] (or equals or exceeds such other minimum payment of the FTE Amount as is provided hereunder if this Agreement is amended to provide for such other minimum amount), and the LLC has, in the view of the Management Committee, sufficient cash, net of distributions required by this Agreement to be made, from third-party funds described in Section 4.3(a) hereof, to fund LLC Operating Expense Amounts. The Management Committee will review such funds-available issue on a regular basis at its meetings. The Management Committee will promptly communicate in writing to both Members the Management Committee's sufficient-funds conclusion, and the amounts expected to be needed from Bayer, if any, beyond such funds, for LLC Operating Expenses, during the [*] period following such determination by the Management Committee.

(c) Certain Suspension Or Termination Of Bayer's Obligation To Pay LLC Operating Expense Amounts And FTE Amount To The LLC. Bayer's obligation to pay to the LLC any LLC Operating Expense Amounts and any FTE Amount will be, at Bayer's sole election communicated in writing to the Management Committee and to Exelixis, suspended for so long as Exelixis is a Affected Member hereunder, and/or if Exelixis has suffered a Dissolution Event, and/or for so long as there exists with respect to Exelixis a Continuing Force Majeure Event. Bayer's obligation to pay to the LLC any LLC Operating Expense Amounts and any FTE Amount will automatically terminate effective upon (i) the end of the Research Term under the LLC Collaboration Agreement if the Research Term is not renewed or otherwise extended by a

writing signed by the LLC and Exelixis, or (ii) any termination, for whatever reason, of the LLC Collaboration Agreement.

(d) Limitations On Capital Contributions By Exelixis. Exelixis will not be required to make any cash or other Capital Contributions to the LLC, including without limitation any LLC Operating Expenses, without the prior written approval of both Members, provided that any payments by Exelixis of the salary or consulting fees, expenses, bonus and benefits for any individual furnished by Exelixis and serving as an LLC officer or other employee of the LLC, as provided under Section 7.4 hereof, whether paid directly by Exelixis to such individual or contributed by Exelixis to the LLC, will be considered as a Capital Contribution by Exelixis in cash to its Capital Account.

4.4 Nature Of Licenses, Milestone Payments And Premium Fees, And Of Certain Other Assets Assigned To The LLC. Licenses granted by Bayer and Exelixis to the LLC under the LLC Collaboration Agreement or otherwise are licenses only and are not, and are not intended by the parties to be, Capital Contributions by the licensor to the LLC. Milestone payments and premium fee payments made to the LLC pursuant to the LLC Collaboration Agreement will be income to the LLC and will not be, and are not intended by the paying party to be, Capital Contributions to the LLC by the paying party. The following are not intended to be and will not be, when so assigned, a Capital Contribution to the LLC by the assigning Member: (a) the rights of each Member in and to the EST Library and EST Database as defined in the LLC Collaboration Agreement, which have been generated under the Original Agreement and which are jointly owned by Bayer AG and Exelixis at the Effective Date (the interest of Bayer AG to be licensed or assigned to Bayer upon the Commencement Date), which rights automatically, and without further action by any party hereto, will be assigned to the LLC upon the Commencement Date (Bayer assigning its license interest received from Bayer AG), simultaneously upon termination of the Original Collaboration Agreement, pursuant to a certain Termination Agreement between Exelixis and Bayer AG, and (b) all intellectual property assigned by Bayer to the LLC under Section 10.1(g) of the LLC Collaboration Agreement relating to or arising from work performed on A List Reserved Targets, as specified in such Section 10.1(g).

4.5 Outsourced Treasury Operations Of LLC. Subject to the last sentence of this Section 4.5, financial management treasury functions of the LLC will be provided to the LLC by Bayer [*]. Cash of the LLC determined by the Chief Financial Officer of the LLC of the LLC not to be needed on a daily basis can be loaned by the LLC to Bayer as the Chief Financial Officer of the LLC believes appropriate, subject to such further direction, procedures or limitations upon the Chief Financial Officer of the LLC's powers and discretion as the Management Committee may communicate to the Chief Financial Officer of the LLC in writing from time to time. Bayer will pay interest to the LLC on all such amounts loaned to Bayer, on a daily basis at a rate equal to [*]. Monthly financial statements of the LLC as to such financial management functions will be prepared and distributed by Bayer, for and on behalf of the LLC, to the Management Committee, within fifteen (15) days after the end of each calendar month during the time Bayer is providing such operations to the LLC. Such financial statements and the records of such accounts, insofar as they relate to cash of the LLC so loaned to Bayer, will be subject to inspection and audit by the LLC, at its expense, or by Exelixis, at its expense, subject to such customary confidentiality agreements as Bayer may in good faith request of the

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inspecting Person. Bayer may withdraw from performing such financial management functions at any time upon at least [*] prior written notice to the Management Committee, with a copy of such notice to Exelixis.

ARTICLE V
ACTION BY MEMBERS

5.1 Meetings Of Members. All meetings of Members for the election of the Management Committee will be held at such place as may be fixed from time to time in writing by the Management Committee in the notice to the Members of such meeting. Meetings of Members for any other purpose may be held at such time and place, within or without the State of California, as will be stated in the notice of the meeting or in a duly executed waiver of notice thereof. Members may participate in a meeting of Members by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting will constitute presence in person at the meeting. The

5.2 Annual Meetings.

(a) Date And Time. Annual meetings of Members, commencing with the year 1999, will be held on such date and at such time as will be designated from time to time by the Management Committee and stated in the notice of the meeting, at which the Members will elect the Management Committee, and transact such other business as may properly be brought before the meeting.

(b) Notice Of Annual Meetings. Written notice of the annual meeting stating the place, date and hour of the meeting will be given to each Member at such meeting not less than ten (10) nor more than sixty (60) days before the date of the meeting.

5.3 Special Meetings.

(a) Call Of Special Meetings. Special meetings of the Members, for any purpose, may be called by the Chief Executive Officer of the LLC, and will be called by the Chief Executive Officer of the LLC or Secretary of the LLC of the LLC at the request in writing of at least a majority of the then-authorized number of members of the Management Committee, or at the request in writing of either Member, and in each case a copy of such request will be given to the other Member. A request for a meeting of the Management Committee initiated by such majority of the Management Committee or by either Member will state the purpose of the proposed meeting. A special meeting of the Members for the election of a new Management Committee may be called by either Member, upon at least ninety (90) days prior written notice to the other Member and to the Management Committee.

(b) Notice Of Special Meetings. Written notice of a special meeting stating the place, date and hour of the meeting, and the purpose for which the meeting is called, will be given to each Member not less than ten (10) nor more than sixty (60) days before the date of the meeting.

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(c) Business To Be Conducted At Special Meeting. Business transacted at any special meeting of Members will be limited to the purposes stated in the notice of such meeting.

5.4 Member List. At the written request of either Member, the Secretary of the LLC will prepare and make, at least ten (10) days before each meeting of Members, a complete list of such Members at the meeting, showing the address of each Member and the Membership Interest registered in the name of each Member. The list may be examined by either Member, for any purpose germane to the meeting, during ordinary business hours, for a period of at least ten (10) days before the meeting. The list will also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any Member who is present.

5.5 Quorum.

(a) Quorum. The presence of a majority of all of the Members, if there are more than two Members at the time in question, or the presence of both Members if there are only two Members at the time in question, or the presence of their proxies, as relevant, at a meeting of the Members, will constitute a quorum at all meetings of Members for the transaction of business except as otherwise provided by the Act.

(b) Lack Of Quorum; Adjournment. If a quorum is not present or represented at any meeting of Members, the Member present in person, or represented by proxy, may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present or represented. Upon resumption of an adjourned meeting, any business may be transacted that might have been transacted before the meeting was adjourned. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, written notice of the adjourned meeting will be given to each Member.

5.6 Validity Of Proxies. No proxy will be voted after [*] after its date, unless such proxy expressly provides for a longer period. Except to the extent otherwise required by the Act, Members will vote as a single class.

5.7 Action Without Meeting. Except to the extent otherwise required by the Act, any action which may be taken by the Members at a meeting may be taken by unanimous written consent signed by both Members.

5.8 Member Vote Required. Except to the extent otherwise required by the Act or as otherwise set forth in this Agreement, any action or item requiring the approval of such Members, the consent of such Members, the affirmative vote of the Members or the like, will require the unanimous approval, consent, vote or the like of both Members.

ARTICLE VI
MANAGEMENT COMMITTEE AND JSC

6.1 Management By Management Committee. Except for matters for which the approval of the Members is required by the Act or this Agreement, and except to the extent

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managed by the officers of the LLC under the supervision of the Management Committee, the LLC will be managed and controlled by the Management Committee in accordance with the Act and with the terms of this Agreement. The Management Committee may exercise all powers of the LLC and may do all such lawful acts and things as are not by the Act, the Certificate of Formation, or this Agreement, directed or required to be exercised or done by the Members themselves. It is intended by the parties hereto that the powers and authority of the Management Committee will be substantially the same as the powers and authority of a Board of Directors of a corporation formed under the laws of the State of Delaware, provided that approval of the Management Committee or any committee thereof is subject to the sole discretion and judgment of the Member Representatives, acting in the interests of their respective appointing Members and not as fiduciaries of the LLC or of any Member.

6.2 Management Committee Number, Nominees, Vacancies.

(a) Number And Composition Of Management Committee. Unless otherwise agreed in writing by the Members as an amendment hereto, (a) the Management Committee will consist of five (5) Member Representatives, and (b) Bayer will appoint three (3) Member Representatives, one of whom, if Bayer so desires, may be the Chief Executive Officer of the LLC of the LLC, and Exelixis will appoint two (2) Member Representatives, one of whom initially, and for so long as the relevant individual is employed by or is a consultant to, Exelixis or its Affiliates ,will be [*]. Each Member Representative will be a senior LLC officer or senior representative of the relevant Member authorized to make decisions with respect to matters within the scope of the Management Committee's authority. The initial Member Representatives each will be selected and notified to the other Member in writing within thirty (30) days after the Commencement Date, as the initial Management Committee.

(b) Appointment, Removal And Replacement Of Member Representatives. Each Member will appoint, may remove (with or without cause), and may replace its Member Representatives during the existence of the LLC, at such Member's sole discretion, and any such appointments, removals and replacements will be notified in writing by the appointing, or removing or replacing, Member, to the other Member and to the Management Committee. No Member will have any authority to appoint, remove or replace Member Representatives for the other Member. If a Member Representative for any reason no longer is serving as any of an employee, LLC officer or Director or correlative position (as applicable) of, nor as a consultant to, the relevant Member or at least one of its Affiliates (the LLC not being deemed to be an Affiliate of either Member for this purpose) the relevant Member will promptly notify the other Member in writing, and such individual will be deemed to have resigned as a Member Representative as of the date of such complete cessation, and the relevant Member will as soon thereafter as possible appoint a new Member Representative to replace such departing individual.

(c) Alternates; Service Term. An alternate Member Representative, designated by a Member in writing to the other Member, may serve temporarily, for no longer than [*] from the date of appointment by such Member, in the absence of a permanent Member Representative previously designated by such Member. Individuals serving on the Management Committee will hold office until the next meeting, whether annual or special, of Members, at which the Management Committee is elected and such duly elected Member Representatives are

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qualified. Any Member Representative may resign at any time by giving written notice thereof to each Member and to the remaining Member Representatives.

6.3 Meetings Of The Management Committee; Quorum And Vote Required For Decisions; Observer Rights.

(a) Meetings of The Management Committee.

(i) Location. The Management Committee may hold meetings, both regular and special, either within or without the State of California.

(ii) Regular Meetings. Regular meetings of the Management Committee will be held upon at least thirty (30) days' written notice at times and places determined by the Management Committee, provided that the Management Committee will meet at least every six (6) months during the existence of the LLC, with at least one (1) of such meetings during the relevant twelve (12) month period being held in the San Francisco, California Bay Area for so long as (i) Exelixis is a Member and (ii) Exelixis' principal offices are located in the San Francisco, California Bay Area.

(iii) Special Meetings. Special meetings of the Management Committee may be called by the Chief Executive Officer of the LLC on at least four (4) days' prior written notice to each Member Representative by mail or at least forty-eight (48) hours' prior notice to each Member Representative, delivered either personally or by facsimile transmission. Special meetings of the Management Committee will be called by the Chief Executive Officer of the LLC if so requested in writing by either Member, which requesting Member will send a copy thereof to the other Member and to the Management Committee.

(iv) Waiver Of Or Consent To Notice. Notice of any meeting of the Management Committee or of any committee thereof need not be given to any Member Representative who, before or after the relevant meeting, signs a waiver of such notice or consents in writing to the holding of such meeting, or who attends such meeting without protest, prior to the commencement of such meeting, of lack of such notice.

(b) Quorum and Vote Required For Decisions.

(i) Quorum. At all meetings of the Management Committee, three (3) Member Representatives, one of whom must be a Member Representative appointed by Exelixis, will constitute a quorum for the transaction of business by the Management Committee. If a quorum is not present at any meeting of the Management Committee, the members of the Management Committee present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum is present.

(ii) Vote Required. Except as the Members may otherwise agree in writing as an amendment hereto, and except as may be otherwise required by law, all decisions required by law to be made, or chosen to be made, by the Management Committee will require the consent, whether at a duly called and held meeting or in writing, of at least a majority of the Member

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Representatives, or, if only a quorum is present, then of all such Member Representatives present; provided, however, that the consent, whether at a duly called and held meeting or in writing, of four (4) Member Representatives, or, if only a quorum is present, then of all such Member Representatives present, one (1) of whom in each case must be a Member Representative appointed by Exelixis, will be required for any decision under any of Sections 6.7(a)-(d), (f)-(l), (p), and (r) hereof.

(c) Observer Rights; Guests. Each Member may have one or more observers present as guests at any meeting of the Management Committee or committee thereof. Guests may be present, by invitation of the Management Committee, during all or any portion of any meeting of the Management Committee. The number of such observers and/or guests at a given meeting for a given Member will be determined in good faith by the Chief Executive Officer of the LLC. The Management Committee or the Chief Executive Officer of the LLC may require, as a condition of such observer's or guest's attendance at such meeting, the execution and delivery by such observer or guest of a customary confidentiality agreement with and in favor of the LLC. The Management Committee may exclude any observer or guest from any portion of the meeting deemed, by a majority of the Member Representatives present at the meeting, to be privileged, or otherwise inappropriate for discussion with such observer or guest present. The LLC's obligations under this Section 6.3(c) will terminate upon the earliest of the date of termination of the LLC or the date upon which there is only one (1) Member.

6.4 Committees Of The Management Committee.

(a) Creation Of And Membership On Committees. The Management Committee may designate one or more committees, which will have such name(s) as may be determined from time to time by the Management Committee. Each such committee will keep regular minutes of its meetings. Each such committees will have at least one (1) Member Representative of Bayer approved by Bayer and at least one (1) Member Representative of Exelixis approved by Exelixis except as the Members may otherwise agree in writing with each other as an amendment hereto. Subject to the representation of Bayer and Exelixis on any such committee as provided in the immediately preceding sentence, the Management Committee may designate members of the Management Committee as alternate members of any committee, who may replace any absent or disqualified members of the Committee at any meeting of such committee. Upon disqualification for any reason, removal, or resignation of a member of a committee, the Member whose Member Representative was so disqualified, removed, or who resigned, will promptly appoint another Member Representative to such committee as a replacement.

(b) Powers Of Committees; Decisions Of Committees. Any such committee, to the extent provided in the relevant resolution of the Management Committee, will have and may exercise all the powers and authority of the Management Committee in the management of the business and affairs of the LLC, provided that (i) all decisions of such committee will require the vote of at least a majority of the authorized number of Member Representatives on such committee, or, if Member Representatives appointed by Exelixis are not a majority of such Committee, then such greater number of committee member as will require the vote of at least one (1) Member Representative serving thereon who was appointed by Exelixis, in order for approval to be valid, and (ii) no such committee will have the power or authority to amend the

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Certificate of Formation, adopt an agreement of merger or consolidation, or of the sale, lease or exchange of all or substantially all of the LLC's property and assets, dissolve the LLC or revoke a dissolution previously approved as provided in this Agreement, or amend this Agreement; and (iii) with respect to matters other than those described in clause (ii) of this Section 6.4(b), unless the relevant resolution of the Management Committee expressly so provides, such committee will not have the power or authority to do any other act which requires the consent of the Management Committee hereunder or by law.

6.5 Action Without Meeting; Conference Call Participation. Any action required or permitted to be taken at any meeting of the Management Committee or of any committee thereof may be taken without a meeting, if the number of Member Representatives required under hereunder for action by the Management Committee or by such committee, as the case may be, consent thereto in writing, and such writing is filed with the minutes of proceedings of the Management Committee or of such committee. Member Representatives serving on the Management Committee, or on any committee designated by the Management Committee, may participate in a meeting of the Management Committee or any such committee, by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and such participation in a meeting will constitute presence in person at the meeting.

6.6 Meeting Materials And Minutes. Materials to be considered at any meeting of the Management Committee or committee thereof will be distributed to the relevant Member Representatives at least five (5) days prior to the meeting, and draft minutes of each such meeting, and any written consents as to action by the Management Committee, will be distributed to the Members and to all Member Representatives within thirty (30) days after the date of the relevant meeting or the date of obtaining the required signatures on such consent, as applicable.

6.7 Matters Requiring Management Committee Approval. In addition to any approval that may be required by the Act or otherwise by law, and in addition to any approval thereof by the Members or the Chief Executive Officer of the LLC, the following will require approval by the Management Committee, subject to the voting requirements provided in Section 6.3(b) hereof as to Management Committee decisions:

(a) Amendment. Any amendment of the Certificate of Formation of the LLC or of this Agreement;

(b) Admission. Admission of an additional Member or a Substitute Member;

(c) Raising Additional Capital; Issuances Of Additional Membership Interests. Raising by the LLC of capital additional to that provided for under Article IV hereof, or the issuance by the LLC of additional Membership Interests;

(d) Certain Approvals As To Budget, Strategic Plan, Alteration of Primary Purpose Or Business Of the LLC Or Definition Of Field Of Use. Approval of (i) the LLC's budget on an annual basis, including without limitation, as will be set forth in such budget, the

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salaries or consulting fees, as relevant, bonus criteria and limits, if any, expenses policy, and benefits to be paid by the LLC (or by the relevant Member directly to its relevant then-serving personnel) to LLC officers and to any LLC employees (FTE's not being considered, for purposes of this Agreement or otherwise, LLC employees), and any material modification to such budget (any change in such relevant salary or consulting fees, bonus criteria and limits, expenses policy and/or benefits being considered to be a material modification), and (ii) the LLC's Strategic Plan and any material modification thereto, and (iii) any alteration of the primary purpose or business of the LLC, and (iv) any amendment to the LLC Collaboration Agreement, including without limitation any change therein of the definition of the Research Field or of the Field of Use, or (v) any amendment to any Collateral Agreement to which the LLC is a party; and which initially was required to be approved under this Section 6.7. The approval by the Management Committee of the Strategic Plan and/or or any budget or modification thereto will not be deemed to include therein an approval of any other matter, such as raising additional capital or the issuance of additional Membership Interests, which requires Management Committee approval under this Section 6.7, unless such matter is specifically and separately approved by the Management Committee as provided in this Section 6.7(d) and is subject to further approval by the Members as required under this Agreement.

(e) Appointment Of The Chief Executive Officer of the LLC, Chief Financial Officer of the LLC, Secretary of the LLC And Other Officers Of The LLC; Approval of Certain Salary And Related Matters. Appointment of the Chief Executive Officer of the LLC and Chief Financial Officer of the LLC, Secretary of the LLC, and of any other officers of the LLC desired by the Management Committee, and their respective replacements from time to time, and confirmation of the salaries or consulting fees, bonus limits and bonus amounts payable within such limits, expenses policy and benefits, in each case as represented in the then current-budget, for LLC officers and any LLC employees, to the extent not set by the Chief Executive Officer of the LLC, as provided under Section 7.4 hereof, under such budget.

(f) Certain Agreements. Any agreement committing the LLC to an obligation in excess of, or any single expenditure or related expenditures by the LLC in excess of, in each case, [*], or any group of unrelated expenditures in excess, in the aggregate, of [*], in each case that is not already identified in reasonable detail in an LLC budget as approved by the Management Committee, and any license from a third party described in Section 1.15(d) hereof.

(g) Certain Liens And Encumbrances. Creation of any lien or encumbrance on the assets of the LLC which lien or encumbrance is not specified in or referred to in reasonable detail in an approved LLC budget or approved amendment thereto.

(h) Dissolution Vote. A vote to dissolve the LLC.

(i) Sale of LLC Assets. The transfer, sale, exchange or other disposition of all, or substantially all, of the LLC's assets as part of a single transaction or plan.

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(j) Merger. The merger of the LLC with any other Person or any recapitalization of the LLC, including any reincorporation of the LLC into a jurisdiction other than Delaware.

(k) Certain Transactions. A transaction between the LLC and either Member, or with any Affiliate of either Member, including the execution or delivery of any binding agreement (i) between the LLC and either Member or any Affiliate of either Member for the provision of goods or services to the LLC, or (ii) between the LLC and any third party, including either Member or any Affiliate of either Member, with respect to research and/or development and/or commercialization, including any sales or marketing arrangements, relating to any intellectual property and/or technology of the LLC outside of the Research Field, including without limitation any license to or other grant of rights to, and any license or other grant of rights by, the LLC, other than under the LLC Collaboration Agreement.

(l) Certain Research And Development By LLC Outside Of The Research Field. Any research and/or development outside of the Research Field by the LLC, whether within the LLC or by a third party, other than Exelixis, for the benefit of the LLC, other than under the LLC Collaboration Agreement.

(m) Withholding Of Cash Available For Distribution. The withholding by the LLC of any cash that is available for distribution as such availability is determined by the Management Committee pursuant to Section 10.1(b) hereof, provided that such withholding will be subject to the provisions of Section 10.1(b) as to distributions that must be made by the LLC under certain circumstances.

(n) Compromise Or Return. A decision by the Management Committee to compromise the obligation of a Member to return money or property paid or distributed unlawfully from the LLC, or to compromise the obligation of a Member with respect to a Capital Contribution to the LLC as otherwise provided herein.

(o) Appointment of Independent Auditors. Appointment of a nationally-recognized firm of certified public accountants to serve as the LLC's independent auditors.

(p) Changes In The Duties Of LLC Officers. Any changes in the duties of any LLC officer other than any such change required by law as the LLC is so advised by its legal counsel.

(q) Research Plan. Approval of the Research Plan under the LLC Collaboration Agreement, and of any changes thereto in accordance with the provisions of the LLC Collaboration Agreement.

(r) Core Improvements and Exelixis Core Technology. Determinations by the LLC with respect to Core Improvements and Exelixis Core Technology pursuant to the LLC Collaboration Agreement, including Sections 1.20 and 1.28 thereof.

6.8 Delivery And Approval Of Annual Operating Plan And Budget And Three Year Strategic Plan. The Management Committee will prepare and deliver to each Member as

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soon as practicable after its preparation, and in any event no later than [*] before the close of each Fiscal Year of the LLC: (a) an annual operating plan, including a Research Plan, and budget for the LLC, prepared on a monthly basis, for the next Fiscal Year, and (b) a three (3) year strategic plan (the "Strategic Plan") for the LLC for next [*] Fiscal Years of the LLC, provided that the LLC's initial budget and Strategic Plan will be approved by the Management Committee and delivered to the Members no later than [*] after the Commencement Date. The Management Committee will also promptly furnish to each Member all amendments to the annual operating plan and budget and Strategic Plan, if any. Except for the initial operating plan and budget and Strategic Plan, to be delivered as provided in the first sentence of this Section 6.8, the Management Committee and the Members will agree upon each prospective operating plan and budget and Strategic Plan no later than [*] before the end of the relevant Fiscal Year in which they are delivered to the Members. Failure to so timely agree will be considered to be a "Substantial Disagreement" to be resolved as provided under Article XVII hereof, provided that approval of raising additional capital or issuing additional Membership Interests will be subject to the approval of the Members pursuant to Article III hereof.

6.9 Compensation And Reimbursement Of Member Representatives And Members Of The JSC. Each Member will pay all salary, and all consulting fees (as applicable), and all expenses, of its Member Representatives and of its members of the JSC, which payments will not, except as the Members may agree with each other in writing, be deemed to be a Capital Contribution to the LLC by the relevant Member.

6.10 No Exclusive Duty To LLC; No Rights To Participation Or Income. Neither the Management Committee nor any Member Representative, nor any LLC officer, will be required to manage the LLC as such individual's sole and exclusive function, and such individual, and either Member, may have other business interests and may engage in other activities in addition to those relating to the LLC, subject to the confidentiality obligations hereof, and not in violation of the obligations of the Members to each other under the LLC Collaboration Agreement and under applicable Collateral Agreements as they may then exist. Neither the LLC, nor the Management Committee, nor any Member Representative, nor any LLC officer, employee or agent of, or consultant to, the LLC, will have any right, by virtue of this Agreement, to share or participate in investments or activities of the LLC or of any Member or to any income or proceeds derived therefrom.

6.11 Amendment Of Certificate of Formation Or Agreement. The Management Committee will have the duty and authority to amend the Certificate of Formation or this Agreement as and to the extent necessary to reflect any and all changes or corrections necessary or appropriate as a result of any action taken in accordance with the terms of this Agreement by the Members or by the Management Committee.

6.12 Member Assistance To the Management Committee And Officers. Each Member will cooperate to a commercially reasonable extent with the Management Committee, and its committees, and the Management Committee's and such committees' authorized representatives, including without limitation the officers of the LLC, during regular business hours of the relevant Member, or such committee thereof, with respect to performance of the Management Committee's or such committees' or such LLC officer's obligations hereunder, subject to the

confidentiality provisions of Article XVIII hereof, and to such other customary confidentiality agreements as the relevant Member may request.

6.13 Matters Involving The JSC.

(a) Composition Of The JSC.

(i) Number Of Member And Composition Of The JSC. The JSC will consist of six (6) members, three (3) appointed by Exelixis and three (3) appointed by Bayer. Each member of the JSC will be a senior LLC officer or senior representative of the relevant Member or one of its Affiliates, authorized to review and make recommendations to the Chief Executive LLC officer and to the Management Committee with respect to matters within the scope of the JSC's authority. The initial members of the JSC each will be selected and notified by each Member to the Management Committee, within thirty (30) days after the Commencement Date, as the initial JSC.

(ii) Appointment, Removal And Replacement Of Members Of The JSC. Each Member will appoint, may remove (with or without cause), and may replace its members of the JSC during the existence of the JSC, at such Member's sole discretion, and any such appointments, removals and replacements will be notified in writing by the appointing, or removing or replacing, Member, to the other members of the JSC and to the Management Committee. No Member will have any authority to appoint, remove or replace JSC members for the other Member. If a member of the JSC for any reason no longer is serving as any of an employee, LLC officer or Director or correlative position (as applicable) of, nor as a consultant to, the relevant Member or at least one of its Affiliates (the LLC not being deemed to be an Affiliate of either Member for this purpose), the relevant Member will promptly notify the other members of the JSC and the Management Committee in writing, and such individual will be deemed to have resigned as a member of the JSC as of the date of such complete cessation, and the relevant Member will as soon thereafter as possible appoint a new JSC member to replace such departing individual.

(iii) Alternates; Service Term. An alternate member of the JSC, designated by a Member in writing to the other members of the JSC and the Management Committee, may serve temporarily in the absence of a permanent member of the JSC previously designated by such Member. Individuals serving on the JSC will hold such position until the earliest of the date of their resignation or removal from the JSC, or their death. Any member of the JSC may resign at any time by giving written notice thereof to the Management Committee and to the remaining members of the JSC.

(b) Function Of The JSC; Meetings. The JSC will have solely an advisory role to the Chief Executive Officer of the LLC and to the Management Committee, and will provide such guidance as to scientific and technical matters involving the business of the LLC, including without limitation the Research Plan as defined under the LLC Collaboration Agreement, as the Chief Executive Officer of the LLC and/or the Management Committee may in good faith request orally or in writing, in reasonable detail, and upon reasonable notice. Neither the JSC nor any member thereof, acting as a member of the JSC, will have any authority

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on behalf of the LLC or either Member to execute any document or instrument, or take any other action, that would bind the LLC or either Member. The JSC will report to the Chief Executive Officer of the LLC and to the Management Committee, but will have no duty to report to, or to provide guidance or information to, either Member. The JSC will meet at such times and places, in person and/or by conference telephone call, as the members of the JSC agree, provided that the JSC will meet at least once during each calendar quarter during the Research Term, as defined in and as determined under the LLC Collaboration Agreement.

(c) Compensation And Reimbursement Of Members Of JSC. Each Member will pay all salary and all consulting fees (as applicable), expenses and benefits, of its members of the JSC.

(d) No Exclusive Duty To LLC; No Rights To Participation Or Income. No member of the JSC will be required to serve in such capacity as such individual's sole and exclusive function, and such individual may have other business interests and may engage in other activities in addition to those relating to the LLC, subject to the confidentiality obligations hereof, and under any separate written customary confidentiality agreements which the Chief Executive Officer of the LLC believes necessary or appropriate for such JSC member to sign. No member of the JSC will have any right, by virtue of this Agreement, to share or participate in investments or activities of the LLC or of any Member or to any income or proceeds derived therefrom.

(e) Changes in Size, Function And Powers; Termination, Of The JSC. Upon mutual written agreement of the Members from time to time during the existence of the JSC, the number of members of the JSC can be increased or decreased, the function and powers of the JSC may be amended, and the JSC may be terminated in its entirety. The JSC will terminate automatically (i) when the Research Term (as defined in the LLC Collaboration Agreement) ends unless the Members agree in writing to extend the existence of the JSC, or (ii) if Exelixis ceases to be a Member or its Membership Interest is purchased by Bayer as provided herein, unless Bayer and Exelixis then otherwise agree in writing.

ARTICLE VII
LLC OFFICERS, EMPLOYEES AND CONSULTANTS

7.1 Election Of Officers; Required Officers; Initial Officers. The officers of the LLC will be elected by the Management Committee and will include a Chief Executive Officer of the LLC and a Chief Financial Officer of the LLC (each of whom will be an individual nominated by Bayer and approved by the Management Committee), and a Secretary of the LLC. The Management Committee may create such other offices and elect such other officers therefor as they deem appropriate. Any number of offices may be held by one person, except that the Chief Executive Officer of the LLC and Chief Financial Officer of the LLC positions must be held by two separate individuals. Each individual who will serve as the initial Chief Executive Officer of the LLC, Chief Financial Officer of the LLC and Secretary of the LLC will be designated and appointed to serve as such no later than the Commencement Date, in writing by the Members to each other and to the Management Committee.

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7.2 Term Of Office; Duties. Each LLC officer will hold office for such term as will be determined from time to time by the Management Committee. The duties of any LLC officers other than the Chief Executive Officer of the LLC, Chief Financial Officer of the LLC and Secretary of the LLC, which are set forth herein, and any lawful duties of such three (3) officers beyond those specified herein, will be established from time to time by the Management Committee, or as to such officers, other than the Chief Executive Officer of the LLC, by the Chief Executive Officer of the LLC acting under specific authority granted by the Management Committee.

7.3 Reporting; Employee And Consultant Invention Assignment And Confidentiality Agreements.

(a) Reporting. The Chief Executive Officer of the LLC will report to the Management Committee. All other officers and employees of the LLC will report to the Chief Executive Officer of the LLC and to the Management Committee.

(b) Employee And Consultant Invention Assignment And Confidentiality Agreements. Each LLC officer and each LLC employee will, upon assuming office or beginning employment (whether full-time or part-time) with the LLC, execute and deliver a customary invention assignment and confidentiality agreement with the LLC, with provisions substantially similar to those contained in Article XVIII hereof, which agreements in each case will name Bayer and Exelixis and their respective Affiliates as intended third party beneficiaries thereof. Each consultant retained by the LLC (including any officer of the LLC who serves in such capacity as a consultant) also will execute and deliver to the LLC such customary consulting agreement as the Chief Executive Officer of the LLC (or the Management Committee, with respect to any service of the Chief Executive Officer of the LLC as a consultant to the LLC) requests, containing provisions substantially similar to those contained in Article XVIII hereof, which agreements in each case will name Bayer and Exelixis and their respective Affiliates as intended third party beneficiaries thereof. The confidentiality provisions of each such agreement between the LLC and any LLC officer, LLC employee or LLC consultant, also will provide that any Confidential Information of Exelixis or of any third-party collaborator with, or potential collaborator with, Exelixis, that is not specific to and intended by Exelixis to be used, lawfully, in the Research (as defined under the LLC Collaboration Agreement) or in the performance by Exelixis of its obligations under the LLC Collaboration Agreement, and that becomes known to such individual in the course of such individual's involvement with the LLC, will be subject to such confidentiality provisions of such agreement with the LLC and further will provide that such Confidential Information will not be disclosed by such individual to either Bayer or the LLC without the express prior written permission of the relevant third party.

7.4 Compensation Of LLC Officers And LLC Employees; Reimbursement. The salaries, bonuses and benefits, if any, and reimbursement of all LLC officers and agents of the LLC employees will be fixed by the Management Committee, or by the Chief Executive Officer of the LLC, if so authorized by the Management Committee, as to officers other than himself or herself, and will be as reflected in the LLC's then-current approved budget. The LLC will pay the salary or consulting fees of, and will furnish itself or through a third party or parties all benefits for, those

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officers of the LLC who are employees of or consultants to the LLC while they are so employed by the LLC, and of all other employees of and consultants to the LLC, who are not in each case otherwise furnished by Bayer or Exelixis. Each of Bayer and/or Exelixis, as the case may be, will pay the salary or consulting fee of, and any bonus amounts determined by the Management Committee to be payable to, and will reimburse the expense of, and will furnish itself or through a third party or parties all relevant benefits for, any employee of or consultant to such Member if and so long as such employee is so employed by, or serving as a consultant to, such Member and also then is serving as an LLC officer or otherwise as an employee of or consultant to the LLC, provided that all such salary or consulting fees, bonus amounts, expenses and benefits so paid by the relevant Member will be not greater than the relevant amounts therefor as reflected in the LLC budget as in effect most recently before such payment is made by the relevant Member.

7.5 Duties Of The Chief Executive Officer of the LLC. Unless the Management Committee determines otherwise, and so communicates in writing to the Chief Executive Officer of the LLC, the Chief Executive Officer of the LLC will be the principal officer of the LLC, and will preside as Chairperson at all meetings of the Members, and will be responsible for the following:

(a) Hiring And Termination Of Employees Of And Consultants To The LLC. The hiring and termination by the LLC of any employees of or consultants to the LLC (which will not include any FTE unless and until such FTE becomes an employee of or consultant to the LLC as provided in this Agreement), and the establishment of salaries and benefits therefor pursuant to an approved LLC budget.

(b) Oversight And Supervision Of LLC Collaboration Agreement, Implementation of Research Plan, And Approval Of Certain Changes In the Research Plan. General oversight and supervision of the LLC Collaboration Agreement, and implementation of the Research Plan (as defined in the LLC Collaboration Agreement), and approval of certain changes to the Research Plan that do not change or extend beyond the Research Field and do not materially adversely impact the budget for or progress of any Research Plan. Each such change when approved by the Chief Executive Officer of the LLC will be promptly communicated by the Chief Executive Officer of the LLC in writing to the JSC and to the Management Committee. Any increases in overall expenditures remaining under such Research Plan must be approved in accordance with Article VI hereof.

(c) Execution And Delivery Of Agreements, Etc. Execution and delivery of documents for, contracting for, negotiating on behalf of and binding, and otherwise representing, the interests of the LLC as authorized by the Management Committee in any job description created by, or any resolution passed by, the Management Committee, except where required or permitted by this Agreement or by law to be otherwise signed and executed by other or additional parties, and except where the signing and execution thereof has been expressly delegated by the Management Committee to some other LLC officer or agent of the LLC.

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(d) Other Specific Matters. Such other matters and actions as are specifically authorized in writing by the Management Committee prior to the taking of such action or as ratified by the Management Committee after the taking of such action.

7.6 Duties Of The Secretary of the LLC. The Secretary of the LLC will attend all meetings of the Members and will record all the proceedings of the meetings of such Members in a book to be kept for that purpose. The Secretary of the LLC will give, or cause to be given, on behalf of the LLC, written notice of all meetings of the Members and of the Management Committee and of committees thereof, and will perform such other duties as may be prescribed by the Management Committee or Chief Executive Officer of the LLC.

7.7 Duties Of The Chief Financial Officer of the LLC. The Chief Financial Officer of the LLC will perform or will supervise such functions with respect to financial and cash management for the LLC as are customary and as may be specified by the Chief Executive Officer of the LLC or the Management Committee to the Chief Financial Officer of the LLC.

7.8 Certain Standards Of Care. In discharging their respective duties, the Management Committee and each LLC officer will be fully protected in relying in good faith upon any such records and upon such information, opinions, reports or statements by any other person, as to matters the Management Committee or LLC officer reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the LLC, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits or losses of the LLC or any other facts pertinent to the existence and amount of assets from which distributions to Members might properly be paid. Neither a Member, nor any Member Representative, nor any LLC officer, will be liable or obligated to the Members for any act or omission performed or omitted to be performed by such Member or such individual in good faith pursuant to authority granted to such Member or individual by this Agreement or the Act, which causes or results in any loss or damage to the LLC or the Members. Neither the Management Committee nor any LLC officer, in any way guarantee the return of a Member's capital or a profit for either Member from the operations of the LLC.

7.9 Resignation Of Officers; Removal. Any LLC officer may resign at any time by giving written notice thereof to each Member and to the Management Committee. Any LLC officer other than the Chief Executive Officer of the LLC may be removed and replaced, with or without cause, upon the decision of the Chief Executive Officer of the LLC or of at least a majority of the Member Representatives, provided that, so long as Bayer is providing financial management and treasury functions to the LLC under Section 4.5 hereof, the Chief Executive Officer of the LLC, and the Chief Financial Officer of the LLC, may only be removed or replaced by the Management Committee with Bayer's prior written approval.

7.10 Employees And Consultants; Certain Matters Relating To FTE'S.

(a) Employees And Consultants of LLC. The LLC may employ such employees and consultants as the Management Committee or the Chief Executive Officer of the LLC believes are necessary or appropriate in order for the LLC to conduct its business. Any

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employees of or consultants to the LLC will be paid directly by the LLC and furnished such benefits and other terms of employment or consultancy as the LLC, by the Chief Executive Officer of the LLC and Management Committee, believe necessary and appropriate as in the best interests of the LLC and the Members' interests therein.

(b) Certain Matters As To FTE's And Other Personnel. Any FTE's seconded full-time to the LLC by Exelixis (referred to in the LLC Collaboration Agreement as "Dedicated FTE's"), and any FTE's within Exelixis working part-time on behalf of the LLC (referred to in the LLC Collaboration Agreement as "Shared FTE's"), will, during the term of the LLC Collaboration Agreement, be and remain employees of Exelixis, and Exelixis will remain liable for salaries, benefits, including without limitation stock options and other equity awards as determined by Exelixis, and other matters and liabilities with respect thereto, and for termination or alteration of the terms of, their employment by Exelixis, provided that:

(i) Hiring Upon Certain Termination of LLC Collaboration Agreement or Buyout By Bayer of Exelixis' Membership Interest. If the LLC Collaboration Agreement is terminated by Bayer or by Exelixis, or if Bayer buys out the Membership Interest of Exelixis pursuant to the provisions of Article XIII of this Agreement, then the LLC and/or Bayer, as Bayer deems appropriate in its sole discretion, may offer employment or consultancy to, and may hire, any Dedicated FTE directly as an employees of or as a consultant to the LLC and/or Bayer, and

(ii) Hiring Of Non-Solicited Individuals Who Leave Exelixis. Subject to the provisions of Section 7.10(c) hereof, and to any lawful restraints, including those by contract, against such hiring, and to confidentiality obligations of the relevant individual, the LLC or Bayer may, during the term of this Agreement or thereafter, make offers to and hire as an employee or consultant, to work on Bayer or LLC matters, or both, any person who has voluntarily terminated such person's employment or consultancy with Exelixis, or whose employment has been terminated by Exelixis, and

(iii) Exelixis Rights To Hire. Subject to the provisions of Section 7.10(c) hereof, and to any lawful restraints, including those by contract, against such hiring, and to confidentiality obligations of the relevant individual, Exelixis may, during the term of this Agreement or thereafter, make offers to and hire as an employee or consultant, to work on Exelixis or LLC matters or both, any person who has voluntarily terminated such person's employment or consultancy with the LLC or Bayer or whose employment has been terminated by the LLC or Bayer.

(iv) Certain Information About FTE's; Bayer Right To Request Replacement of FTE's.

(A) Certain Information About FTE's. During the term of the LLC Collaboration Agreement, Exelixis will provide the LLC and Bayer in writing: (1) within fifteen (15) days after the end of each calendar quarter, (a) the names of the then-current FTE's as at the end of such quarter, broken out by Dedicated FTE's and Shared FTE's, and (b) a detailed statement of account that shows the time spent by the Shared FTE's and LLC project on

which such time was spent during such preceding quarter, and (2) within five (5) days after cessation, for any reason, by any individual of such individual's service to the LLC as an a Dedicated FTE, notice of such cessation and a general description of the reason therefor. Exelixis will consult with the LLC and Bayer prior to Exelixis terminating an a Dedicated FTE as an employee of or consultant to Exelixis, as to reassigning an a Dedicated FTE to tasks other than under the LLC Collaboration Agreement, and as to hiring a replacement for a Dedicated FTE.

(B) Bayer Right To Request Replacement of FTE's. Bayer may,

a reasonable number of times during the term of the LLC Collaboration Agreement, request in writing to Exelixis that Exelixis replace a Dedicated FTE, or a Shared FTE (but not request that Exelixis terminate the employment by Exelixis of any Dedicated FTE or Shared FTE), if in the good faith judgment of Bayer, as so stated in such request, the continued involvement of such Dedicated FTE or Shared FTE the LLC or with work under the LLC Collaboration Agreement, is or would be detrimental to the best interests of the LLC or of Bayer. Upon such request, Exelixis will promptly take such corrective measures as Exelixis deems appropriate in its good faith judgment. If, after such corrective measures have been completed, Bayer still desires replacement of such individual, Bayer may repeat its request. Upon such repeated request, Exelixis will promptly replace such individual as an FTE with another person as a Dedicated FTE or Shared FTE, as the case may be, provided that Exelixis will determine, after consultation with Bayer and giving due regard to the business of the LLC, who the replacement will be. Exelixis will promptly hire a qualified new employee or retain a qualified new consultant to fulfill such replacement obligation if Exelixis cannot supply a suitable replacement from Exelixis' then-existing employees or consultants.

(v) Certain Information About Technical Personnel FTE's.

Exelixis will provide the LLC and Bayer in writing, within fifteen (15) days after the close of each calendar quarter during the term hereof, with the total number of FTE's serving as employees of or as consultants to Exelixis during such preceding quarter, who have technical qualifications at least to the level of a Shared FTE ("Technical Personnel FTE's"), but excluding all Dedicated FTE's

and excluding the portion, out of total time spent by Shared FTE's during such quarter, that was spent on LLC matters during such quarter by Shared FTE's then working with the LLC.

(c) Nonsolicitation. During the term hereof and for a period of

[*] thereafter, neither the LLC, nor any of its officers, nor either of the Members, nor any Member Representative or member of the JSC appointed by such Member, will solicit any employee of or consultant to either of the other parties hereto to terminate such employee's or consultant's relationship with such other party.

ARTICLE VIII
ACCOUNTING AND RECORDS

8.1 Financial And Tax Reporting. The LLC will prepare its financial

statements in accordance with United States generally accepted accounting principles as from time to time in effect and will prepare its income tax information returns using such methods of accounting and

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tax year as the Tax Matters Member deems necessary or appropriate under the Code and Treasury Regulations.

8.2 Supervision; Inspection Of Books And Records. Proper and complete books of account and records of the business of the LLC (including those books and records identified in Section 18-305 of the Act) will be kept under the supervision of the Management Committee at the LLC's principal office and at such other place as designated by the Management Committee. The Management Committee will give written notice to each Member of any change in the location of the books and records. The books and records of the LLC will be open to inspection, audit and copying by any Member or its authorized representative, upon reasonable or prior written notice at any time during business hours for any purpose reasonably related to such Member's interest in the LLC. Any information so obtained or copied will be Confidential Information. Any such inspection and copying will be at the expense of the inspecting Member.

8.3 Reliance On Records And Books Of Account. Any Member or Member Representative or LLC officer, to the extent such LLC officer was acting in good faith in preparation thereof, will be fully protected in relying in good faith upon the records and books of account of the LLC and upon such information, opinions, reports or statements presented to the LLC by its Tax Matters Member, any of its Members, officers, employees or committees, or by any other person, as to matters the Tax Matters Member or other Member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the LLC, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits or losses of the LLC or any other facts pertinent to the existence and amount of assets from which distributions to either or both Members from the LLC might properly be paid.

8.4 Tax Matters Member. Bayer will serve as the Tax Matters Member, which will be the "tax matters partner" within the meaning of Code Section 6231. The Tax Matters Member (or the other Member if it receives such notification) will provide notice to the other Member, as provided in Code Section 6223(g), of any administrative or judicial proceeding for the adjustment of LLC items and will keep the other Member reasonably and timely informed as to all material facts and developments about tax matters involving the LLC. The Tax Matters Member will ensure that the other Member is a notice partner as provided in Code Section 6223(b). The Tax Matters Member may hire tax counsel and accountants, at the expense of the LLC, in connection with any representation of the LLC.

8.5 Tax Returns.

(a) Filing. The Tax Matters Member will, as soon as practicable, but in no event later than seventy-five (75) days after the end of each Fiscal Year, cause the LLC to file a federal income tax information return and to transmit to each Member a schedule showing such Member's distributive share of the LLC's income, deductions and credits, and all other information necessary for such Members to timely file their federal income tax returns. The Tax Matters Member similarly will cause the LLC to file, and to provide information to such Members regarding, all appropriate state and local income tax returns.

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(b) Drafts And Certain Disputes. The Tax Matters Member will prepare or cause to be prepared, and will submit to the Members and to the Chief Executive Officer of the LLC, drafts of all LLC tax returns as soon as reasonably practical, and in any event no later than forty-five (45) days, in advance of the filing due date thereof to permit review by the Members and the LLC prior to filing. If either of the Members or the LLC disagrees with the proposed treatment of an item on the return prepared by or for the Tax Matters Member, the dispute will be resolved as provided in Section 17.3 hereof. If the dispute has not been resolved by the due date of the particular return, the Tax Matters Member will timely file the particular return and the content of the return as filed will be determined by the Tax Matters Member in its sole discretion. Upon resolution of the relevant dispute between the Members and the LLC, if such resolution provides for the reporting of any item which is inconsistent with the manner in which such item was reported on the return as filed by the Tax Matters Member, the Tax Matters Member will prepare and file an amended return using the agreed basis of reporting. The Tax Matters Member may file such requests for extensions of time to file any returns as it deems appropriate.

(c) Cooperation. Each Member and the LLC will maintain and provide to the Tax Matters Member all information necessary for the preparation and support of all LLC tax returns. Such information will be provided to the Tax Matters Member within a reasonable time after it is requested by the Tax Matters Partner, and in a commercially reasonable manner, by each Member and the LLC at their respective expense.

8.6 Annual Reports. The LLC will deliver to each Person (or such Person's legal representative) who was a Member during any part of the Fiscal Year in question, within ninety (90) days after the end of each Fiscal Year of the LLC: (a) a balance sheet for the LLC as of the close of the Fiscal Year and a profit and loss statement for the Fiscal Year then ended, all in reasonable detail, and (b) a report setting forth the Capital Accounts of each Member and a description of the manner of their calculation. The annual financial statements of the LLC will be audited and reported on as of the end of each Fiscal Year by a firm of independent certified public accountants selected by the Management Committee. The Chief Executive Officer of the LLC will be responsible for preparing or having prepared such reports, at the expense of the LLC, as may be reasonably requested by either Member.

8.7 Other Financial And Accounting Reports. In addition to the annual report described in Section 8.6 hereof, the LLC will prepare or cause to be prepared and delivered to the Members such other financial and accounting reports, within [*] after the end of each calendar quarter during the existence of the LLC, as the Management Committee deems appropriate or necessary, or as either Member requests in good faith in writing to the Management Committee, with a copy to the other Members.

8.8 Confidentiality. All information received pursuant to this Section 8 will be Confidential Information, subject to the exceptions therefor set forth in Section 1.20 hereof.

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ARTICLE IX
ALLOCATIONS

9.1 Allocation Of Net Income And Net Loss. For each Accounting Period:

(a) Deductions. All deductions of the LLC will be allocated to Bayer until the earlier of the time at which (x) Bayer has been allocated deductions and Net Loss equal to Bayer's cumulative Capital Contributions through the date of allocation or (y) taking into account planned distributions following the relevant year-end, the balances in Bayer's Capital Account and Exelixis' Capital Account are in proportion to their Percentage Interests.

(b) Allocations Of Net Income And Net Loss. Following the allocations provided in Section 9.1(a) hereof, Net Income and Net Loss will be allocated between Bayer and Exelixis in proportion to their Percentage Interests, except that the Members will first be allocated gross income until cumulative allocations of gross income equal cumulative periodic distributions made or planned to be made to them following the relevant year-end pursuant to Section 10(b)(i) hereof.

(c) Certain Allocations. It is agreed between the Members that Bayer is funding, to the extent of Bayer's Capital Contributions under Section 4.2 hereof and to the extent of its milestone payments under the LLC Collaboration Agreement, all expenditures for research and experimentation of the LLC, whether directly or as paid by the LLC to Exelixis under the LLC Collaboration Agreement, and that Bayer will be allocated all deductions for expenditures under Code Section 174 (and all associated credits under Section 41 of the Code) to the extent of the deductions funded through such Capital Contributions and milestone payments. All other expenditures under Code Section 174 (and associated credits) will be allocated in proportion to Percentage Interests of the Members.

9.2 Other Allocations; Qualified Income Offset; Minimum Gain Chargeback. Notwithstanding the provisions of Section 9.1 hereof, the following special allocations will be made in the order set forth herein. Terms appearing in quotation marks in this Section 9.2 have the meanings set forth in Treasury Regulations Section 1.704-2, and this Section 9.2 is intended to comply with such Treasury Regulations.

(a) Nonrecourse Deductions. All "nonrecourse deductions" will be allocated in proportion to the Member Percentage Interests from time to time.

(b) Partner Nonrecourse Deductions. All "partner nonrecourse deductions" will be specially allocated to those Members who bear the economic risk of loss with respect to the "partner nonrecourse debt" to which such "partner nonrecourse deductions" are attributable.

(c) Partnership Minimum Gain. Except as otherwise provided in Treasury Regulations Section 1.704-2(f), if there is a net decrease in "partnership minimum gain" during any Fiscal Year, each Member will be specially allocated items of LLC net income and net loss for such Fiscal Year (and, if necessary, future Fiscal Years) in an amount equal to such Member's share of the net decrease. This Section 9.2(c) is intended to comply with the

"minimum gain chargeback" requirement in Treasury Regulations Section 1.704-2 and will be interpreted accordingly.

(d) Partner Nonrecourse Debt Minimum Gain. Except as otherwise provided in Treasury Regulations Section 1.704-2(i)(4), if there is a net decrease in "partner nonrecourse debt minimum gain" attributable to a "partner nonrecourse debt" during any Fiscal Year, each Member who has a share of such "partner nonrecourse debt minimum gain" will be specially allocated items of income and gain for such Fiscal Year (and, if necessary, subsequent Fiscal Years) in an amount equal to that share. This Section 9.2(d) is intended to comply with the "minimum gain chargeback" requirements of Treasury Regulations Section 1.704-2 and will be interpreted accordingly.

(e) Certain Reallocations. If a Member's Adjusted Capital Account has an Unadjusted Excess Negative Balance at the end of any Fiscal Year, such Member will be reallocated items of income and gain for such Fiscal Year (and, if necessary, future Fiscal Years) in the amount necessary to eliminate such Unadjusted Excess Negative Balance as quickly as possible.

(f) Qualified Income Offset. If a Member unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4) through (d)(6), items of LLC income and gain will be specially allocated to such Member any Excess Negative Balance in such Member's Capital Account created thereby as quickly as possible. This Section 9.2(f) is intended to constitute a "qualified income offset" within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(d) and will be interpreted accordingly.

(g) Certain Limitations. A Member will not be allocated any item of LLC loss or deduction to the extent such allocation would cause such Member's Adjusted Capital Account to have an Excess Negative Balance.

(h) Certain Powers Of Tax Matters Partner. The allocations set forth in the preceding provisions of this Section 9.2 (the "Regulatory Allocations") are intended to comply with certain requirements of the Treasury Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations will be offset with other Regulatory Allocations or with special allocations of other items of income, gain, loss or deduction pursuant to this Section 9.2(h). Therefore, notwithstanding any other provision of this Agreement (other than the provisions governing the Regulatory Allocations) the Tax Matters Member will make such offsetting special allocations of LLC income, gain, loss or deduction in whatever manner it determines appropriate, to the end that each Member's Adjusted Capital Account balance should equal the balance such Member would have had if the Regulatory Allocations were not part of this Agreement and all LLC items were allocated pursuant to Section 9.1 hereof. In exercising its discretion under this Section 9.2(h), the Tax Matters Member will take into account future Regulatory Allocations under Sections 9.2(c) and (d) hereof that, although not yet made, are likely to offset other Regulatory Allocations previously made under Sections 9.2(a) and (b) hereof.

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9.3 Special Tax Provisions.

(a) Membership Status. The Members intend that the LLC will be treated as a partnership for all federal income tax purposes and each Member agrees that it will not, on any federal, state, local or other tax return, take a position inconsistent with such intent.

(b) Tax Allocations. Except as otherwise provided in this Article VIII or required by the Code and Treasury Regulations, items of income, gain, loss or deduction recognized for income tax purposes will be allocated in the same manner that the corresponding items entering into the calculation of Net Income and Net Loss are allocated pursuant to this Agreement.

(c) Section 704(c) Adjustments. In accordance with Code Section 704(c) and the Treasury Regulations thereunder, items of income, gain, loss and deduction with respect to an asset, if any, contributed to the capital of the LLC will, solely for tax purposes, be allocated between the Members so as to take account of any variation between the adjusted basis of such property to the LLC for federal income tax purposes and its fair market value upon contribution to the LLC, in the manner determined by the Tax Matters Member. If the Carrying Value of any asset is adjusted pursuant to the terms of this Agreement, subsequent allocations of income, gain, loss and deduction with respect to such asset will take account of any variation between the adjusted basis of such asset to the LLC for federal income tax purposes and its Carrying Value in the same manner as under Code Section 704(c) and the Treasury Regulations thereunder, in the manner determined by the Tax Matters Member.

(d) Section 754 Election. An election under Code Section 754 election may be made for the LLC at the written request of either Member, a copy of which the requesting Member will deliver to the Management Committee. In the event of an adjustment to the adjusted tax basis of any LLC asset under Code Section 734(b) or Code Section 743(b) pursuant to a Section 754 election, subsequent allocations of tax items will reflect such adjustment consistent with the Treasury Regulations promulgated under Code Sections 704, 734 and 743.

(e) Allocations Upon Transfers Of LLC Interests. If during an Accounting Period, a Member assigns or transfers its Membership Interest to another Person properly in accordance with the provisions of Section 3.4 hereof, items of Net Income and Net Loss, together with corresponding tax items, that otherwise would have been allocated to the transferring or assigning member with regard to such Accounting Period will be allocated between the transferring or assigning member and the transferee in accordance with their respective Membership Interest during the Accounting Period using any method permitted by Code Section 706 and selected by the Tax Matters Member.

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ARTICLE X
DISTRIBUTIONS; WITHHOLDING TAXES

10.1 Distributions To Members.

(a) General. Except as otherwise provided in this Article X, Members will share ratably all nonliquidating distributions from the LLC in proportion to their Percentage Interests

(b) Management Of LLC On Budget; Specific Required Distributions. The Management Committee will operate the LLC on a budget that will permit distribution in full of all premium fees the LLC receives from the Members and of the milestone payments received by the LLC from Bayer. Subject to the provisions set forth in Sections 10.1(b)(i) and 10.2 hereof, cash of the LLC will be distributed in the manner and order set forth below, within [*] after the end of the preceding fiscal year of the LLC, or promptly after the delivery to the LLC by its independent accounts of audited LLC financial statements for such immediately preceding year if such audited statements are delivered to the LLC by such accountants after such sixty day period has expired:

(i) Distributions To Members Of Premium Fee Income And Milestone Payment Income Of The LLC; Reserve. Nonliquidating distributions will first be made in cash promptly, and in any event within thirty (30) days, after the close of each calendar quarter during the term of the LLC: (A) to the Members, in accordance with their Percentage Interests, of all income of the LLC from premium fees received by the LLC during such preceding quarter from either Member under the LLC Collaboration Agreement or under any Collateral Agreements as they may then exist, provided that, if Exelixis does not, at the time of such distribution, hold exactly forty percent (40%) of the total Percentage Interests of the LLC then outstanding, Exelixis nevertheless will have distributed to it under this Section 10.1(b)(i), provided it still is a Member at the time of such distribution, an amount of such premium fee income of the LLC equal to that which would have been distributed to Exelixis had it held, at the time of such distribution, forty percent (40%) of the total Percentage Interests of the LLC then outstanding, and then (B) to Exelixis only, provided it still is a Member at the time of such distribution, all income received by the LLC during such preceding quarter as milestone payments from Bayer under the LLC Collaboration Agreement. The LLC will, after making such distribution of premium fee payments from the Members and of milestone payments from Bayer, make an adequate reserve for the anticipated payment by the LLC of the full FTE Amounts, and of other budgeted, and other then-anticipated but not budgeted, operating expenses and payments expected by the Management Committee to be required to be made by the LLC during the then-prospective [*] period (the "Reserve").

(ii) Certain Distributions To Bayer For Patent And Insurance Expenses. Commencing as to, and after the close of, the first fiscal year of the LLC (or as to fiscal year 2000, ending on December 31, 2000, if the LLC is created prior to January 1, 2000), to the extent that after making the distributions required to be made under Section 10.1(b)(i) hereof to the Members during the immediately preceding fiscal year, and if there is then still cash of the LLC available for distribution to the Members after making the Reserve required to

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be made under Section 10.1(b)(i) hereof, there will next be distributed to Bayer in cash, to the extent not then already distributed by the LLC to Bayer, an amount equal to all LLC Operating Expense Amounts actually paid by Bayer to or on behalf of the LLC during such immediately preceding fiscal year, as an additional Capital Contribution by Bayer, for expenditure by the LLC for patent prosecution, insurance and related matters for the LLC, provided that no distribution will be made to Bayer under this Section 10(b)(ii) with respect to such fiscal year unless the total amount of Capital Contribution to the LLC by Bayer during such fiscal year equaled or exceeded [*] (or such then-current amount as may be provided in any amendment hereto). The distribution to Bayer provided for under this Section 10(b)(ii) will be made within [*] after the end of each fiscal year of the LLC (commencing after the close of the relevant first fiscal year of the LLC as provided above in this Section 10(b)(i)), or promptly after the delivery to the LLC by its independent accounts of audited LLC financial statements for such fiscal year if such audited statements are delivered to the LLC by such accountants after such [*] period has expired.

(iii) Distributions To Members For Taxes. At the same time as the distribution to Bayer, if any, is made pursuant to Section 10.1(b)(ii) hereof, then to the extent that there is then still cash of the LLC available for distribution to the Members, after making the distributions described in Sections 10.1(b)(i) and (ii) hereof, and after making the Reserve required to be made under Section 10.1(b)(i) hereof, there will next be distributed to the Members in cash, if requested in writing by either Member, an amount, to each Member in proportion to its Percentage Interest, as is necessary, as determined by the Management Committee in good faith after consultation with each Member, to pay taxes owed by such Member on income (but not sales, VAT or ad valorem taxes) required to be paid by the Members solely by reason of being a Member of the LLC, to the extent that the amount of taxes owed by either Member is greater than the amount of cash already distributed to such Member by the LLC with respect to the period for which such tax is due.

(iv) Certain Distributions To Member(s) For Salary, Expenses, Bonuses And Benefits Of LLC Officers And LLC Employees. At the same time as the distributions, if any, are made to the Members pursuant to Sections 10.1(b)(ii) and (iii) hereof, then to the extent that there is still cash of the LLC available for distribution to the Members, after making such distributions, and after making the Reserve required to be made under Section 10.1(b)(i) hereof, then there will next be distributed in cash to Bayer (and to Exelixis on an equal ranking basis with Bayer, prorated between Bayer and Exelixis as to the respective amounts of salary or consulting fee amounts and expenses paid and reimbursed, and benefits paid, if during the fiscal year immediately preceding such distribution any employee of or consultant to Exelixis was serving as an LLC officer), provided that no distribution will be made to Bayer under this Section 10(b)(iii) with respect to any year unless the total amount of Capital Contribution to the LLC by Bayer during such fiscal year equaled or exceeded [*] (or such then-current amount as may be provided in any amendment hereto):

(A) LLC Employee Salary And Consulting Fees And Related Amounts Paid By Bayer. All amounts of salary or consulting fee, as applicable, bonuses paid from the LLC (if any, and in each case as determined by the Management Committee pursuant to the then-current LLC budget), expenses and benefits, as applicable, actually paid by Bayer

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directly to those of its employees and consultants serving as officers or employees of or as consultants to the LLC, or paid by Bayer to the LLC during the immediately preceding year as an additional Capital Contribution, as part of the LLC Operating Expense Amounts for expenditure by the LLC for such payments of salary or consulting fee and benefits to such employees and consultants, prorated according to the amount of time, out of total work time, such individual spent during such year in service as LLC officer or employee of or consultant to the LLC, and

(B) LLC Employee Salary And Consulting Fees And Related Amounts Paid By Exelixis. As to Exelixis as relevant, the amounts actually paid by Exelixis during the immediately preceding year directly to such of its employees and consultants serving as officers of or employees of or consultants to the LLCLLC officer(s), of salary or consulting fee, as applicable, bonuses paid from the LLC (if any, and in each case as determined by the Management Committee pursuant to the then-current LLC budget), expenses, and benefits for such individual, prorated according to the amount of time, out of total work time, such individual spent during such year in service as LLC officer or employee of or consultant to the LLC.

(v) Distributions To Both Members. At the same time as the distributions, if any, are made to the Members pursuant to Sections 10.1(b)(ii)-(iv) hereof, then to the extent that there is still cash of the LLC available for distribution to the Members, after making such distributions, and after making the Reserve required to be made under Section 10.1(b)(i) hereof, then such cash will be distributed to the Members in accordance with their Percentage Interests.

10.2 Restriction On Distributions And Withdrawals.

(a) Limitations. The LLC will not make any distribution, other than of premium payment and milestone payment amounts as provided under Section 10.1(b)(i) hereof, unless immediately after giving effect to the distribution, all liabilities of the LLC, other than liabilities to Members on account of their interest in the LLC and liabilities as to which recourse of creditors is limited to specified property of the LLC, do not exceed the fair value of the LLC's assets; provided that (i) the fair value of any property that is subject to a liability as to which recourse of creditors is so limited will be included in the LLC assets only to the extent that the fair value of the property exceeds such liability, and (ii) if after making the distribution of premium payment and milestone payment amounts as provided under Section 10.1(b)(i) hereof, the amount of cash remaining in the LLC does not equal or exceed the required Reserve as determined by the Management Committee under Section 10.1(b)(i) hereof, then upon the written request of the Management Committee, Bayer will promptly make an additional Capital Contribution to the LLC in cash of an amount, as an LLC Operating Expense, that is so requested by the Management Committee, which amount will not be greater than the difference between the amount of cash then in the LLC and the amount of the Reserve.

(b) Liability For Certain Distributions. Except as otherwise required by law, no Member will be liable to the LLC for the amount of a distribution received provided that, at the time of the distribution, such Member did not know that the distribution was in violation of Section 10.2(a) hereof. A Member who receives a distribution in violation of Section 10.2(a)

hereof, and who knows at the time of the distribution that the distribution violated such condition, will be liable to the LLC for the amount of such distribution.

10.3 Withholding Taxes. The LLC will at all times be entitled to make payments with respect to any Member in amounts required to discharge any obligation of the LLC to withhold or make payments to any governmental authority with respect to any federal, state, local or other jurisdictional tax liability of such Member arising as a result of such Member's Membership Interest in the LLC. To the extent each such payment satisfies an obligation of the LLC to withhold with respect to any distribution to a Member on which the LLC did not withhold or with respect to any Member's allocable share of the income of the LLC, each such payment will be deemed to be a loan by the LLC to such Member (which loan will be deemed to be immediately due and payable) and will not be deemed a distribution to such Member. The amount of such payments made with respect to such Member, plus interest, on each such amount from the date of each such payment until such amount is repaid to the LLC at an interest rate per annum equal to [*], will be repaid to the LLC by (a) deduction from any cash distributions made to such Member pursuant to this Agreement; (b) deduction from any non-cash distributions made to such Member or (c) earlier payment by such Member to the LLC, in each case as determined by the Management Committee in its sole discretion. The Management Committee may, in its sole discretion, defer making distributions to any Member owing amounts to the LLC pursuant to this Section 10.3 until such amounts are paid to the LLC and the LLC may in addition exercise against such Member any other rights of a creditor with respect to such amounts due.

ARTICLE XI
INDEMNIFICATION AND LIMITATION OF LIABILITY

11.1 Indemnification.

(a) Indemnification By LLC Of Certain Indemnitees. To the fullest extent permitted by the Act and by law, the LLC, in accordance with this Section 11.1, will indemnify and hold harmless the Management Committee, the Member Representatives, each LLC officer, employee, consultant or agent of the LLC, and each Member and its Affiliates, and the partners, members, stockholders, as relevant, of each Member and its Affiliates, and the controlling persons, officers, Directors or equivalents, and employees and agents of each Member or Affiliate, as applicable, (collectively, the "Indemnitees"), any and all Damages arising from any and all claims, demands, actions, suits or proceedings (civil, criminal, administrative or investigative) in which the Indemnitee may be involved, as a party or otherwise, by reason of the Indemnitee's management of, or involvement in, the affairs of the LLC, or rendering of advice or consultation with respect thereto, or which otherwise relate to the LLC, its properties, business or affairs, if such Indemnitee acted in good faith and in a manner such Indemnitee reasonably believed to be in, or not opposed to, the best interests of the LLC, and, with respect to any criminal proceeding, had no reasonable cause to believe the conduct of such Indemnitee was unlawful. The termination of a proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, will not, of itself, create a presumption that such Indemnitee did not act in good faith and in a manner which such Indemnitee reasonably believed to be in, or not opposed to, the best interests of the LLC or that such Indemnitee had

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reasonable cause to believe that such Indemnitee's conduct was unlawful (unless there has been a final adjudication in the proceeding that such Indemnitee did not act in good faith and in a manner which such Indemnitee reasonably believed to be in or not opposed to the best interests of the LLC; or that such Indemnitee did have reasonable cause to believe that such Indemnitee's conduct was unlawful).

(b) Certain Other Indemnification By LLC. The LLC may also indemnify and hold harmless, as an Indemnitee hereunder, any individual who was or is a party or is threatened to be made a party to any threatened, pending, or completed action by or in the right of the LLC to procure a judgment in its favor by reason of the fact that such individual is or was a Member Representative, or an LLC officer, employee, consultant or agent of the LLC, against expenses actually or reasonably incurred by such individual in connection with the defense or settlement of such action, if such individual acted in good faith and in a manner such individual reasonably believed to be in, or not opposed to, the best interests of the LLC, except that indemnification will be made in respect of any claim, issue or matter as to which such individual will have been adjudged to be liable for misconduct in the performance of the Individual's duty to the LLC only to the extent that the court in which such action or suit was brought, or another court of appropriate jurisdiction, determines upon application that, despite the adjudication of liability, but in view of all circumstance of the case, such individual is fairly and reasonably entitled to indemnity for such expenses which such court will deem proper. To the extent that such individual has been successful on the merits or otherwise in defense of any proceedings referred to herein, or in defense of any claim, issue or matter therein, such individual will be indemnified by the LLC against expenses actually and reasonably incurred by such individual in connection therewith. Notwithstanding the foregoing, no individual will be entitled to indemnification hereunder for any conduct arising from the gross negligence or willful misconduct of such individual or reckless disregard in the performance by such individual of such individual's duties under this Agreement.

(c) Payment Or Advancement Of Certain Expenses. Expenses (including reasonable fees and costs of attorneys) incurred in defending any proceeding under Sections 11.1(a) or (b) hereof may be paid by the LLC in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the Indemnitee or Person to repay such amount if it will ultimately be determined that the Indemnitee or Person is not entitled to be indemnified by the LLC as authorized hereunder.

(d) No Exclusivity. The indemnification provided by this Section 11.1 will not be deemed to be exclusive of any other rights to which any Person may be entitled under any agreement, or as a matter of law, or otherwise, both as to action in a Person's official capacity and to action in any other capacity.

(e) Certain Insurance. Subject to the provisions of Section 2.10 hereof, the Management Committee will have power to purchase and maintain insurance on behalf of the LLC and at the expense of the LLC, against any liability asserted against or incurred by any Person entitled under this Section 11.1 to be indemnified in any such capacity whether or not the LLC would have the power to indemnify such Person against such liability under the provisions of this Agreement.

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11.2 Liability For Finder's Or Broker's Fees. Each Member will be responsible for paying any finder's or broker's fee and any other Damages owed any third party that such Member incurs or which is claimed by such third party against the other Member and/or LLC, based directly or indirectly on the negotiation of, or the entry by the parties hereto into, this Agreement, and will indemnify the LLC and the other Member, and the other Indemnitees, against any obligation to pay any such fee.

11.3 Liability In Event Of Default. The Affected Member will be liable to the LLC and to the Non-Affected Member, and to such other Indemnitees as are relevant, for any and all Damages suffered or incurred by the LLC or the Non-Affected Member or such other Indemnitee(s) as a result of such Event of Default.

11.4 Limitation Of Liability. Each Member's liability under this Article XI will be limited as set forth in the Act and other applicable law. Notwithstanding anything to the contrary herein contained (a) the debts, obligations and liabilities of the LLC will be solely the debts, obligations and liabilities of the LLC; and no Member or Member Representative or LLC officer or any other Indemnitee will be obligated personally for any such debt, obligation or liability of the LLC solely by reason of such Person, or such Person's related Indemnitee, being a Member or Member Representative or LLC officer, and the LLC will hold such Person, or such Person's related Indemnitee, harmless from any such debt, obligation or liability, and (b) as to any Member who has made a Capital Contribution to the LLC, such Member will not be liable, absent fraud, for any debts or losses of the LLC beyond the total amount of such Member's Capital Contribution.

ARTICLE XII
TERMINATION

12.1 Termination.

(a) Certain Events Not Leading To Termination. Except as provided under Section 14.3 of the LLC Collaboration Agreement, the LLC will not terminate solely due to any termination or expiration of the LLC Collaboration Agreement or of any Collateral Agreements unless both Members otherwise agree in writing.

(b) Termination By Mutual Agreement Or Ordered Dissolution Of LLC. The LLC will be terminated and dissolved, its assets disposed of and its affairs wound up upon the first to occur of the following:

(i) Affirmative Vote Of Members. The affirmative vote in writing of both Members to terminate and dissolve the LLC; or

(ii) Dissolution Of LLC By Court Order Or Authority. Any dissolution of the LLC ordered by a final binding judgment or order by a court of competent jurisdiction or by a regulatory authority, when such judgment or order is not voluntarily initiated by either Member (other than a voluntary initiation by such Member acting upon the advice of its outside legal counsel that the continuation of the LLC, or of such Member as a member of the LLC, would be unlawful), if there is no Buyout as provided in Section 13.5 hereof.

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(c) Termination of LLC By Notice From Non-Affected Member For Dissolution Event, Changed Circumstance, And/Or Event Of Default Affecting Other Member.

(i) Notice by the Affected Member of Certain Events. If any of the following events occurs as to a Member, the Affected Member will give written notice thereof to the Non-Affected Member, with a copy to the Management Committee, as promptly as possible after the coming into being of such event, specifying therein in reasonable detail the nature of such event and the date of its commencement; the Affected Member also will give written notice to the Non-Affected Member, with a copy to the Management Committee, as promptly as possible after the cure or cessation of such event, specifying the date upon which such cure or cessation occurred, the provisions of Section 13.2 hereof being applicable in the event of a notice by the Non-Affected Member as to a sale of assets of change of control Changed Circumstance:

(A) Dissolution Event. The occurrence of a Dissolution Event as to the Affected Member; or

(B) Event of Default. The existence of any uncured Event of Default by the Affected Member; or

(C) Changed Circumstance. The existence of a Changed Circumstance for such Affected Member.

(ii) Termination. Unless the Non-Affected Member has elected, pursuant to the provisions of Section 13.2(b) hereof to exercise its Buyout right, The the LLC will be terminated and dissolved if after receiving notice of an event under Section 12.1(c)(i) hereof from the Affected Member, the Non-Affected Member gives written notice of its election, based upon the occurrence or existence of such event, to terminate and dissolve the LLC (the Non-Affected Member's "Termination Notice"). Such Termination Notice (A) must be given no later than [*] after the date the Non-Affected Member receives the initial written notice from the Affected Member (or its trustee or relevant similar party) as to the occurrence of the relevant event if it is a Dissolution Event or an Event of Default or a Changed Circumstance other than a sale of assets or change of control Changed Circumstance (for which reference is made to Section 13.2 hereof), or, as applicable, (2) within the time period specified in Section 13.2(b) hereof if it is a sale of assets of change of control Changed Circumstance), and (or within such shorter period as set forth in Section 13.2(a)(2) hereof), (B) must be given to the Affected Member (and/or such Affected Member's trustee or similar third party in the event of Dissolution or Bankruptcy of the Affected Member), with a copy to the Management Committee, and (C) if such event is a Continuing Force Majeure Event, such notice must so state and must contain the other statements required under Section 1.20 hereof, and the [*] period provided in clause (A) of this Section 12.1(c)(ii) will commence after expiration of the [*] period set forth in Section 1.19 hereof, and. (D)Such Termination Notice must have been given by the Non-Affected Member to the Affected Member and the Management Committee before the Affected Member has delivered any written notice to the Non-Affected Member and the Management Committee that the relevant event has ceased to exist or has been fully cured.

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(d) Nature Of Rights Of Non-Affected Member. The right of the

Non-Affected Member under this Section 12.1 to give notice of its election to terminate and dissolve the LLC is independent of such Non-Affected Member's right to, in lieu of such election, exercise its Buyout rights under Article XIII hereof with respect to the Membership Interest of the Affected Member.

12.2 Authority To Wind Up. The Management Committee will have all necessary power and authority required to marshal the assets of the LLC, to pay its creditors, to distribute assets and otherwise wind up the business and affairs of the LLC, including without limitation the authority to continue to conduct the business and affairs of the LLC insofar as such continued operation remains consistent, in the judgment of the Management Committee, with the orderly winding up of the LLC.

12.3 Winding Up And Certificate Of Cancellation. The winding up of the LLC will be completed when all debts, liabilities and obligations of the LLC have been paid and discharged or reasonably adequate provision therefor has been made, and all of the remaining property and assets of the LLC have been distributed to such Members. Upon the completion of winding up of the LLC, a Certificate of Cancellation will be filed by the Chief Executive Officer of the LLC with the Secretary of State of Delaware.

12.4 Refund Of Certain Amounts To Bayer; Distribution Of Assets.

(a) Refund Of Certain Amounts To Bayer. Upon dissolution and winding up of the LLC, after all debts, liabilities and obligations of the LLC have been paid and discharged or reasonably adequate provision therefor has been made, any amounts of unexpended funds received by the LLC from Bayer as a Capital Contribution of Bayer that then remain as an asset of the LLC will be refunded to Bayer by the LLC prior to any distribution of assets of the LLC to either Member. Such refund will not be deemed to be a distribution to Bayer by the LLC, but upon such refund, Bayer's Capital Account will be reduced by the amount so refunded.

(b) Distribution Of Assets.

(i) General. Upon dissolution and winding up of the LLC, the affairs of the LLC will be wound up by the Chief Executive Officer of the LLC and the LLC will be liquidated by the Management Committee. Unless the Members consent in writing to a distribution in kind of the assets of the LLC, and except as provided in Section 12.5 hereof, the assets of the LLC will be sold pursuant to such liquidation.. If both Members do not consent in writing to a distribution of LLC assets in kind, but the Management Committee determines that an immediate sale of all or certain of the LLC assets would be financially inadvisable for the LLC and the Members, the Management Committee may defer sale of the relevant LLC assets for a reasonable time; provided that the liquidation of the LLC will be completed within the time required by Treasury Regulations Section 1.704-1(b)(ii)(b)(2). Subject to the provisions of Section 12.5 hereof, (A) if any LLC assets are distributed in kind, they will be distributed on the basis of the fair market value thereof as determined by appraisal, as may be ordered by the Management Committee, the costs of which appraisal will be paid by the LLC, and will be deemed to have been sold at such fair market value for purposes of the allocations under Article

IX hereof, and (B) unless both Members otherwise agree in writing, if any LLC assets are to be distributed in kind, they will be distributed to such Members, as joint tenants, in undivided interests in proportion to distributions to which such Members are entitled under this Section 12.4. The LLC will terminate when all of its assets have been sold and/or distributed and all of its affairs have been wound up.

(ii) Order Of Distribution. Subject to the provisions of Section 12.5 hereof, the assets of the LLC, whether cash or in kind, will be distributed in accordance with the Act, A) first, in the amount of premium payments and milestone payments received by the LLC, but not previously distributed to the Members, to the Members, provided that the provisions of Section 10.1(b)(i) hereof with respect to calculation of the amount to be distributed to Exelixis will apply pursuant to the provisions of Section 12.5 hereof, (B) then to the creditors of the LLC in the order of priority provided by law, (C) then to the Members in accordance with the provisions of Section 12.5 hereof in the amount of third party revenue of the LLC not previously distributed to the Members by the LLC, and then (D) (A) first to creditors of the LLC in the order of priority provided by law, then (B) premium payments, milestone payments and third party revenue of the LLC not previously distributed to the Members will be distributed to the Members provided that the provisions of Section 10.1(b)(i) hereof with respect to calculation of the amount to be distributed to Exelixis will apply pursuant to the provisions of Section 12.5 hereof, and then (C) to the Members in proportion to their remaining Capital Accounts. Except as specifically provided otherwise herein, no Member will have any obligation at any time to repay or restore to the LLC all or any part of any distribution made to such Member from the LLC in accordance with this Section 12.4, nor to make any additional contribution of capital to the LLC.

12.5 Certain Matters With Respect To Intellectual Property Rights Of the LLC.

(a) Distribution In Kind To Members As Joint Owners. Except as may be otherwise provided in the LLC Collaboration Agreement or any Collateral Agreements as they may then exist, the intellectual property rights of the LLC (exclusive of intellectual property rights of any other Person licensed to the LLC and not assignable without the consent of such Person) developed or obtained by the LLC and existing on the date of termination of the LLC, will not be liquidated (other than the LLC's trade names, trademarks, service marks, emblems, logos, symbols and insignia and rights with respect thereto, including registrations and registration rights, all of which will be liquidated) but will instead be distributed in kind to the Members as joint owners who will each own an undivided joint interest therein with the rights described in Section 12.5(b) hereof.

(b) Respective Rights of Members In LLC Assets Distributed In Kind. Upon and after such distribution in kind, unless the Members agree otherwise in writing, or until one Member, if ever, upon or after such distribution purchases all of the other Member's jointly-owned rights therein, each Member, as a joint owner of such distributed intellectual property rights in accordance with Section 12.5(a) hereof, will have such rights with respect thereto as such Member had under the LLC Collaboration Agreement as in effect most recently before the date of such distribution in kind, and the right to grant licenses to third parties and to use and practice such rights without accounting to the other Member, subject in all cases to the first-referenced Member's compliance with the terms thereof.

(c) Adjustment Of Capital Accounts. The Capital Accounts of the Members will be adjusted in the manner required by Section 1.704-1(b)(2)(iv)(e)(1) of the Treasury Regulations to reflect the unrealized income, gain, loss and deduction inherent in such

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distributed intellectual property rights. After such adjustment to the Capital Accounts of the Members have been made, all future distributions on liquidation of the LLC will take into account such distribution-in-kind of intellectual property to the Members.

(d) Payment Of Premium Fee Or Royalty Obligations, Or Milestone Payment Obligations. Except as may be otherwise provided under the LLC Collaboration Agreement or as otherwise agreed in writing by the Members, any premium fee or royalty obligations, and any milestone payment obligations, by either Member to the LLC will be paid thereafter directly by such Member to the other Member to the extent permitted by law. No distribution of intellectual property rights of the LLC as provided in this Section 12.5 will relieve either Member from its obligations hereunder, or under any other binding agreement to which such Member is a party or to which it is subject, to continue to pay premium fees, royalty payments, milestone payments or other running or periodic amounts, however denominated, thereunder according to the relevant terms of this Agreement or of such other agreements.

(e) Certain Assistance. If one Member seeks to sell or assign all or part of its jointly-owned interest in such distributed intellectual property to a third party or parties, in a jurisdiction in which such sale or assignment requires by law, as advised by the requesting Member's intellectual property counsel the consent or acknowledgment of the other Member as joint owner of such intellectual property, such other Member will execute and delivery such customary documents, at its own expense, to assist the selling or assigning Member to complete such sale or assignment, as the selling or assigning Member requests in good faith of such other Member.

(f) Effect On Licenses To Bayer Patents And Bayer Know-How, And On Exelixis Patents And Exelixis Know-How, In The Event Of Termination. In the event of termination pursuant to this Article XII, if the LLC Collaboration Agreement then is still in effect, the conditions, if any, relevant to such termination as may be specified in the LLC Collaboration Agreement, including Article XIV thereof, will apply.

ARTICLE XIII
BUYOUT BY A MEMBER OF THE MEMBERSHIP INTEREST OF THE OTHER MEMBER

13.1 Determination Of Fair Market Value. For purposes of this Agreement the "Affected Member" is the Member who suffers, or proposes to suffer (with respect to a Proposed Changed Circumstance Notice, as defined in Section 13.2(a)(i) hereof), a Changed Circumstance, or who suffers an Event of Default or Dissolution or Bankruptcy, as applicable, and the other Member is the "Non-Affected Member". For purposes of this Article XIII, Fair Market Value will be whatever it is agreed to be in writing between the Members no later than the earlier of (a) [*] after the date the Proposed Changed Circumstance Notice is given under Section 13.2(a)(i) hereof by the Affected Member to the Non-Affected Member, if such Proposed Changed Circumstance Notice contains the names of the relevant Person(s) therein which cause it to be deemed, under the provisions of Section 13.2(a)(i) hereof, to be a Final Notice or (b) [*] after the date the Final Notice is given, as required under Section 13.2(a)(ii) hereof, by the Affected Member to the Non-Affected Member as to the event relevant to such Affected Member.;

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provided that if the Members independently cannot agree on the Fair Market Value of the Affected Member's Membership Interest within such relevant [*] period, then the procedures set forth in Sections 13.1(a)-(h) hereof will apply to determine such Fair Market Value:

(a) Member Statements Of Fair Market Value. Each of the Affected Member and the Non-Affected Member will deliver to the other in writing, within [*] after the close of such initial [*] period, the delivering Member's statement as to the Fair Market Value of the Affected Member's Membership Interest.

(b) Procedure If Both Statements Are The Same. If the Fair Market Value stated in both Members' statements is the same, then such amount will be the Fair Market Value of the Affected Member's Membership Interest.

(c) Procedure If Statements Within [*] Range. If the Fair Market Value stated in one Member's written statement is higher than the Fair Market Value stated in the other Member's written statement, but is not greater than [*] of the lower statement, then Fair Market Value will be the average of the two statements.

(d) Procedure If Statements Outside Of [*] Range. If the Fair Market Value stated in one Member's written statement is greater than [*] of the Fair Market Value stated in the other Member's written statement, then Fair Market Value will be determined by an Appraiser selected by the mutual written agreement of the Members within [*] after the delivery by each Member to the other of their statements, provided that if the Members cannot agree on an Appraiser within such [*] period, then:

(i) Selection Of An Appraiser By Each Member. Each Member will, within [*] after the earlier of the date upon which the Members agree in writing that they cannot agree on such Appraiser, or such initial thirty days have expired, select an Appraiser;

(ii) Selection By Two Appraisers Of Third Appraiser. The Appraisers selected pursuant to Section 13.1(d)(i) hereof mutually will select a third Appraiser within [*] after their selection; and

(iii) Determination By Single Appraiser Of Fair Market Value. The third Appraiser so chosen will singly determine Fair Market Value by delivering his or her determination of Fair Market Value in writing to each Member as soon as possible after his or her selection, setting forth in such writing such bases and conclusions as such Appraiser deems appropriate and customary therefor. If the Fair Market Value as determined by such Appraiser is the average of the two Members' statements, then such average will be Fair Market Value. If the Fair Market Value as determined by such Appraiser is above the average of the two Members' statements, but not greater than the higher of the two Members' statements, then Fair Market value will be the average between such Appraiser's determination and such higher Member statement. If the Fair Market Value as determined by such Appraiser is below the average of the two Members' statements, but not less than the lower of the two Members' statements, then Fair Market value will be the average between such Appraiser's determination and such lower Member statement. If the Fair Market Value as determined by such Appraiser is

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greater than the higher of the two Members' statements, then Fair Market value will be such higher Member statement. If the Fair Market Value as determined by such Appraiser is lower than the lower of the two Members' statements, then Fair Market value will be such lower Member statement.

(e) Appraiser's Determination Binding Absent Demonstrable Factual Or Mathematical Error Or Fraud. Any determination by an Appraiser of Fair Market value as provided herein will be binding upon the Members and the LLC absent demonstrable mathematical or factual error, or fraud .

(f) Certain Governing Principles For Determination of Fair Market Value. Any determination of Fair Market Value pursuant to this Section 13.1 will take into consideration all relevant factors, including the conditions referred to in Section 13.6 hereof and any Event of Default if such purchase is being made by the Non-Affected Member under Section 13.3 hereof, and any Bankruptcy of a Member if such purchase is being made by the other Member under Section 13.4 hereof, but only in each case to the extent that such Event of Default or Bankruptcy reduces the value of the relevant Membership Interest, and will be calculated by multiplying (x) the price that a willing buyer will pay and a willing seller will accept for the purchase of all of the assets and business of the LLC as a going concern immediately prior to the transaction giving rise to the determination of Fair Market Value and without any discount for lack of liquidity or control and assuming that all agreements between the LLC and the Members that were in effect prior to such transaction would have continued in effect by (y) the Percentage Interest in the LLC being acquired.

(g) Fees And Costs Of Appraisers. Each Member will bear the fees and costs of any Appraiser that such Member selects as one of the two Appraisers selected to determine the third. The fees and costs of any third Appraiser selected pursuant to Section 13.1(d)(i)(B) hereof, will be borne one-half (1/2) by each Member. Each Member will bear its respective internal costs connected with any such appraisal, including those associated of its own determination for its statement of Fair Market Value.

(h) Cooperation. Each Member will cooperate in all commercially reasonable respects and in good faith in the appraisal process, including without limitation providing such information as is reasonably requested by the Appraiser(s), but provided that the furnishing of such information may, in the good faith judgment of the furnishing Member, be conditioned on such Appraiser(s) executing and delivering a customary confidentiality agreement with the furnishing Member with respect thereto.

13.2 Changed Circumstance Buyout And Notices With Respect Thereto.

(a) Proposed Changed Circumstances Notice By Affected Member; Final Notice By Affected Member Of Changed Circumstance; Non-Affected Member's Notice of Intention As To Buyout Rights And Termination Rights; Waiver.

(i) Proposed Changed Circumstances Notice By Affected Member.

If either Exelixis or Bayer proposes to enter into a transaction that would, if consummated, be a

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sale of assets or proposed change of control as described in Section 1.15(b)(i) or (ii) hereof as to Exelixis, or Section 1.15(c) hereof as to Bayer, then, within [*] after such Affected Member [*] with respect to such proposed event with any Person other than Bayer or its Affiliates, or the LLC, as to Exelixis, and other than Exelixis, or the LLC, or each other, with respect to Bayer and Bayer AG, the Affected Member will give the Non-Affected Member written notice (a "Proposed Changed Circumstances Notice") as to the general
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nature of the proposed event. The fact of the giving of which Proposed Changed Circumstances Notice and the contents thereof will be Confidential Information of the Affected Member. Such Proposed Changed Circumstances Notice need not specify the name of the other party or parties to such proposed transaction, and/or certain details related thereto, if such information is prohibited from disclosure under an executed written nondisclosure agreement between the Affected Member and such other party or parties. In addition, with respect to any matter relating to a Changed Circumstance described in, respectively, Sections 1.15(b)(i) or (ii) hereof, as to Exelixis, or Sections 1.15(c) hereof, as to Bayer, the Affected Member will promptly give written notice (which will be considered to be an amendment to the initially-given Proposed Changed Circumstances Notice) to the Non-Affected Member, with a copy to the Management Committee, of any material change, adverse or beneficial, with respect to such proposed Changed Circumstance, including without limitation (if terms were disclosed in a previously-delivered Proposed Changed Circumstances Notice) any change in the terms proposed with respect to such Changed Circumstance, and/or (if the names of other party or parties to the relevant proposed Changed Circumstance were disclosed in a previously-delivered Proposed Changed Circumstances Notice), any change in the name(s) of the other party or parties to such proposed Changed Circumstance. Such Proposed Changed Circumstances Notice will be deemed to be the Final Notice given for purposes of Section 13.1 hereof, and Section 13.2(a)(ii), (iii) or (iv) hereof, only if, (1) it is given with respect to the signing by the Affected Party of a binding agreement, including without limitation a letter of intent or heads of agreement which contains any binding provision apart from a binding obligation of confidentiality, and when,(2) it contains the name(s) of the other party or parties to such proposed transaction.

(ii) Final Notice By Affected Member Of Changed Circumstance. In
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addition to giving the Non-Affected Member a Proposed Changed Circumstances Notice , at any time, but no later than [*] after the occurrence or consummation of the relevant Changed Circumstance as to the Affected Member, such Affected Member will give written notice of such occurrence or consummation to the Non-Affected Member and the Management Committee, specifying in reasonable detail the nature of such Changed Circumstance (a "Final Notice"),
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and will specify therein the name(s) of the other party or parties to such proposed Changed Circumstance if such Changed Circumstance is a sale of assets or proposed change of control as described in Section 1.15(b)(i) or (ii) hereof as to Exelixis, or Section 1.15(c) hereof as to Bayer. In addition, the Affected Member will promptly give written notice (which will be considered to be an amendment to the initially-given Final Notice) to the Non-Affected Member, with a copy to the Management Committee, of any material change, adverse or beneficial, in such Changed Circumstance, including without limitation any change in the terms proposed for, and/or in the name(s) of the other party or parties to such proposed transaction, as to any matter relating to a Changed Circumstance described in, respectively, Sections 1.15(b)(i) or (ii) hereof, as to Exelixis, or Sections 1.15(c) hereof, as to Bayer. The giving of such Final

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Notice (including any updates as to subsequent developments), and the contents thereof, or portions thereof, will be Confidential Information of such Affected Member hereunder if the Affected Member so declares in such Final Notice, and/or may be subject to such confidentiality as to certain details thereof as may be required under any confidentiality agreement, with any other Person, other than Bayer or Bayer's Affiliates or the LLC, to which such Affected Member is a party or by which it is bound, or as otherwise may be required by law.

(iii) Non-Affected Member's Notice of Intention As To Buyout Rights And Termination Rights. Within [*] after the Non-Affected Member's receipt of a Proposed Changed Circumstances Notice from the Affected Member given under Section 13.2(a)(i) hereof which states the name(s) of the other party or parties to such proposed transaction as relevant (thus causing such Proposed Changed Circumstances Notice to be deemed to be a Final Notice), or, as relevant, within [*] after the Non-Affected Member's receipt of the Final Notice in the event of the consummation of the relevant sale of assets or change of control constituting the Changed Circumstance, the Non-Affected Member may, but is not required to, give written notice to the Affected Member, with a copy to the Management Committee, (a "Non-Affected Member's Notice of Intention") of such Non-Affected Member's intention to (A) exercise or to waive (specifying which it elects) such Non-Affected Member's Buyout rights under Section 13.2(b) hereof, or to (B) exercise or to waive (specifying which it elects) its termination rights under Section 12.1(c) hereof (in which case such Non-Affected Member's Notice of Intention will constitute its written notice of termination election under Section 12.1(c) hereof if the Non-Affected Member states therein its election to so terminate). Any such Non-Affected Member's Notice of Intention, if given, may be, by its terms, made contingent upon the actual consummation of the relevant Changed Circumstance, such that if such consummation does not occur, then such Non-Affected Member's Notice of Intention may be withdrawn and rescinded by the Non-Affected Member, without penalty, by written notice to the Affected Member, with a copy to the Management Committee, of such withdrawal and rescission. Such notice of withdrawal and rescission may be given at any time after the proposed consummation date if by the date of giving of such notice of withdrawal and rescission the Non-Affected Member has not consummated its Buyout rights or if by such date the LLC has not commenced liquidation and dissolution by reason of such termination election. The fact of the giving of any Non-Affected Member's Notice of Intention, and the contents thereof, will be Confidential Information of the Non-Affected Member.

(iv) Waiver By Affected Member Of Buyout Or Termination Right As To Certain Changed Circumstances. Subject to the last sentence of this Section 13.2(a)(iv), the right of the Non-Affected Member to exercise its Buyout rights under Section 13.2(b) hereof, or to terminate the LLC under Section 12.1(c) hereof, will be deemed to be irrevocably waived by the Non-Affected Member as to the matter(s) described in the relevant Final Notice under Section 13.2(a)(ii) hereof (or deemed Final Notice under Section 13.2(a)(i) hereof) from the Affected Member as to the relevant Changed Circumstance if, the Non-Affected Member either (A) affirmatively and specifically waives its Buyout or termination right hereunder, in writing to the Affected Member, with a copy to the Management Committee, or (B) fails, within the relevant [*] period specified under Section 13.2(a)(i) or (ii) hereof, to give written notice to the Affected Member, with a copy to the Management Committee, as to such Non-Affected Member's intention to exercise its Buyout or termination rights hereunder. The Non-Affected

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Member will not be deemed to have waived its Buyout rights or termination rights hereunder if with the [*] period provided for giving by such Non-Affected Member of its Non-Affected Member's Notice of Intention under Section 13.2(a)(iii) hereof, or within twenty (20) days after it has given any such Non-Affected Member's Notice of Intention, the Affected Member, as required by Section 13.2(a)(i) or (ii) hereof, as relevant, gives the Non-Affected Member written notice of any material change in a Changed Circumstance, (in which case the notice election and waiver provisions of this Article XIII applicable to the Non-Affected Member will again apply, and will run from the date of such written notice by the Affected Member of such material change in the relevant Changed Circumstance).

(b) Purchase Right Of Non-Affected Member. Upon the occurrence of a Changed Circumstance, provided the Non-Affected Member receiving the Proposed Changed Circumstance Notice or Final Notice, as the case may be, relating thereto has not previously given the Affected Member a Non-Affected Member's Notice of Intention demanding dissolution of the LLC or has not waived or been deemed to waive, under Section 13.2(a)(iv) hereof, such Changed Circumstance, the Non-Affected Member may, as hereinafter provided, purchase all but not less than all of the Membership Interest of the Affected Member for Fair Market Value. Within [*] after the determination of Fair Market Value pursuant to Section 13.1 hereof, the Non-Affected Member will either submit an irrevocable written offer to the Affected Member with a copy to the Management Committee, to purchase such Affected Member's Membership Interest for Fair Market Value for cash or such other consideration as the Members agree in writing, or will notify the Affected Member in writing, with a copy to the Management Committee, that no offer will be made. If an offer is made, the closing of the transaction will occur within [*] after the date of such written offer, but such period will automatically be extended as necessary to give effect to any delay days caused by obtaining any required regulatory approvals. The purchase price for such Affected Member's Membership Interest will be paid by the Affected Member in cash or such other consideration as the selling Member and the purchasing Member may agree in writing. If no offer is timely made by the Non-Affected Member under this Section 13.2(b), then the provisions of this Agreement, including those of Articles XII and XV hereof, will apply.

(c) Effect On Licenses In The Event Of Changed Circumstances Buyout. In the event of a Changed Circumstances Buyout pursuant to Section 12.2(b) hereof, the conditions, if any, relevant thereto as may be specified in the LLC Collaboration Agreement, will apply, and are incorporated herein by reference only to the extent necessary for each application.

13.3 Default Buyout. In the event of an uncured Event of Default, provided the Non-Affected Member has not previously given to the Affected Member written notice demanding dissolution of the LLC, the Non-Affected Member may, as hereinafter provided, purchase all but not less than all of the Affected Member's Membership Interest for Fair Market Value. Within [*] after the determination of Fair Market Value, the Non-Affected Member will either submit an irrevocable written offer to the Affected Member, with a copy to the Management Committee, or will notify the Affected Member in writing, with a copy to the Management Committee, that no offer will be made. If an offer is made, the closing of the transaction will occur within [*] after the date of such written offer, but giving effect to any delay days caused by obtaining appropriate

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regulatory approvals. The purchase price for such Membership Interest will be paid in cash or such other consideration as the selling Member and the purchasing Member may agree in writing. If no offer is timely made by the Non-Affected Member under this Section 13.3, then the provisions of this Agreement, including those of Articles XII and XV hereof, will apply.

13.4 Buyout Upon Bankruptcy Or Dissolution Of A Member. Upon obtaining actual knowledge of the Bankruptcy or Dissolution of a Member, the other Member will have the right, by giving written notice thereof to the bankrupt Member, or trustee therefor , and to the Management Committee, to purchase or cause its designee to purchase the Membership Interest of such Affected Member for Fair Market Value. Within [*] after the determination of Fair Market Value, the Non-Affected Member will either submit an irrevocable written offer to the Affected Member, or such Affected Member's trustee, with a copy to the Management Committee, to purchase such Affected Member's Membership Interest for Fair Market Value, or will notify the Affected Member in writing, with a copy to the Management Committee, that no offer will be made. If an offer is made, the closing of the transaction will occur within [*] after the date of such written offer, but giving effect to any delay days caused by obtaining appropriate regulatory approvals. The purchase price for such Membership Interest will be paid in cash or such other consideration as the selling Member (or the trustee of the selling Member) and the purchasing Member may agree in writing. If no offer is timely made by the Non-Affected Member under this Section 13.4 then the provisions of this Agreement, including those under Articles XII and XV hereof, will apply.

13.5 Auction Buyout Upon Deadlock On Substantial Disagreement After Fourth Anniversary Of Commencement Date, Or Upon Dissolution Of LLC Due To Judicial Or Regulatory Decision, Or Upon Delivery Of Lack Of Freedom To Operate Notice. If (1) the Members reach Deadlock on a Substantial Disagreement (but not as to Deadlock as to any other dispute), at any time after the [*] anniversary of the Commencement Date, or (2) dissolution of the LLC is ordered by a final judgment by a court of competent jurisdiction or by the nonappealable order or decision of a regulatory authority, which dissolution does not arise by reason of action taken by either Member, or (3) on the [*] anniversary of the delivery by Bayer to Exelixis of a Lack Of Freedom To Operate Notice under Section 1.15(d) hereof, the license(s) described in Section 1.15(d) hereof have not the come into being and if Bayer and Exelixis have not agreed otherwise in writing that such state of matters does not constitute a Changed Circumstance as described in such Section 1.15(d) hereof, or (4) if Exelixis does not increase the number of its Technical Personnel FTE's within the time period set forth in Section 1.15(e) hereof, and if both Members wish to purchase the Membership Interest of the other Member, then either Member may purchase the Membership Interest from the other, in either case in accordance with the following procedures:

(a) Appraisal Of Fair Market Value. The Fair Market Value of each Member's Membership Interest (which together will constitute one hundred percent (100%) of the Fair Market Value of the LLC) will be determined and reported to the Members in writing by an Appraiser selected using the procedure set forth in Section 13.1(d) hereof, and provided that the provisions of Sections 13.1(e)-(g) hereof also will apply to the actions and results of such Appraiser's determination.

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(b) Purchase By One Member Or The Other's Membership Interest Voluntarily If Fair Market Value Is Agreed. If, upon receiving the Appraiser's determination of the Fair Market Value of each other's Membership Interest, one Member wishes to sell and the other to buy at such Fair Market Value, such Member will so notify the other Member in writing and within [*] after its receipt of such determination, and they will consummate such transaction as soon as possible on such terms as they agree in writing.

(c) Auctioneer. If the Members do not agree on the Fair Market Value of each other's Membership Interest within such [*] period, then the "Auctioneer" will be the Appraiser selected pursuant to Section 13.1 hereof, whether by mutual written agreement of the Members or as selected by their two independent third party Appraisers.

(d) Fees And Expenses Of Auctioneer. The fees and expenses of the Auctioneer, for acting as such, will be paid one-half (1/2) each by the Members.

(e) Auction and Auction Process; Conduct of Auction; Closing of Purchase Of Relevant Membership Interest.

(i) Auction And Auction Process. The Auctioneer will conduct an auction (the "Auction"), under the procedure as hereinafter provided, commencing on the [*] day following the date of the Auctioneer's selection, to determine, as hereinafter provided, which Member will, as will be determined by the Auctioneer as provided herein, purchase the other Member's Membership Interest. The Auction will be conducted by the Auctioneer in an even-handed, equitable and impartial manner in accordance with the provisions of this Section 13.5 and in accordance with any further provisions specified in writing to the Members by the Auctioneer (subject to the last clause of this sentence as to agreement by the Members), which in each case which are consistent with and do not contravene the provisions of this Section 13.5, provided that the Members may mutually agree in writing to any lawful procedures with respect to the Auction, which writing will be binding on the Auctioneer and the Members, will constitute an amendment hereto, and will be controlling over any procedures specified by the Auctioneer.

(ii) Bid Process; Bids Based Upon Percentage Interest To Which Bid Relates; Non-Accepted Bids; Determination of Winning Bid; Purchase and Closing.

(A) Bid Process. Bayer will make the first bid in the Auction by submitting its bid for Exelixis' Membership Interest in writing to the Auctioneer, which first bid must be made within [*] after the Auctioneer's selection, and must be at least equal to the Fair Market Value of Exelixis' Membership Interest as determined by the Appraiser, after which the Members will alternate in submitting bids in writing to the Auctioneer for each other's Membership Interest. The Auctioneer will promptly notify each Member in writing of the Auctioneer's receipt of a bid and the amount of such bid, after which the Member who had not made the previous bid will have [*] to submit its bid to the Auctioneer.

(B) Bids Based Upon Percentage Interest To Which Bid Relates. Each bid by the relevant Member will be based upon the relative Percentage Interest

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that is held by the other Member, such that, if the Percentage Interests of Bayer and Exelixis were the same at the time of the Auction as they are at the Commencement Date, then any bid by Bayer for Exelixis' interest will be based upon Exelixis' forty percent (40%) interest in the LLC, and any bid by Exelixis will be based upon Bayer's sixty percent (60%) interest in the LLC.

(C) Non-Accepted (Invalid) Bids. Any bid submitted to the Auctioneer (other than with respect to the first bid by Bayer in the Auction process) that does not exceed the immediately preceding bid of the same bidding Member by at least [*] of such bidder's last bid for the other Member's Membership Interest will be considered an invalid bid and will not be accepted by the Auctioneer.

(D) Determination By Auctioneer of Winning Bid; Notification. If a Member does not submit a bid (or an invalid bid is submitted as specified in Section 13.5(c)(ii)(C) hereof, and no subsequent valid bid is submitted) in such [*] period or at such time as a Member states in writing to the Auctioneer that such Member is unwilling to submit any further bids, the Auctioneer will declare the Auction completed and will notify the Members and the Management Committee promptly in writing that it is completed. Upon such completion of the Auction process, the Auctioneer will determine, in such Auctioneer's sole good faith discretion, which determination will be binding upon the Members absent demonstrable mathematical or factual error, or fraud, which Member's final bid in the Auction process is more fair to the other Member, taking into account the relative Percentage Interests of the Members, than the other Member's bid. The Auctioneer will notify the Members in writing as to the Auctioneer's decision, within [*] after the Auctioneer's decision, specifying the winning bidder Member and the amount of the winning bid as so determined by the Auctioneer.

(iii) Purchase By Winning Bidding Member Of Other Member's Membership Interest. The winning bidding Member will purchase the other Member's Membership Interest at the price submitted by such winning bidding Member in its winning bid.

(iv) Closing. The purchase by the winning bid Member from the other Member, at the price specified in such high bid, and for cash or such other consideration as the Members agree in writing, will occur within [*] after the date the winning bid is declared by the Auctioneer, but giving effect to any delay days caused by obtaining appropriate regulatory approvals.

13.6 Arbitration Upon Deadlock On Substantial Disagreement Prior To Fourth Anniversary Of Commencement Date. If there exists Deadlock on a Substantial Disagreement prior to the [*] anniversary of the Commencement Date, the Deadlock will be resolved by arbitration pursuant to the provisions of Section 17.2 hereof, and neither Member will have the right under this Article XIII to buy out the other Member's Membership Interest solely by reason of such Deadlock on Substantial Disagreement.

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ARTICLE XIV
DEFAULT

14.1 Events Of Default. An "Event of Default" will be considered to have occurred with respect to a Member (which Member will be considered for purposes of this Agreement as the Affected Member with respect to such Event of Default) if:

(a) Failure To Make Capital Contribution. Such Affected Member fails to make a Capital Contribution required of it pursuant to Article IV hereof and such failure continues for [*] after such Affected Member has been given written notice thereof by the Non-Affected Member or by the Management Committee; and/or

(b) Insufficient Technical Personnel FTE's Of Exelixis. If at the close of any calendar quarter during the term hereof, (i) Exelixis had serving as full-time employees or as full-time consultants to Exelixis during such quarter a total of less than [*] Technical Personnel FTE's (as defined in Section 7.10(b)(v) hereof), and (ii) if within [*] after delivery to Bayer by the LLC of the report as to Technical Personnel FTE's for such quarter required under Section 7.10(b)(v) hereof, Bayer gives written notice to Exelixis that, in the good faith judgment of Bayer, Exelixis has insufficient Technical Personnel FTE's to warrant continuing the LLC, and (iii) Exelixis does not increase the number of Technical Personnel FTE's to at least [*] within [*] after delivery of such notice by Bayer; and/or

(c) Certain Other Failures. Such Affected Member fails to perform or violates any other material term or condition of this Agreement and such failure or violation continues for [*] or more days after such Affected Member has been given written notice thereof by the Non-Affected Member or by the Management Committee; provided that nothing herein will limit the Affected Member's obligation to pay damages for such breach during such cure period; and/or

(d) Certain Actions. Such Affected Member otherwise causes the dissolution of the LLC in contravention of the terms of this Agreement; and/or

(e) Material Breach of Collaboration Agreement. Such Affected Member fails to cure a breach of the LLC Collaboration Agreement (as defined in Section 14.3 thereof) and the Non-Affected Member exercises its rights pursuant to Section 14.2(c) or (d) of this Agreement; and

(f) Notice By Non-Affected Member. Written notice has been given to the Affected Member by the Non-Affected Member, with a copy of the Management Committee, reciting facts therein in reasonable detail regarding (i) the date upon which, in the good faith judgment and knowledge of the Non-Affected Member, such Event of Default occurred for the Affected Member, (ii) the general nature of such Event of Default and (iii) that the Event of Default (A) is having or would have, in the good faith judgment of the Non-Affected Member, a material adverse effect upon the Affected Member's ability to perform such Affected Member's obligations under this Agreement, the LLC Collaboration Agreement, and/or the relevant

Collateral Agreements, and (B) which does have or would have, in the good faith judgment of the Non-Affected Member, a material adverse effect on the business or operations of the LLC.

14.2 Remedies of Default. Except as limited by Section 14.1(c) of this Agreement and by Section 14.3(b) of the LLC Collaboration Agreement, upon the occurrence of, and during the continuance of, an Event of Default, the Non-Affected Member may elect any or all of the following remedies:

(a) Injunctive Relief. The Non-Affected Member may seek to enjoin such default or to obtain specific performance of the Affected Member's obligations; or

(b) Withhold Payments To The LLC. The Non-Affected Member then may withhold payments otherwise required hereunder to be made to the LLC; or

(c) Termination And Dissolution Of LLC. The Non-Affected Member may elect to terminate and dissolve the LLC as provided in Section 12.1(b)(iii)(C) hereof, in which event the affairs of the LLC will be wound up as provided in Article XII hereof; or

(d) Purchase Of Membership Interest. The Non-Affected Member may elect to purchase the Affected Member's entire Membership Interest pursuant to Section 13.3 hereof.

14.3 Election Of Remedies. The election of a remedy specified under Section 14.2(a) hereof by the Non-Affected Member will be made by giving written notice (a "Default Notice") to the Affected Member, with a copy to the Management Committee, at any time that the Event of Default has occurred and is continuing. If an election by the Non-Affected Member is made pursuant to Section 14.2(a) hereof to seek an injunction, specific performance or other equitable relief, and a final judgment in such action is rendered denying such equitable remedy, then the Non-Affected Member may elect to pursue the remedy specified in Section 14.2(a) hereof to the extent such remedy is available unless, prior to the giving of such notice, the Affected Member has cured the relevant Event of Default in full or the final judgment denying equitable relief specifically held that there was no Event of Default by the Affected Member. The election of any remedy by the Non-Affected Member pursuant to Section 14.2 hereof and to this Section 14.3 will not for any purpose be deemed to be a waiver by the Non-Affected Member of any other remedy available to the Non-Affected Member under applicable law.

ARTICLE XV
EFFECT OF CERTAIN EVENTS

15.1 Certain Changed Circumstance Applicable To Either Member. If a Changed Circumstance occurs with respect to either Member during the term of the LLC, then unless otherwise agreed in writing by the Members, LLC Collaboration Agreement and the Collateral Agreements as they may then exist will, unless and to the extent that they otherwise so provide, remain in full force and effect.

15.2 Certain Changed Circumstance Applicable To Exelixis. If a Changed Circumstance occurs with respect to Exelixis, and if Bayer, in its sole discretion, does not timely elect to terminate the LLC under Section 12.1 hereof, then:

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(a) Continuation Of LLC. The LLC will continue in existence; and

(b) Continuation Of Certain Agreements. The LLC Collaboration Agreement and the Collateral Agreements as they may then exist will, to the extent they so provide, remain in full force and effect; and

(c) Continuation Of Assay Development Within LLC. Assay development within the LLC will continue until the end of the Research Term, as defined in the LLC Collaboration Agreement; and

(d) Updates Of HelioTag. Bayer and the LLC will continue to get updates of HelioTag (as it may be renamed after the Commencement Date) from Exelixis in the manner delivered prior to such event; and

(e) Continuation Of LLC And Of Percentage Interests. If Bayer does not purchase Exelixis' Membership Interest as provided under Article XIII hereof, the Members will retain their respective Membership Interests and Percentage Interests; and

(f) Certain Conditions Applicable To Exelixis During Interim Period. If pursuant to Section 13.2(a)(iii) hereof Bayer not has waived, or been deemed to have waived, its Buyout right, then for the period between the date of such notice from Exelixis to Bayer as to such Changed Circumstance and the earliest of (1) the date of the Buyout by Bayer of Exelixis' Membership Interest, (2) the termination of the LLC pursuant to the terms hereof, or (3) the closing of the transaction involving Exelixis which gave rise to the Changed Circumstance, as relevant:

(i) Independent Member Representatives And Members Of The JSC. Exelixis must immediately appoint and have serving during such period as its Member Representatives and as its members of the JSC individuals who are independent of Exelixis, and

(ii) Exelixis Access To Certain Information. Exelixis will have access to data and intellectual property that is generated by the LLC with respect to research and development upon such terms as the Management Committee determines in good faith, but will continue to get such financial information as is provided under Section 8.6 hereof.

(iii) Certain Resumption Of Rights Of Exelixis. If pursuant to Section 13.2(a)(iii) hereof Bayer does not waive, or is not deemed thereunder to waive, its Buyout right, but does not thereafter timely exercise its Buyout right, or if before Bayer exercises such Buyout right such Changed Circumstance ceases to exist, the cessation of which Exelixis will immediately notify Bayer in writing, with a copy to the Management Committee, then Exelixis' rights as to whom it may appoint as Member Representatives and members of the JSC, and its other rights hereunder, including its rights to any information of the LLC, will resume as in effect immediately prior to such Changed Circumstance coming into being.

15.3 Certain Changed Circumstance Applicable To Bayer. If a Changed Circumstance occurs with respect to Bayer, and if Exelixis, in its sole discretion, does not timely elect to terminate the LLC as provided in Section 12.1 hereof, then:

(a) Continuation Of LLC. The LLC will continue in existence; and

(b) Continuation Of Certain Agreements. The LLC Collaboration Agreement and the Collateral Agreements as they may then exist will, to the extent they so provide, remain in full force and effect; and

(c) Continuation Of Assay Development Within LLC. Assay development within the LLC will continue until the end of the Research Term, as defined in the LLC Collaboration Agreement; and

(d) Updates Of HelioTag. The LLC will continue to get updates of HelioTag (as it may be renamed after the Commencement Date) from Exelixis in the manner delivered prior to such event; and

(e) Continuation Of LLC And Of Percentage Interests. If Exelixis does not purchase Bayer's Membership Interest as provided under Article XIII hereof, the Members will retain their respective Membership Interests and Percentage Interests; and

(f) Certain Conditions Applicable To Bayer During Interim Period. If pursuant to Section 13.2(a)(iii) hereof Exelixis not has waived, or been deemed to have waived, its Buyout right, then for the period between the date of such notice from Bayer to Exelixis as to such Changed Circumstance and the earliest of (1) the date of the Buyout by Exelixis of Bayer's Membership Interest, or (2) the termination of the LLC pursuant to the terms hereof, or (3) the closing of the transaction involving Bayer which gave rise to the Changed Circumstance, as relevant:

(i) Independent Member Representatives And Members Of The JSC. Bayer must immediately appoint and have serving during such period as its Member Representatives and as its members of the JSC individuals who are independent of Bayer, and

(ii) Bayer Access To Certain Information. Bayer will have access to data and intellectual property that is generated by the LLC with respect to research and development upon such terms as the Management Committee determines in good faith, but will continue to get such financial information as is provided under Section 8.6 hereof.

(iii) Certain Resumption Of Rights Of Bayer. If pursuant to Section 13.2(a)(iii) hereof Exelixis does not waive, or is not deemed thereunder to waive, its Buyout right, but does not thereafter timely exercise its Buyout right, or if before Exelixis exercises such Buyout right such Changed Circumstance ceases to exist, the cessation of which Bayer will immediately notify Exelixis in writing, with a copy to the Management Committee, then Bayer's rights as to whom it may appoint as Member Representatives and members of the JSC, and its other rights hereunder, including its rights to any information of the LLC, will resume as in effect immediately prior to such Changed Circumstance coming into being.

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ARTICLE XVI
RIGHT OF FIRST OFFER

16.1 Exercise Of Rights; Adjustment Of Percentage Interests.

(a) Notice Of Proposed Issuance of Additional Membership Interests Or Other Interests. If the LLC proposes to issue any additional Membership Interests or any other interests in the LLC, including without limitation any equity security of the LLC, and including therein without limitation convertible promissory notes, warrants or options to purchase an interest in the LLC, and such proposal has been approved by the Management Committee, the LLC will give each Member prior written notice of the LLC's intention, describing the additional Membership Interests or other interests in the LLC, the price and the general terms and conditions upon which the LLC proposes to issue such additional Membership Interests or other interests in the LLC and the anticipated effect on such Member's Percentage Interest.

(b) Exercise Of Right By Members. Each Member will have [*] after the giving of such notice, and [*] after the giving of any notice of a material change in such offering (which change notice the LLC promptly will deliver to each Member), to elect by giving written notice thereof to the Management Committee, to purchase, for the price and upon the terms and conditions specified in the LLC's notice, up to the total of additional Membership Interests or other interests in the LLC offered, in each case with a right of oversubscription for each Member, the amount of which oversubscription to be specified in such written notice to the LLC.

(c) Procedure In The Event Of Oversubscription By Members. If both Members subscribe (the "Subscribing Members") for more than the total of additional Membership Interests or other interests in the LLC Offered (whether such total is all of such additional Membership Interests or other interests in the LLC, then the Subscribing Members, together, will be entitled to purchase only their respective Pro Rata Share, up to the total of additional Membership Interests or other interests in the LLC offered.

(d) Automatic Adjustment Of Percentage Interests. The Percentage Interests of the Members will automatically, without any executed amendment hereto being requested, be adjusted, from and after the issuance of such additional Membership Interests, to reflect the result of such issuance.

16.2 Issuance Of New Securities To Other Persons. If the Members do not together or singly purchase all of the Membership Interests or other interests in the LLC so offered, then the LLC will, if both Members have so agreed in writing, have [*] following exercise by the Members of their rights of first offer hereunder to sell to other Persons the additional Membership Interests or other interests in the LLC in respect of which the rights of purchase of the Members were not exercised, at a price and upon general terms and conditions no more favorable to the purchasers thereof than specified in the LLC's notice to the Members pursuant to Section 16.1 hereof. If the LLC has not sold the additional Membership Interests or other interests in the LLC within such [*], the LLC will not thereafter issue or sell any additional

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Membership Interests or other interests in the LLC without first offering such securities to the Members, in the manner provided in this Section 16.2.

16.3 Termination Of Rights Of First Offer. The rights of first offer established by this Section 16 will terminate as to all Members upon the termination of the LLC.

ARTICLE XVII
DISPUTE RESOLUTION

17.1 Procedure Before Arbitration. Any dispute between the Members other than a dispute over a tax reporting matter, which will be resolved as provided in Section 17.3 hereof, and other than a dispute involving intellectual property of either Member or of the LLC, for which judicial resolution will be available to any party, but otherwise including without limitation a Substantial Disagreement and in each case involving, and only with respect to, the LLC, will be attempted to be resolved by the Members in accordance with the following procedure before the provisions of Section 17.2 hereof will apply:

(a) Notice. One Member will notify the other Member in writing of the nature of the dispute in reasonable detail, with a copy to the Management Committee. If the Members cannot resolve such dispute within [*] after such notice is given, they will, by the end of such [*], agree on the issues giving rise to the dispute and will submit the matter, and such agreed issues, in writing to their respective Chief Executive Officer or equivalent.

(b) Appointment Of Senior Executives. Within [*] after their receipt of such notice of the dispute, the respective Chief Executive Officer of each Member (or a senior executive of the relevant Member (or, as to Bayer, at its election, a senior executive of Bayer AG) notified as such in writing promptly by such Member to the other Member), each will appoint a single delegate from among their respective senior executives who will have full power and authority to resolve the dispute. The respective delegates will then have a period of an additional [*] after the expiration of such initial [*] period within which to meet and attempt to resolve the dispute. If the senior executives cannot resolve the dispute within such time period, then the Chief Executive Officers of the Members (or their respective pre-specified senior executives, as relevant), will meet to attempt to resolve the dispute.

(c) Deadlock. If the dispute has not been resolved within [*] after the date of the original notice from one Member to the other of the dispute given as provided in Section 17.1(a) hereof, then either Member may certify to the other in writing, with a copy to the Management Committee, at any time within [*] after the expiration of such [*] period that the Members have reached Deadlock.

(d) Purchase Of Membership Interest Upon Deadlock After Fourth Anniversary Of Commencement Date. If either Member certifies to the other in writing that Deadlock has been reached with respect to a Substantial Disagreement after the fourth anniversary of the Commencement Date, then the LLC Collaboration Agreement will continue, but either Member may then offer to purchase the Membership Interest of the other in accordance with the provisions of Section 13.5 hereof. If the relevant Member declines in

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writing to, or does not timely, pursue such purchase process, then the matter will be resolved by arbitration as provided in Section 17.2 hereof.

(e) Procedure For Resolution If Deadlock For Other Than Substantial Disagreement, Or Deadlock On Substantial Disagreement Prior To [*] Anniversary. If either Member certifies to the other in writing that Deadlock has been reached with respect to a dispute other than one involving a Substantial Disagreement, or that Deadlock has been reached, prior to the [*] anniversary of the Commencement Date, with respect to a Substantial Disagreement then the parties agree that the LLC Collaboration Agreement will continue, but the matter will be resolved by arbitration as provided in Section 17.2 hereof.

17.2 Resolution By Arbitration.

(a) General. Except with respect to any dispute involving the Confidential Information or intellectual property of either party, for which the parties hereto may seek judicial relief, any dispute between or among any of the parties to this Agreement that arises out of or relates to this Agreement, including a Substantial Disagreement, will, after the procedures described in Section 17.1 have been followed to their conclusion, be finally settled by binding arbitration in accordance with the Rules of the International Chamber of Commerce (the "ICC"). Any disputes between the parties with respect to arbitration procedures will be resolved by arbitration under this Section 17.2. The arbitration will take place in New York, New York. The parties will, before the hearing of any dispute by such arbitrators, make discovery and disclosure of all materials relevant to the subject matter of such dispute, including the taking of depositions at times and places mutually agreeable to the parties, subject to such reasonable and customary further nondisclosure agreements or agreements relating to attorney-client privilege as either party may reasonably and in good faith request of the other in connection with such discovery and disclosure. Subject to such protective measures, the parties will make available to the arbitrators and to each other and their relevant professional advisors, access to materials in written, electronically stored, or other form, including access by computer over secured links, as the requesting arbitrator or party reasonably and in good faith requests. Neither party will be required to furnish such access in any medium other than that in which the relevant material is stored at the time of such request. The parties hereby agree to exclude any application or appeal to the courts in connection with any question of law arising in the course of the referral to arbitration or out of the award. Each of the parties will appoint one arbitrator and the two so nominated will, in turn, choose a third arbitrator. if the arbitrators chosen by the parties cannot agree on the choice of the third arbitrator within a period of thirty (30) days after their nomination, then the third arbitrator will be appointed by the ICC. The language of the arbitration will be English.

(b) Applicable Law. The law of the State of California, excluding that body of law known as conflict of laws, will be the applicable substantive law for all matters except those governed by the Act and by federal law, which will apply to such other matters. The applicable procedural law will be the law of the place of arbitration.

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(c) Arbitrator Decisions. The arbitrators will decide in accordance with the terms of this Agreement and will take into account any appropriate trade usages applicable to the transaction. The arbitrators will state in writing the reasons upon which the award is based.

(d) Award Of Arbitrators. The award of the arbitrators will be final and binding upon the parties, and may, at the arbitrators' discretion, include costs of the arbitration, reasonable fees and costs of attorneys, experts and other witnesses. Judgment upon the award may be entered in any court having jurisdiction. An application may be made to any such court for judicial acceptance of the award and an order of enforcement.

17.3 Resolution Of Certain Disputes Over Tax Matters. If either of the Members or the LLC disagrees with the proposed treatment of an item on the return prepared by or for the Tax Matters Member, the Members and the LLC will promptly seek to resolve the disagreement through good faith discussions. If the dispute cannot be so resolved, the Members and the LLC will engage the services of a mutually agreed nationally recognized law firm or accounting firm (which may be any law firm or accounting firm then retained by the LLC, or by either Member, otherwise for general or specific matters) to resolve the matter. The decision of such law firm or accounting firm on such matter, absent demonstrable factual error or mathematical error, or fraud, will be binding on the Members and the LLC. Such firm's fees and costs will be borne one-third by each Member and one-third by the LLC.

ARTICLE XVIII
CONFIDENTIALITY

18.1 Obligations Of Confidentiality. The provisions of this Article XVIII will apply to all Confidential Information disclosed by one party hereto to one or more of the other parties hereto, whether prior to or after the Commencement Date, and which is not otherwise the subject of a written nondisclosure agreement between the relevant parties. Each party hereto (a) will hold the other parties' Confidential Information in strict confidence, (b) will not disclose such Confidential Information to any third parties and will take all reasonable steps to prevent such disclosure, which steps will include at least those taken by such relevant other party to protect such other party's own confidential information of like kind, and (c) will not use any Confidential Information of the other party for any purpose except for the business of the LLC or as specifically permitted by the LLC Collaboration Agreement. Each receiving party may disclose the disclosing party's Confidential Information to the receiving party's responsible employees and consultants who have a bona fide need to know, but only to the extent necessary to carry out the purposes of the LLC. Each receiving party will instruct all such employees and consultants not to disclose such Confidential Information to third parties, including other consultants, without the prior written permission of the disclosing party.

18.2 Certain Confidential Information. The existence of this Agreement and its terms, and the existence and terms of the LLC Collaboration Agreement and the Collateral Agreements as they may then exist are Confidential Information of each party hereto.

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18.3 Return Of Confidential Information. Upon the disclosing party's request, the receiving party will promptly return to the disclosing party all tangible items containing or consisting of the disclosing party's Confidential Information and all copies thereof

18.4 No Other Rights. Nothing contained in this Agreement will be construed as granting any rights to the receiving party, by license or otherwise, to any of the disclosing party's Confidential Information except as specified in this Agreement

18.5 Acknowledgment. Each Member and the LLC acknowledge that the unauthorized disclosure or use of the disclosing party's Confidential Information would cause irreparable harm and significant injury to the disclosing party, the degree of which may be difficult to ascertain. Accordingly, each Member agrees that the disclosing party will have the right to seek an immediate injunction enjoining any breach of this Agreement by the receiving party or its employees or consultants, as well as the right to pursue any and all other rights and remedies available at law or in equity for such breach.

18.6 Disclosure Required By Law. If the receiving party (or its Affiliates) is required, whether by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process, by any competent government authority, including pursuant to any applicable rule of any stock exchange, self-regulatory organization or other government agency, including without limitation such disclosure in connection with any public offering of securities by either Member or their relevant Affiliates, to disclose any Confidential Information of the disclosing party, the receiving party will promptly notify the disclosing party in writing, in reasonable detail, of such request or requirement and will cooperate with the disclosing party in seeking appropriate protective arrangements requested by the disclosing party. If, in the absence of a protective order or the receipt of a waiver in writing by the disclosing party of such protective order, the receiving party (or any of its Affiliates) is in the written opinion of the receiving party's counsel compelled to disclose the Confidential Information, the receiving party (or its Affiliates) may disclose only so much of the Confidential Information to the party compelling disclosure as is required by law. The receiving party will exercise (and will cause its Affiliates to exercise) commercially reasonable best efforts to obtain appropriate protective arrangements or other reliable assurance that confidential treatment will be accorded to Confidential Information of the disclosing party in the event of such required disclosure.

18.7 Public Announcements. During the term of this Agreement, neither the LLC nor either Member will (except as may otherwise be required by law as described in, and subject to the provisions of, Section 18.6 hereof) issue any press release or other public announcement or disclosure, with respect to this Agreement or any of the Collateral Agreements as they may then exist, or any of the transactions contemplated hereby or thereby, nor any material development relating to any of the foregoing, without the prior written consent of both Members.

18.8 Survival Of Confidentiality Obligations. The provisions set forth in this Article XVIII will survive any expiration or termination of this Agreement, for a period of [*] after the effective date of such expiration or termination.

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ARTICLE XIX
MISCELLANEOUS

19.1 Further Assurances. The parties hereto will execute and deliver any further instruments or documents and perform any additional acts that are or may become necessary to effectuate and carry on the LLC created by this Agreement and to carry out the purposes and intent of this Agreement.

19.2 Binding Effect. Subject to the restrictions on transfer set forth in Section 3.4 hereof, this Agreement will be binding on and inures to the benefit of the Members and their respective transferees, successors, assigns and legal representatives.

19.3 Entire Agreement; Amendment; Incorporation Of Exhibits By Reference. This Agreement sets forth the agreement between the Members (or among the Members if there are more than two (2) Members) with respect to the specific subject matter hereof, and, except as otherwise set forth herein, supersedes and terminates all prior representations, agreements and understandings between the Members (or among the Members if there are more than two (2) Members) regarding the subject matter hereof. No alteration, amendment, change or addition to this Agreement will be binding upon the Members or the LLC unless in writing and signed by an authorized signatory of each Member, in which case such amendment also will be binding upon the LLC. Each Exhibit hereto is incorporated herein by reference.

19.4 Assignment. Neither Member (nor any Member if there are more than two (2) Members) may assign or transfer this Agreement or any of such Member's rights or obligations hereunder without the prior written consent of the other Member.

19.5 Notices. All notices, requests, consents and other communications hereunder to any party will be deemed to be sufficient if contained in a written instrument delivered in person, including delivery by recognized express courier, fees prepaid, or sent by facsimile transmission or duly sent by first class registered or certified mail, return receipt requested, postage prepaid, in each case addressed as set forth below, or to such other address as may hereinafter be designated in writing by the recipient to the sender pursuant to this Section 19.5. All such notices, requests, consents and other communications will be deemed to have been received in the case of personal delivery, including delivery by express courier, on the date of such delivery; in the case of facsimile transmission, on the date of transmission; and in the case of mailing, on the third day after deposit in the U.S. mail, proper postage prepaid. All notices to the Management Committee will be given to each Member Representative then serving, at such address for such Member Representative as is shown at the relevant time in the records of the LLC.

If to Exelixis: Exelixis Pharmaceuticals, Inc.
Attention: Chief Executive Officer
260 Littlefield Avenue
South San Francisco, CA 94080
Facsimile: 650-825-2205

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With a copy to: Cooley Godward LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306
Attention: Robert L. Jones
Facsimile: 650-857-0663

If to Bayer: Bayer Corporation
Attention: William G. Ferguson, Vice President and
Assistant General Counsel
8400 Hawthorne Road
Kansas City, MO 64120-0013 l
Facsimile: 816-242-2739

With a copy to: Heller Ehrman White & McAuliffe
Attention: Bruce W. Jenett
525 University Avenue
Palo Alto, CA 94301
Facsimile: 650-324-0638

If to the LLC: GenOptera LLC
Attention: Chief Executive Officer
c/o Exelixis Pharmaceuticals, Inc.
260 Littlefield Avenue
South San Francisco, CA 94080
Facsimile: 650-825-2205

19.6 Electronic Data Interchange. If both Members and/or the LLC elect to facilitate their activities hereunder by electronically sending and receiving data in agreed formats (also referred to in general usage as Electronic Data Interchange or EDI) in substitution for conventional paper-based documents, the terms and conditions of this Agreement will apply to such EDI activities and communications as if such EDI communication , and as if such communication were sent by facsimile.

19.7 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, then such provisions will be enforced to the maximum extent possible under applicable law and the remainder of such provisions) will be excluded from this Agreement, and the balance of this Agreement will be interpreted as if such provisions) or portion(s) thereof were so excluded and will continue to be enforceable in accordance with its terms.

19.8 Counting Of Time. Whenever days are to be counted under this Agreement, the first day will not be counted and the day will be counted, such that if a notice is delivered on a Monday to one Member, for example, with a five (5) day reply period hereunder, the reply must

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be given to the sending Member (not received by such sending Member) by such recipient member no later than 11:59 a.m. local time for the sender, on the Saturday next following such Monday.

19.9 Force Majeure Events. Except as otherwise provided herein, no Member will be in breach of this Agreement, or liable to the other Member, or to the LLC, for any loss, damage, detention, delay or failure of performance to the extent such loss, damage, detention, delay or failure is caused by a Force Majeure Event provided that the party claiming excuse uses its commercially reasonable efforts to overcome the same. In the event of a Force Majeure Event, the obligations of the Affected Member will be suspended as long as such Force Majeure Event continues, but such suspension will have no effect upon the rights of the Members to terminate the LLC, as provided in Section 12.1(c)(iii) hereof, or of one Member to purchase the Membership Interest of the other Member as provided in Section 13.2 hereof, in the event of a Continuing Force Majeure Event.

19.10 Hardship If, during the period of this Agreement, performance of this Agreement should lead to unreasonable hardship for one or other Member taking the interests of both Members into account, both Members will endeavor to agree in good faith to amend this Agreement in view of such circumstance.

19.11 Non-Waiver. The failure of a Member in any one or more instances to insist upon strict performance of any of the terms and conditions of this Agreement will not be construed as a waiver or relinquishment, to any extent, of the right to assert or rely upon any such terms or conditions on any future occasion.

19.12 Disclaimer Of Agency; No Right Of Members To Commit Or Bind LLC. This Agreement will not render either Member the legal representative or agent of another, nor will either Member have the right or authority to assume, create, or incur any third party liability or obligation of any kind, express or implied, against or in the name of or on behalf of another except as expressly set forth in this Agreement or except as may be expressly agreed in advance in writing by the Member to be bound. Except as expressly provided herein, or except as expressly consented to in writing by the other Member in advance of such commitment, no Member will have the right to commit or bind the LLC.

19.13 Certain Third Parties. Except with respect to the rights of certain Persons to be indemnified pursuant to Article XI of this Agreement, which Persons are intended as third party beneficiaries of their respective rights be indemnified as set forth therein, able to enforce their respective rights to such indemnification as if they were a party hereto, nothing in this Agreement, express or implied, is intended to confer upon any person, other than the parties hereto and their successors and assigns, any rights or remedies under or by reason of this Agreement.

19.14 No Grant Of Rights. Except as specifically stated herein, neither Member, nor the LLC, grants to any other party hereto and rights or license to any intellectual property rights or other rights of the first party.

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19.15 Expenses. Except as otherwise provided in this Agreement (a) all expenses incurred by a Member in connection with its obligations under this Agreement will be borne solely by such Member, and (b) each Member will be responsible for appointing its own employees, agents and representatives, who will be compensated by such Member.

19.16 Captions. The captions to Sections of this Agreement have been inserted for identification and reference purposes only and will not be used to construe or interpret this Agreement.

19.17 Costs And Attorneys' Fees. Except as otherwise provided in Article XI hereof, including therein the definition of "Damages" under Section 1.21 hereof, if any action, suit or other proceeding is instituted concerning or arising out of this Agreement or any transaction contemplated hereunder, the prevailing party will recover all of such party's reasonable fees and costs of attorneys incurred in each such action, suit or other proceeding, including any and all appeals or petitions therefrom.

19.18 Governing Law. The law of the State of California, excluding that body of law known as conflict of laws, will be the applicable substantive law for all matters involving this Agreement, except those governed by the Act and by federal law, which will apply to such other matters.

19.19 Waiver Of Action For Partition. Each Member hereby irrevocably waives during the term of the LLC any right that such Member may have to maintain any action for partition with respect to the property of the LLC.

19.20 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be an original and both of which will constitute together the same document.

19.21 Official Language. The official text of this Agreement and any appendices, Exhibits and Schedules hereto, will be made, written and interpreted in English. Any notices, accounts, reports, documents, disclosures of information or statements required by or made under this Agreement, whether during its term or upon expiration or termination thereof, will be in English. In the event of any dispute concerning the construction or meaning of this Agreement, reference will be made only to this Agreement as written in English and not to any other translation into any other language.

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

BAYER CORPORATION	EXELIXIS PHARMACEUTICALS, INC.
By: /s/ Emil E. Lansu	By: /s/ George Scangos
Name: Emil E. Lansu	Name: George Scangos
Title: Executive Vice President	Title: President & CEO
Date signed: December 16, 1999	Date signed: December 16, 1999

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GENOPTERA LLC
By: /s/ Frank F. Reuscher

Name: Frank F. Reuscher
Title: Chief Executive Officer
Date signed: December 15, 1999

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EXHIBIT A

LIST OF COLLATERAL AGREEMENTS

[NONE AT THE EFFECTIVE DATE]

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COOPERATION AGREEMENT

This COOPERATION AGREEMENT (the "Agreement") is made as of September 15, 1998, by and between EXELIXIS PHARMACEUTICALS, INC., a Delaware corporation ("Exelixis"), and ARTEMIS PHARMACEUTICALS GMBH, a corporation organized under the laws of the Federal Republic of Germany ("Artemis").

RECITALS

WHEREAS, Exelixis is engaged in the development of model genetic screening systems using the fruit fly Drosophila melanogaster and the nematode worm C. elegans and Artemis is engaged in the development of model genetic screening systems using zebrafish and mouse genetic technology;

WHEREAS, Exelixis and Artemis desire to work together using each other's technology and expertise to identify and validate drug screening targets;

WHEREAS, the Chief Executive Officer of Exelixis (the "Exelixis CEO") and the Geschaftsfuhrer of Artemis (the "Artemis Geschaftsfuhrer") will meet from to time as necessary to discuss opportunities available to either of the companies to commercialize the technology being developed by the companies and products developed therefrom;

WHEREAS, Exelixis has established a committee (the "Exelixis Committee") pursuant to resolutions of the Board of Directors of Exelixis adopted on July 8, 1998, a copy of which are attached hereto as Annex A (the "Exelixis Board Resolutions"), comprised of representatives of Exelixis and representatives of the shareholders of Artemis, with the powers, authority, duties and responsibilities set forth in such resolutions;

WHEREAS, Exelixis, Artemis and the other parties signatory thereto have entered into a Shareholders' Agreement dated as of September 15, 1998, a copy of which is attached hereto as Annex B (the "Artemis Shareholders Agreement"), pursuant to which the shareholders of Artemis have established a committee (the "Artemis Committee") comprised of representatives of Exelixis and representatives of the other shareholders of Artemis with the powers, authority, duties and responsibilities set forth in the Artemis Shareholders Agreement; and

WHEREAS, the Exelixis Committee shall have two primary functions: (i) to approve all arrangements to be entered into by Exelixis with any third party regarding the development, marketing, sales, promotion, manufacturing or other commercialization of Exelixis' technology or any products developed therefrom and (ii) to make recommendations to the Board regarding certain significant transactions involving Exelixis; the functions of the Artemis Committee shall be substantially similar to the functions of the Exelixis Committee with respect to commercialization arrangements and certain significant transactions involving Artemis.

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Exelixis and Artemis hereby agree as follows:

SECTION 1. COMMERCIALIZATION OPPORTUNITIES.

1.1 Exelixis Commercialization Opportunities. Exelixis hereby agrees that in the event that an opportunity arises regarding an agreement with a third party for the development of Exelixis' technology and the marketing, sales, co-promotion, manufacturing or other commercialization arrangements with respect to Exelixis' technology or any products developed therefrom (an "Exelixis Commercialization Arrangement"), the Exelixis CEO will notify the Artemis Geschaftsfuhrer and the two will meet to discuss the proposal and to negotiate the terms of any Exelixis Commercialization Arrangement, including, but not limited to, any necessary allocation of responsibilities between Exelixis and Artemis, the amount and structure of royalty payments, milestone payments and any other fees and the allocation of such payments between Exelixis and Artemis, the payment of commercialization expenses and the terms of any license agreement between the two parties.

1.2 Artemis; Commercialization Opportunities. Artemis hereby agrees that in the event that an opportunity arises regarding an agreement with a third party for the development of Artemis' technology and the marketing, sales, co-promotion, manufacturing or other commercialization arrangements with respect to Artemis' technology or any products developed therefrom (an "Artemis Commercialization Arrangement"), the Artemis Geschaftsfuhrer will notify the Exelixis CEO and the two will meet to discuss the proposal and to negotiate the terms of any Artemis Commercialization Arrangement, including, but not limited to, any necessary allocation of responsibilities between Exelixis and Artemis, the amount and structure of royalty payments, milestone payments and any other fees and the allocation of such payments between Exelixis and Artemis, the payment of commercialization expenses and the terms of any license agreement between the two parties.

SECTION 2. COMMITTEE APPROVAL.

2.1 Exelixis Committee Approval. Exelixis hereby agrees that prior to executing a definitive agreement with respect to an Exelixis Commercialization Arrangement, the Exelixis CEO will present such agreement to the Exelixis Committee for its approval, and such agreement will be subject to the affirmative vote or a majority of the Exelixis Committee members.

2.2 Artemis Committee Approval. Artemis hereby agrees that prior to executing a definitive agreement with respect to an Artemis Commercialization Arrangement, the Artemis Geschaftsfuhrer will present such agreement to the Artemis Committee for its approval, and such agreement will be subject to the affirmative vote of a majority of the Artemis Committee members.

SECTION 3. TERM.

This Agreement shall be effective for a period of five years, commencing as of the date of this Agreement, or for such other period as shall be agreed to by Exelixis and Artemis. This Agreement shall terminate in the event that the members of the Exelixis Committee and the Artemis Committee are not identical or the functions of the Exelixis Committee and the Artemis are not substantially similar.

SECTION 4. MISCELLANEOUS.

4.1 Relationship of the Parties. Nothing contained in this Agreement is intended or is to be construed to constitute Exelixis and Artemis as partners or joint venturers or one party as an employee of any other party. Except as expressly provided herein, neither Exelixis nor Artemis shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other or to bind each other to any contract, agreement or undertaking with any third party.

4.2 Further Assurances. Each of Exelixis and Artemis hereby agree to duly execute and deliver, or cause to be duly executed and delivered, such further instruments and do and cause to be done such further acts and things, including, without limitation, the filing of such' additional assignments, agreements, documents and instruments, that may be necessary or as the other party hereto may at any time and from time to time reasonably request in connection with this Agreement or to carry out more effectively the provisions and purposes of this Agreement.

4.3 Successors and Assigns. The terms and provisions of this Agreement shall inure to the benefit of, and be binding upon, Exelixis, Artemis, and their respective successors and assigns; provided, however, that Exelixis and Artemis may not assign or otherwise transfer any of their respective rights and interests, nor delegate any of their respective obligations, hereunder, including, without limitation, pursuant to a merger or consolidation, without the prior written consent of the other party hereto. Subject to the foregoing, any reference to Exelixis or Artemis hereunder shall be deemed to include the successors thereto and .assigns thereof.

4.4 Amendments. No amendment, modification, waiver, termination or discharge of any provision of this Agreement, nor consent by either party to any departure therefrom, shall in any event be effective unless the same shall be in writing signed by Exelixis and Artemis, and each amendment, modification, waiver, termination or discharge shall be effective only in the specific instance and for the specific purpose for which given.

4.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, as applied to contracts made and performed entirely within the State of New York. Except as otherwise provided herein, any claim or controversy arising out of or related to this contract or any breach hereof shall be submitted to a court of competent jurisdiction in the State of New York, and each of Exelixis and Artemis hereby consent to the jurisdiction and venue of such court.

4.6 Severability. If any provision hereof should be held invalid, illegal or unenforceable in any respect in any jurisdiction, then, to the fullest extent permitted by law, (a) all other provisions hereof shall remain in full force and effect in such jurisdiction and shall be liberally construed in order to carry out the intentions of the parties hereto as nearly as may be possible and(b) such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction. To the extent permitted by applicable law, Exelixis and Artemis hereby waive any provision of law that would render any provision hereof prohibited or unenforceable in any respect.

4.7 Headings. The headings of the Sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

4.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original, and all of which counterparts, taken together, shall constitute one and the same instrument.

4.9 Entire Agreement. This Agreement, together with any agreements referenced herein, constitute, on and as of the date hereof, the entire agreement of Exelixis and Artemis with respect to the subject matter hereof, and all prior or contemporaneous understandings or agreements, whether written or oral between Exelixis and Artemis with respect to such subject matter are hereby superseded in their entirety.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

EXELIXIS PHARMACEUTICALS, INC.

/s/ George Scangos

By:
Name: George Scangos
Title: President and CEO

ARTEMUS PHARMACEUTICALS GMBH

/s/ Peter Stadler

By:
Name: Peter Stadler
Title: CEO

ANNEX A

RESOLUTIONS OF THE BOARD OF DIRECTORS OF EXELIXIS

A. Formation and Conduct of the Exelixis Committee

WHEREAS, in connection with the Cooperation Agreement, the Board desires to establish a committee (the "Exelixis Committee") comprised of representatives of Exelixis and Artemis; the Exelixis Committee shall have two primary functions: (i) to approve all arrangements to be entered into by the Corporation with any third party regarding the development, marketing, sales, promotion, manufacturing or other commercialization of the Corporation's technology or any products developed therefrom and certain other material agreements and (ii) to make recommendations to the Board regarding certain significant transactions involving, the Corporation; and WHEREAS, the shareholders of Artemis will establish a similar committee (the "Artemis Committee") pursuant to the terms of the Shareholders Agreement and Artemis' Articles of Association; the members of the Artemis Committee shall be identical to the members of the Exelixis Committee and the functions of the Artemis Committee shall be substantially similar to the Exelixis Committee with respect to commercialization arrangements and certain significant transactions involving Artemis.

RESOLVED, that the Exelixis Committee shall have five members, three of which shall be appointed by the Board (the "Exelixis-Committee Members") and two of which shall be appointed by Artemis as representatives of the other shareholders of Artemis (the "Artemis Committee Members");

RESOLVED, that the Exelixis Committee shall be comprised of the following persons: George A. Scangos, Stelios Papadopoulos and Jean-Francois Formela, as the Exelixis designees, and Peter Stadler and Jurgen Drews, as the Artemis designees;

RESOLVED, that each Exelixis Committee Member designated by the Corporation shall serve for a five-year term and until such time as his successor has been appointed by the Board or until his earlier resignation or removal and each Exelixis Committee Member designated by Artemis shall serve for a five-year term or until such time as Artemis shall notify the Committee of his resignation or removal; Members of the Exelixis Committee may resign at any time; the Exelixis Committee Members may only be removed by this Board and the Artemis Committee Members may only be removed by Artemis; vacancies on the Exelixis Committee resulting from resignation, removal or other cause may only be filled, in the case of an Exelixis Committee Member, by the Board and, in the case of an Artemis Committee Member, by Artemis; RESOLVED, that the Exelixis Committee shall remain in effect until the earlier of five years from the date of Cooperation Agreement or the termination of the Cooperation Agreement, provided, however, in the event that the term of the Cooperation Agreement is extended, the Exelixis Committee shall remain in effect for such extended period;

RESOLVED, that 80% of the members of the Exelixis Committee shall constitute a quorum for the transaction of business at any meeting of the Exelixis Committee, provided that in the event that a quorum is not present at two consecutive meetings, a third meeting will be convened within one week of the last scheduled meeting at which a quorum was not present and for purposes of such meeting, a majority of the members of the Exelixis Committee will constitute a quorum; meetings of the Exelixis Committee may be convened upon 15 days notice;

RESOLVED, that, except as provided in paragraph B(3) below, the affirmative vote of a majority of the members of the Exelixis Committee present at a meeting at which a quorum is present shall be the act of the Exelixis Committee; and

RESOLVED, that the expenses of each Exelixis Committee Member shall be paid by Exelixis and the expenses of each Artemis Committee Member shall be paid by Artemis.

B. Exelixis Committee Functions

RESOLVED, that upon the approval of a majority of the members of the Exelixis Committee present at a meeting at which a quorum is present, the proper officers of the Corporation be, and each of them hereby is authorized to enter into agreements on behalf of the Corporation in connection with the following transactions:

(i) Third-party Commercialization Arrangements. All arrangements to be entered into by the Corporation with any third party regarding the development, marketing, sales, promotion, manufacturing or other commercialization of Exelixis' technology, expertise or any products developed therefrom;

(ii) Material Agreements. Any material agreement to be entered into by the Corporation with any third party, other than material agreements to be entered into in connection with the transactions described in paragraphs (I)-(6) below; and

(iii) Incurrence of Indebtedness. Borrowing funds or incurring any indebtedness in excess of US$500,000.

RESOLVED, that in connection with the Board's consideration of any of the following transactions, it shall consider the recommendation of the Exelixis Committee, which recommendation, except as otherwise provided in paragraph (3) below, shall require the approval of a majority of the members of the Exelixis Committee present at a meeting at which a quorum is present:

(1) Capital Transactions. Increasing or reducing the Corporation's authorized capital or creating any additional class of capital stock of the Corporation, or selling or issuing shares of capital stock (or securities convertible into or exchangeable for capital stock or warrants, options or rights to acquire shares of capital stock or to acquire securities convertible into or exchangeable for capital stock) of the Corporation, except for (A) shares of the Company's Common Stock, par value $.001 per share (the "Common Stock") issuable upon conversion of the Corporation's outstanding Series A Convertible Preferred Stock, par value $.001 per share, Series B Convertible Preferred Stock, par value $.001 per share, and Series C Convertible Preferred Stock; (B) shares issuable upon exercise of any warrants, options or rights to acquire shares of capital stock of the Company outstanding on the date of the Cooperation Agreement; and (C) options granted pursuant to the terms of any stock option or other employee benefit plan existing on the date of the Cooperation Agreement;

(2) Asset Sales. Selling, leasing, exchanging, transferring or otherwise disposing of, directly or indirectly, in a single transaction or series of related transactions, all or substantially all of the Corporation's property and assets;

(3) Business Combinations. (A) Entering into any business combination between the Corporation and Artemis whether by merger, consolidation, transfer of assets or otherwise (a "Business Combination") during the period commencing 18 months from the date of the Cooperation Agreement and terminating on the fifth anniversary of such date (the "Initial Period"), provided, however, any Business Combination to be entered into prior to, or in the event that the term of the Cooperation Agreement is extended, after, the Initial Period shall require the unanimous vote of the members of the Exelixis Committee or (B) entering into any Business Combination with a third party other than Artemis;

(4) Dissolution of the Corporation. (A) Seeking the liquidation, reorganization, dissolution or winding-up of the Corporation, (B) applying for or consenting to the appointment of, or the taking possession by, a receiver, custodian, trustee or liquidator for itself or of all or a substantial part of the Corporation's assets, (C) make a general assignment for the benefit of the Corporation's creditors, (D) commencing a voluntary case under the United States' Bankruptcy Code;

(5) Declaring or paying any dividends on the Common Stock; or
(6) Repurchasing or redeeming any capital stock or other securities or capital stock of the Corporation.

C. Appointment of Exelixis Members to the Artemis Committee

RESOLVED, that George A. Scangos, Stelios Papadopoulos and Jean-Francois Formela, be and each of them hereby is, appointed as a member of the Artemis Committee, to serve for a five-year term and until such time as his successor has been appointed by this Board or until his earlier resignation or removal.

ARTEMIS SHAREHOLDERS' AGREEMENT

Courtesy Translation

SHAREHOLDERS' AGREEMENT

between and among the shareholders of Artemis Pharmaceuticals GmbH:

1. Prof. Dr. Peter Stadler,
2. Prof. Dr. Christiane Nusslein-Volhard,
3. Prof. Dr. Klaus Rajewsky,
4. EXELIXIS Pharmaceuticals, Inc.,
5. FEI Biomedicine Private Equity Holding AG, Basel
6. (a) Atlas Venture Fund II, L.P.
   (b) Atlas Venture Germany B.V., Netherlands
   (c) Oxford Ventures
   (d) Global Life Science Holding V GmbH
   (e) Advent International Corporation
   (f) Stelios Papadopoulos
   (g) Charles Cohen
   (h) Forward Ventures

. (the parties in 5. - 6. are also referred to as the "Investors") -and

7. Max-Planck-Geseilschaft, Munich ("MPG").

(hereinafter together referred to as the "Shareholders")

PREAMBLE

Artemis Pharmaceuticals GmbH (hereinafter referred to as the "Corporation"), a corporation organized under German Law, is engaged in the development and/or utilization of biological/genetical model systems for identifying new research methods and/or effective molecules for the identification of effective therapies and/or medications for the treatment of various diseases. Zebrafish Danio Rerio and mice play an important role as model organisms in this respect. The Corporation intends to further its development and the development of its products by concluding cooperation agreements and creating strategic alliances with pharmaceutical companies.

In order to achieve its goals more effectively, the Corporation has agreed on a strategically oriented cooperation with EXELIXIS Pharmaceuticals, Inc., South San Francisco, a corporation organized under the law of the State of Delaware, USA (hereinafter "EXELIXIS"). EXELIXIS is also utilizing biological/genetical model systems (fruit flies and nematode worms) for purposes of active substance research and development.

Through the Corporation, the Shareholders plan to jointly employ their technologies, their expertise and their capital for reaching the goals of the Corporation. In this context, wherever advantageous and possible for the Corporation and EXELIXIS, research activities and the activities for marketing the products and technologies of both companies shall be coordinated and adjusted to each other.

The Shareholders will work towards the Corporation and EXELIXIS consulting each other in the cooperative spirit of trust with respect to reaching the aforementioned objectives. Furthermore they shall both contribute to create a framework which is' advantageous for a later merger of both companies to be mutually agreed upon.

ARTICLE 1

ARTICLE OF ASSOCIATION

The parties will [on the day this contract is signed] agree to the Articles of Association set forth in Exhibit 1. The Articles of Association can only be amended by a majority vote of 75% of the parties to this Agreement. Thereby the voting ratios of the contractual parties shall correspond to the amount of their respective quota in the registered capital.

ARTICLE 2

CAPITALIZATION

On 08.10.1998 the parties agreed to a capital increase in accordance with Exhibit 2a and on 08.. i 998 to a capital increase in accordance with Exhibit 2b and subscribe to the capital contributions to the registered capital correspondingly.

ARTICLE 3

MANAGING DIRECTORS

The parties agree that, for the duration of this Agreement, Prof. Dr. Peter Stadler will be named as the sole managing director of the business. Prof. Dr. Stadler will not be bound by the limitations of (S).181 BGB (German Civil Code).

ARTICLE 4

SHAREHOLDER ADVISORY BOARD

1. The five members of the Shareholder Advisory Board pursuant to (S).I 1 of the Articles of Association shall be constituted as follows: three members will be appointed by EXELIXIS, one member will be appointed jointly by Prof. Dr. Stadler, Prof. Dr. Niisslein-Volhard, Prof. Dr. Rajewsky and MPG, and one member will be appointed by the Investors. As a result of this provision, initially George A. Scangos, Ph.D., Stelios Papadopoulos, Ph.D., and Dr. med. Jean-Francois Formela are appointed by EXELIXIS, Prof. Dr. Peter Stadler is appointed by Prof. Dr. Stadler, Prof. Dr. Niisslein-Volhard, Prof. Dr. Rajewsky and MPG, and Prof. Dr. Jiirgen Drews is appointed by the Investors as members of the Shareholder Advisory Board. The parties agree that these members of the Shareholder Advisory Board shall only be replaced for important reasons by the parties entitled to appoint the member being replaced.

2. The parties agree that the measures of the managing director listed in Exhibit 3 require the approval of the Shareholder Advisory Board.

3. The parties assume the obligation to vote for the resolutions and measures listed in Exhibit 4 during shareholders' meetings, if the Shareholder Advisory Board has decided % on such measures.

ARTICLE 5

DURATION OF THE AGREEMENT

This Agreement is effective for a period of five years. It is established on the basis that EXELIXIS will establish a committee (the "Committee") the five members of which must be identical with the members of the Shareholder Advisory Board set forth in (S). 4 Para. I in its respective composition, and that the Board of Directors of EXELIXIS requires the approval of the Committee with regard to the measures listed in Exhibits 3 and 4. If anything regarding the composition of the Committee existing at EXEL1XIS, or regarding the matters requiring approval by the Committee is changed, the provisions of this Shareholders Agreement shall immediately become ineffective without replacement, unless the parties agree to a conforming provision that is appropriate for the new -4- situation. The same applies if thc voting quorum for the Committee does not require at least the presence of 80% of its members or if thc passing of a resolution by the Committee docs not take place with a majority of thc members present. In case the Committee quorum was not present at two consecutive meetings, a lesser quorum is permissible at the following meeting.

ARTICLE 6

EXCLUSIVE ADVISORY CONTRACTS

Prof. Dr. Nusslein-Voihard and Prof. Dr. Rajewsky will place their know-how exclusively at the disposal of the Company and EXELIXIS with regards to commercial application and based on advisory contracts still to be negotiated.

ARTICLE 7

STOCK-OPTION PLAN

1. Managing employees shall participate directly in the success of the Company by means of a stock-option plan. The required' quotas will be sold by Prof. Dr. Stadler, Prof. Dr. Christiane Nusslein-Volhard and Prof. Dr. Klaus Rajewsky at nominal value to the beneficiaries of this plan, either directly or indirectly through a third party. Prof. Dr. Stadler will make up to 7,38 % of his quota, Prof. Dr. Christiane Nusslein-Volhard will make up to 7,72 % of her quota and Prof. Dr. Klaus Rajewsky will make up to 7,72 % of his quota available for this purpose.

2. In the event of a later merger with Exelixis employees of the Company shall be treated equally to their respective Exelixis counterparts. He who has worked for a comparable period of time with a comparable scientific background in a comparable position, shall receive the same equity interest in the new company as his Exelixis counterpart.

ARTICLE 8

JOINTLY HELD QUOTA

If a quota is held jointly by several persons, they are obliged to appoint a joint representative who will exercise their rights from. the quota. As long as a joint representative has not been appointed, the rights from the quota shall rest.

ARTICLE 9

CHOICE OF LAW / JURISDICTION

This Agreement is governed by German law.

ARTICLE 10

WRITTEN FORM REQUIREMENT

Changes and supplements to this Agreement require the written form.

ARTICLE 11

ARBITRATION

For all differences of opinion that arise between the parties with regard to the effectiveness, interpretation, application and implementation of this Agreement and of the relevant arbitration agreement, the agreement pursuant to Exhibit 5 shall apply.

ARTICLE 12

SEVERABILITY

If provisions of this Agreement or a provision thereof included at some later time be entirely or partially legally ineffective or unenforceable or should provisions later lose their legal effectiveness or enforceability, the validity of the remaining provisions of this Agreement shall not be affected as a result. The same applies if it becomes apparent that the Agreement contains an omission. In place of the ineffective or unenforceable provision, or, to fill such omission, a reasonable provision shall apply which to the extent legally possible comes as close as possible to what the parties wanted or to the sense and purpose of the Agreement, if the parties had considered the issue at the time of conclusion of this Agreement or at a later inclusion of a provision. This shall also apply if the ineffectiveness of a provision is due to an explicit measure of performance or time (deadline or appointed time) listed in the Agreement; in this case a legally permitted measure of performance or time (deadline or appointed time) that approximates the intent as closely as possible shall be deemed agreed upon.

Courtesy Translation

ARTICLES OF ASSOCIATION

I. GENERAL PROVISIONS

Section 1. Firm, Registered Office and Fiscal Year

1. The name of the Corporation shall be Artemis Pharmaceuticals GmbH

2. The Corporation shall have its registered office in Koln.

3. The fiscal year of the Corporation shall be the calendar year.

Section 2. Purpose of the Corporation

1. The purpose of the Corporation is the research and development of new therapies, diagnostic methods, and pharmaceutical products to treat diverse illnesses through the use of genetic, biochemical and biological means. The production of pharmaceutical products in each case follows through licensed pharmaceutical producers. The pharmaceutical products will be stored with the manufacturer. Distribution shall take place exclusively through the wholesale pharmaceutical business.

2. Moreover, the Corporation may be involved in any business suitable to promote its above purpose. The Corporation may establish other companies and branch offices and participate in other companies.

Section 3. Notifications

Any notifications by the Corporation shall be published in the Bundesanzeiger exclusively, to the extent that public notifications are required by law.

II. REGISTERED CAPITAL AND QUOTAS

Section 4. Registered Capital

1. The Corporation's registered capital shall amount to DM 347.500,- (Deutsche Mark three-hundred-forty-seven-thousand-five-hundred) unless paragraph 2 provides for a different amount.

2. The registered capital has been increased by resolution as of 27.08.1998 by DM 152,500,- maximum (Deutsche Mark one-hundred-fifty two-thousand-five-hundred). The final amount of the capital increase will result from the aggregate amount of the shares subscribed by 01.11.1998.

Section 5. Jointly held Quotas

If a quota is held jointly by several persons, they are obliged to appoint a joint representative who will exercise their rights with respect to the quota. As long as a joint representative has not been appointed, the rights from the quota shall rest.

Section 6. Redeeming Quotas

1. The redemption of a quota requires a resolution of the shareholders' meeting and is only permissible with the approval of the affected shareholder. The approval of the affected shareholder is not required when

a. bankruptcy or composition proceedings have legally commenced concerning his assets or when the commencement of bankruptcy proceedings has been refused due to insufficient assets;

b. foreclosure has taken place into the quota and the levy of execution has not been stayed within one month or when the creditor pursues its realization;

c. a shareholder raises a legal claim for judicial dissolution or when a shareholder declares his notice of withdrawal from the Corporation or

d. another important reason exists.

2. The redemption shall take place against payment. The payment amount is determined by the ordinary value of the quota, which shall be determined according to the fiscal regulations in their respective valid form for the valuation of quotas, the value of which cannot be derived from sale. The situation on the last balance sheet date of the Corporation shall be decisive, however, each of the shareholders may request, at his own cost, an adjustment of the valuation to and as of the redemption effective date. In case of dispute upon the request of any shareholder, the value of the quota shall be determined in a legally binding way by an arbitrator, who must be an auditor, named by the Chamber of Industry and Commerce in Dusseldorf. Real property and buildings; if any, shall be valued at their expertly appraised fair market value.

Section 7. Disposals of Quotas

1. The transfer of a quota, in whole or in part, and all other assignments with respect to a quota in the Corporation require the approval of the Shareholder Advisory Board to be effective. Any transfer of a quota in contravention of this provision shall be ineffective.

2. Every shareholder has the right to transfer his quota in its entirety to an acquiring party who is not a shareholder, insofar as the transfer proceeds in accordance with the following provisions:

a. The shareholder who wishes to transfer a quota must first offer it to the other shareholders by sending written notice via registered mail and with written notice to the Corporation. The notice must state the price and other conditions of the transfer. Every shareholder has the right to acquire the quota in accordance with the stated conditions if he declares his willingness to acquire within two months of the receipt of the written offer by sending written notice via registered mail and with written notice to the Corporation.

b. The right to acquire can only be exercised with respect to the entire quota offered. If several shareholders exercise the right to acquire, in the absence of a different understanding between them, the right to acquire shall be deemed exercised by the shareholders

in the ratio of their quota hitherto, whereby an indivisible maximum amount falls to the shareholder with the lowest quota. The sale and assignment of the quota must occur in notarial form within four weeks of the exercise of the right to acquire.

c. In case the right to acquire is not exercised or the authorized transferee fails to contribute to the sale and assignment within the set period, then the Corporation -4-or a third party named by the Corporation is entitled to acquire the quota, if the willingness to acquire is declared within one month. The exercise of the right to acquire or the naming of a third party requires the approval of the Shareholder Advisory Board.

d. Should a quota fail to transfer in accordance with !et. (a) through (c), then the shareholder may within a period of six months transfer the offered quota to one or more third parties for the given, or for the acquirer less favorable, conditions. The Shareholder Advisory Board is obligated to dispense its approval in accordance with para. 1.

III. MANAGING DIRECTORS

Section 8. Management and Representation

1. The Corporation shall have one or several managing directors. If only one managing director has been nominated, he shall be the sole representative of the Corporation. If several managing directors have been nominated, the Corporation shall be represented jointly by two managing directors or by one managing director together with a person granted power of attorney according to the Commercial Code [Prokurist].

2. By means of a shareholder resolution,

a. if there are several managing directors, individuals among them may be granted , the power of sole representation;

b. it may be resolved that a managing director may only be dismissed for important reason;

c. a managing director may be freed from the provisions of (S).181 BGB (German Civil Code).

3. The managing directors are only allowed to take part in certain transactions, as determined by the Shareholder Advisory Board, with the approval of the Shareholder Advisory Board.

IV. SHAREHOLDERS

Section 9. Shareholder Resolutions

1. Shareholder resolutions are passed during shareholders' meeting. They may also be passed in writing, by telex, by telegram, by telecopy, by telephone or by video conference if all shareholders agree. Resolutions passed without a meeting must be documented in writing by the managing directors and distributed in writing to all shareholders.

2. Shareholder resolutions are passed with a majority of the votes cast, unless the law or the Articles of Association require more than a majority vote.

Section 10. Shareholders' Meeting

1. The shareholders' meeting shall be held at the registered office or another location, as determined by the shareholders.

2. The managing director shall call the shareholder meeting, announcing the agenda by registered letter at least two weeks prior notice, not including the day of dispatch of the invitation and the date of the meeting. In urgent cases, the managing director may shorten this period.

3. The shareholders' meeting will elect a chairman from its members.

4. The shareholders' meeting is capable of rendering resolutions if at least 75% of the share capital is present. An absent shareholder may be represented by another shareholder. If a shareholders' meeting does not constitute a quorum, a second meeting with the same agenda must be convened within one week, which meeting shall be capable of rendering resolutions regardless of the amount of registered capital represented; such circumstance must be pointed out in the invitation.

5. The regular shareholders' meeting will convene within the first seven months of the fiscal year. It will pass resolutions regarding the determination of annual financial statements and the use of profits, formal approval of the managing directors, as well as the choice of an auditor.

6. Any resolutions passed during a shareholders' meeting shall be recorded in the minutes of the meeting. Such minutes shall be signed by the chairman and sent to the shareholders without delay. Should a resolution be passed in writing, by telex, by telegram, by telecopy, by telephone or by video-conference, the chairman or the managing directors shall notify all shareholders in writing of such resolution.

Section 11. Shareholder Advisory Board

1. The Corporation shall have an advisory board ("Shareholder Advisory Board") comprised of five members.

2. The members of the Shareholder Advisory Board will be nominated at the shareholders' meeting for a period of 5 years. Renomination is permitted. However, their respective terms shall not terminate prior to a new nomination or renomination.

3. The Shareholder Advisory Board elects from among its members a chairman and his representative and may create its own rules of procedure.

4. The Shareholder Advisory Board passes its resolutions at sessions that are convened by the chairman upon notice of the agenda, as well as the inclusion of any relevant written documents, in compliance with a notice period of 15 days.

5. The Shareholder Advisory Board is capable of passing resolutions if all members have been properly invited and 80 % of the members of the Shareholder Advisory Board are present. An absent member of the Shareholder Advisory Board may appoint in writing another member of the Shareholder Advisory Board as a representative. If the Board does not constitute a quorum in two consecutive meetings, a third meeting with the same agenda must be convened within one week, which meeting shall be capable of rendering resolutions regardless of the number of members present; such circumstance must be pointed out in the notice."

6. The Shareholder Advisory Board passes resolutions by a majority vote. If one share- holder has appointed more than one Shareholder Advisory Board member, then these Shareholder Advisory Board members can only exercise their votes jointly or abstain from casting their votes jointly. Abstentions count as votes not cast.

7. If no member of the Shareholder Advisory Board objects, then a resolution may be passed in writing, by telex, by telegram, by telecopy, by telephone or by video-conference.

8. The Shareholder Advisory Board acts through its chairman or, if he is prevented from doing so, through a representative.

9. The provisions of the German Stock Corporation Act (Aktiengesetz) (hereinafter "AktG") are not applicable with respect to the Shareholder Advisory Board.

10. The Shareholder Advisory Board encompasses the following tasks and authorities:

a. advising the managing directors;

b. nominating and dismissing the managing directors as well as discharging them from their responsibilities;

c. conclusion, modification, revocation, or termination of employment contracts with the managing directors;

d. determining and deciding on transactions which require approval in accordance with (S).8 para. 3.

V. ANNUAL FINANCIAL STATEMENTS AND USE OF PROFITS

Section 12. Annual Financial Statements

1. The managing directors shall prepare the annual financial statements and the status report for the preceding fiscal year in the first three months of a fiscal year and submit these for examination to the auditor, insofar as an examination is legally required or is provided for by means of a Shareholder Advisory Board resolution.

2. The managing directors have the obligation to present expediently to the shareholders the annual financial statements, the status report and any audit report of the auditor upon their completion, together with their proposal for a use of the profits.

3. The shareholders' meeting will decide upon the use of profits with a majority vote of 75%.

Section 13. Exchanges of Goods/Services with Shareholders

Other than pursuant to resolutions regarding the use of profits, the Corporation may not direct a pecuniary benefit to a shareholder or an enterprise affiliated with the shareholder in accordance with (S). 15 AktG which has its origin in the shareholder relationship. The provisions of (S)(S). 57, 62 AktG shall apply correspondingly.

VI. FINAL PROVISIONS

Section 14. Arbitration

1. For all differences of opinion that arise between the parties or between shareholders and the Corporation with regard to the effectiveness, interpretation, application and implementation of these Articles of Association and of this arbitration clause, an arbitration tribunal shall render a decision, insofar as is legally permitted, without recourse to litigation.

2. The arbitration `tribunal is comprised of two associate judges and one chairman. The party that wishes to go to the arbitration tribunal must so notify the other party, including the concurrent naming of an arbitrator, through registered mail, and request the other party for their part to name an arbitrator within a set period of two weeks after receipt of the letter. The two named arbitrators elect the chairman of the arbitration tribunal, who must be qualified to be a judge. If the other party does not meet the request deadline for naming an arbitrator or if the two named arbitrators are unable to agree on the person who will serve as chairman within two weeks of the naming of the second arbitrator, then the second arbitrator or the chairman will be elected upon the request of a party by the president of the Upper State Court (Oberlandesgerichts) at Dusseldorf.

3. If for any reason an arbitrator resigns after the formation of the arbitration tribunal, another arbitrator must be elected in his place; the corresponding provisions of para. 2 are applicable to the election.

4. If the side of either the plaintiff or the defendant involves two or more persons, these persons operate as one party in the sense of the foregoing provision. They shall decide upon the person to be named as arbitrator by the party among themselves by means of a simple majority of heads.

5. As for the remaining procedures of the arbitration tribunal, the provisions of the 10th book of the German Code of Civil Procedure (ZivilprozeBordnung) shall be applicable. The arbitration award will only be documented in writing upon the request of a party. Insofar as the participation of a regular court is required, the respective Regional Court

(Landgericht) competent for the registered office of the Corporation shall have exclusively jurisdiction.

6. In case the arbitration award is repealed by a regular court, the arbitration agreement is not used up. The parties shall in this case renew their efforts and convene/another arbitration tribunal put together in accordance with the above provisions. Those arbitrators who participated in the earlier procedure are excluded from participating in the new proceeding.

Section 15. Severability

If provisions of these Articles of Association or a provision thereof included at some later time be entirely or partially legally ineffective or unenforceable or should provisions later lose their legal effectiveness or enforceability, the validity of the remaining provisions of these Articles of Association shall not be affected as a result. The same applies if it becomes apparent that the Articles of Association contain an omission. In place of the ineffective or unenforceable pro-vision, or, to fill such omission, a reasonable provision shall apply which to the extent legally possible comes as close as possible to what-the parties wanted or to the sense and purpose of the Articles of Association, if the parties had considered the issue at the time of conclusion of these Articles of Association or at a later inclusion of a provision. This shall also apply if the in-effectiveness of a provision is due to an explicit measure of performance or time (deadline or appointed :time) listed in the Articles of Association; in this case a legally permitted measure of performance or time (deadline or appointed time) that approximates the intent as closely as possible shall be deemed agreed upon.

Courtesy Translation

SHAREHOLDERS' AGREEMENT

between and among the shareholders of Artemis Pharmaceuticals GmbH:

1. Prof. Dr. Peter Stadler,

2. Prof. Dr. Christiane Nusslein-Volhard,

3. Prof. Dr. Klaus Rajewsky,

4. EXELIXIS Pharmaceuticals, Inc.,

5. FEI Biomedicine Private Equity. Holding AG, Basel

6. (a) Atlas Venture Fund II, L.P.

   (b) Atlas Venture Germany B.V., Netherlands

   (c) Oxford Bioscience Partners (Bermuda) Limited Partnership,

   (d) Oxford Bioscience Partners L.P.,

   (e) Global Life Science Holding V GmbH

   (f) Adwest Limited Partnership,

   (g) Advent Partners Limited Partnership,

   (h) Advent Performance Materials Limited Partnership

   (i) Rodent II Limited Partnership,

   (j) Stelios Papadopoulos

   (k) Biotechvest L.P.,

. (the parties in 5. - 6. are also referred to as the "Investors") -, and

7. Max Planck-Gesellschaft zur Forderung der Wissenschaften, Berlin ("MPG").

(hereinafter jointly referred to as the "Shareholders")

PREAMBLE

Artemis Pharmaceuticals GmbH (hereinafter referred to as the "Corporation"), a corporation organized under German Law, is engaged in the development and/or utilization of biological/genetic, al model systems for identifying new research methods and/or effective molecules for the identification of effective therapies and/or medications for the treatment of various diseases. Zebrafish Danio Rerio and mice play an important role as model organisms in this respect. The Corporation intends to further its development and the development of its products by concluding cooperation agreements and creating strategic alliances with pharmaceutical companies.

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The Shareholders will work towards the Corporation and EXELIXIS consulting each other in the cooperative spirit of trust with respect to reaching the aforementioned objectives. Furthermore they shall both contribute to create a framework which is advantageous for a later merger of both companies to be mutually agreed upon.

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ARTICLE 2

CAPITALIZATION

On 08.10.1998 the parties agreed to a capital increase in accordance with Exhibit 2 a and on 08.27.1998 to a capital increase in accordance with Exhibit 2 b and subscribe to the capital contributions to the registered capital correspondingly.

ARTICLE 3

MANAGING DIRECTORS

The parties agree that, for the duration of this Agreement, Prof. Dr. Peter Stadler will be named as the sole managing director of the business. Prof. Dr. Stadler will not be bound by the limitations ofss.181 BGB (German Civil Code).'

ARTICLE 4

SHAREHOLDER ADVISORY BOARD

1. The five members of the Shareholder Advisory Board pursuant toss.11 of the Articles of Association shall be constituted as follows: three members will be appointed by EXELIXIS, one member will be appointed jointly by Prof. Dr. Stadler, Prof. Dr. Nusslein- Volhard, Prof. Dr. Rajewsky and MPG, and one member will be appointed by the Investors. As a result of this provision, initially George A. Scangos, Ph.D., Stelios Papadopoulos, Ph.D., and Dr. med. Jean-Francois Formela are appointed by EXELIXIS, P/of. Dr. Peter Stadler is appointed by Prof. Dr. Stadler, Prof. Dr. Nusslein-Volhard, Prof. Dr. Rajewsky and MPG, and Prof. Dr. Jurgen Drews is appointed by the Investors as members of the Shareholder Advisory Board. The parties agree that these members of the Shareholder Advisory Board shall only be replaced for important reasons by the parties entitled to appoint the member being replaced.

2. The parties agree that the measures of the managing director listed in Exhibit 3 require the approval of the Shareholder Advisory Board.

3. The parties assume the obligation to vote for the resolutions and measures listed in Exhibit 4 during shareholders' meetings, if the Shareholder Advisory Board has decided on such measures.

ARTICLE 5

DURATION OF THE AGREEMENT

This Agreement is effective for a period of five years. It is established on the basis that EXELIXIS will establish a committee (the "Committee") the five members of which must be identical with the members of the Shareholder Advisory Board set forth in ss. 4 Para. ! in its respective composition, and that the Board of Directors of EXELIXIS requires the approval of the Committee with regard to the measures listed in Exhibits3 and 4. If anything regarding the composition of the Committee existing at EXELIXIS, or regarding the matters requiring approval by the Committee is changed, the provisions of this Shareholders Agreement shall immediately become ineffective without replacement, unless the parties agree to a conforming provision that is appropriate for the new situation. The same applies if the voting quorum for the Committee does not require at least the presence of 80 % of its members or if the passing of a resolution by the Committee does not take place with a majority of the members present. In case the Committee quorum was not present at two consecutive meetings, a lesser quorum is permissible at the following meeting.

ARTICLE 6

EXCLUSIVE ADVISORY CONTRACTS

Prof. Dr. Nusslein-Volhard and Prof. Dr. Rajewsky will place their know-how exclusively at the disposal of the Company and EXELIXIS with regards to commercial application and based on advisory contracts still to be negotiated."

ARTICLE 7

STOCK-OPTION PLAN

1. Managing employees shall participate directly in the success of the Company by means of a stock-option plan. The required quotas will be sold by Prof. Dr. Stadler, Prof. Dr. Christiane Nusslein-Volhard and Prof. Dr. Klans Rajewsky at nominal value to the beneficiaries of this plan, either directly or indirectly through a third party. Prof. Dr. Stadler will make up to 7,38 % of his quota, Prof. Dr. Christiane Nusslein-Volhard will make up to 7,72 % of her quota and Prof. Dr. Klaus Rajewsky will make up to 7,72 % of his quota available for this purpose.

2. In the event of a later merger with Exelixis employees of the Company shall be treated equally to their respective Exelixis counterparts. He who has worked for a comparable period of time with a comparable scientific background in a comparable position, shall receive the same equity interest in the new company as his Exelixis counterpart.

ARTICLE 8

JOINTLY HELD QUOTA

If a quota is held jointly by several persons, they are obliged to appoint a joint representative who will exercise their rights from the quota. As long as a joint representative has not been appointed, the rights from the quota shall rest.

ARTICLE 9

CHOICE OF LAW / JURISDICTION

This Agreement is governed by German law.

ARTICLE 10

WRITTEN FORM REQUIREMENT

Changes and supplements to this Agreement require the written form.

ARTICLE 11

ARBITRATION

For all differences of opinion that arise between the parties with regard to the effectiveness, interpretation, application and implementation of this Agreement and of the relevant arbitration agreement, the agreement pursuant to Exhibit S shall apply.

ARTICLE 12

SEVERABILITY

If provisions of this Agreement or a provision thereof included at some later time be entirely or partially legally ineffective or unenforceable or should provisions later lose their legal effectiveness or enforceability, the validity of the remaining provisions of this Agreement shall not be affected as a result. The same applies if it becomes apparent that the Agreement contains an omission. In place of the ineffective or unenforceable provision, or, to fill such omission, a reasonable provision shall apply which to the extent legally possible comes as close as possible to what the parties wanted or to the sense and purpose of the Agreement, if the parties had considered the issue at the time of conclusion of this Agreement or at a later inclusion of a provision. This shall also apply if the ineffectiveness or a provision is due to an explicit measure of performance or time (deadline or appointed time) listed in the Agreement; in this case a legally permitted measure of performance or time (deadline or appointed time) that approximates the intent as closely as possible shall be deemed agreed upon.

SIGNATURE PAGE FOR
ARTEMIS PHARMACEUTICALS GmbH
SHAREHOLDERS' AGREEMENT

The undersigned, subject to acceptance by the Company, hereby agrees to all of the terms of said agreement and agrees to be bound by the terms and provisions thereof.

Date:_____

(Individual Signature)

Printed Name (First, Middle, Last)

(Signature)

(Corporation or Other Entity Signature)

Name of Entity (Print)

By:

Name:
Title:

EXHIBIT 10.10

SUBLEASE AGREEMENT

ARRIS PHARMACEUTICAL CORPORATION, Sublessor

EXELIXIS PHARMACEUTICALS, INC., Sublessee

260 Littlefield Avenue, Suite A

South San Francisco, California

SUBLEASE AGREEMENT

This Sublease Agreement ("Sublease") dated as of June 1, 1997 (the "Commencement Date"), is entered into by and between Arris Pharmaceutical Corporation, a Delaware corporation (hereinafter "Sublessor"), and Exelixis Pharmaceuticals, Inc., a Delaware corporation (hereinafter "Sublessee"), and is subject to the terms and conditions of that certain Lease (the "Master Lease") dated June 22, 1993 (as amended by that certain First Amendment to Lease dated October 25, 1993) entered into by Utah Partners, Ltd., a California limited partnership ("Master Lessor"), and Khepri Pharmaceuticals, Inc., a Delaware corporation, as Lessee. A copy of the Master Lease has been delivered to Sublessee. Sublessor is the successor by merger to Khepri Pharmaceuticals, Inc.

1. Premises.

(a) Phase I Premises. As of the Commencement Date, Sublessor hereby leases to Sublessee, and Sublessee hereby hires from Sublessor, on and subject to the terms and conditions hereinafter set forth, those certain premises (hereinafter referred to as the "Phase I Premises"), situated in the City of South San Francisco, County of San Mateo, State of California, commonly known as 260 Littlefield Avenue, and consisting of approximately 9,497 rentable square feet, as more particularly described on Exhibit "A" hereto.

(b) Phase II Premises. As of April 1, 1998, or such earlier or later date upon which actual delivery to Sublessee occurs pursuant to Section 2(c) below (the "Phase II Delivery Date"), Sublessor hereby leases to Sublessee, and Sublessee hereby hires from Sublessor, on and subject to the conditions hereinafter set forth, those certain premises adjacent to the Phase I Premises (hereinafter referred to as the "Phase II Premises"), as more particularly described on Exhibit "A" hereto. For all purposes hereof, until the Phase II Delivery Date, the term "Premises" shall refer to the Phase I Premises. Thereafter the term "Premises" shall refer to both the Phase I Premises and the Phase II Premises.

(c) Common Areas. Sublessee shall have the right, in common with other tenants of Master Lessor, to use the Common Areas of the property (as defined in the Master Lease).

2. Sublease Term; Delivery of Possession.

(a) Term. The term of this Sublease shall begin on the Commencement Date and end on July 15, 2005 (the "Expiration Date"), unless sooner terminated pursuant to any provision of this Sublease or of the Master Lease.

(b) Delivery of Possession.

(1) If for any reason Sublessor cannot deliver possession of the Phase I Premises by the Commencement Date, or possession of the Phase II Premises by the Phase II Delivery Date, Sublessor shall not be subject to any liability therefore, nor shall such failure

affect the validity of this Sublease or the obligations of Sublessee hereunder or extend the term hereof, but in such case Sublessee shall not be obligated to pay rent until possession of the applicable portion of the Premises is tendered to Sublessee; provided, however, that if Sublessor shall not have delivered possession of the Premises within ninety (90) days after either the Commencement Date or the Phase II Delivery Date, as applicable, Sublessee may, at Sublessee's option, by notice in writing to Sublessor within ten (10) days thereafter, cancel this Sublease, in which event the parties shall be discharged from all obligations hereunder. Notwithstanding the foregoing, Sublessee's cancellation of this Sublease as to the Phase II Premises shall not terminate this Sublease as to the Phase I Premises.

(2) The Premises shall be delivered by Sublessor subject to all applicable zoning, municipal, county and state laws, ordinances and regulations governing and regulating the use of the Premises, and Sublessee accepts the Premises subject thereto. Sublessee shall accept the Premises in "as-is" condition. Sublessor has made no representation or warranty as to the condition of the Premises, their compliance with existing federal, state or local laws, ordinances or regulations (including without limitation the Americans with Disabilities Act), or the suitability of the Premises for the conduct of Sublessee's business. Sublessor shall have no obligation to improve, restore, repair, paint or clean the Premises. At the request of Sublessee, Sublessor shall deliver to Sublessee a copy of the closure report from the City of South San Francisco if such report has been received by Sublessor.

(c) Early Possession.

(1) In the event Sublessee, with Sublessor's consent, takes possession prior to the Commencement Date, such occupancy shall be subject to all the provisions of this Sublease except for the payment of rent due hereunder. Sublessee's early possession shall not advance the termination date of this Sublease.

(2) In the event the Phase II Premises become available prior to April 1, 1998, Sublessor may offer the Phase II Premises to Sublessee, and if such earlier date is on or after February 1, 1998, and Sublessee has received not less than three weeks prior written notice of the date such possession will be delivered, Sublessee shall accept possession of the Phase II Premises on such earlier date. If such date is earlier than February l, 1998, Sublessee shall have the right but not the obligation to accept possession of the Premises on such earlier date. The Phase II Delivery Date shall be the date the Premises are delivered to Sublessee in accordance with this Subsection 2c(2).

(3) Without limitation of any other provision of this Sublease, failure of Sublessee to occupy the Phase II Premises on the Phase II Delivery Date shall constitute a default under this Sublease.

3. Rent.

(a) Base Rent. Sublessee shall pay to Sublessor without deduction, set off, prior notice or demand, as rent for the Premises, monthly rent ("Base Rent") as set forth in the rent schedule below. Sublessee shall pay Sublessor upon the execution hereof the sum of Sixty

Thousand Two Hundred Forty Dollars ($60,240.00) as rent for the first full calendar month after the Phase II Delivery Date.

(1) From the Commencement Date until the Phase II Delivery Date, Sublessee shall pay to Sublessor the sum of $16,144.90 per month, prorated for any partial month.

(2) From and after the Phase II Delivery Date, Sublessee shall pay to Sublessor Base Rent as follows:

Rent Schedule

Time Period	Base Rent Per Month
Phase II Delivery Date to 9/30/98 *	$60,240
10/01/98 to 7/31/00	$61,660
8/01/00 to 7/31/01	$63,200
8/01/01 to 7/31/02	$65,000
8/01/02 to 12/31/02	$72,238
1/01/03 to 7/31/03	$75,210
8/01/03 to 7/31/04	$76,845
8/01/04 to 7/15/05 **	$78,480

*prorated if Phase II Delivery Date is not the 1st day of the month

**prorated during last month

(b) Operating Expenses. Sublessee shall pay as additional rent the amounts for which Sublessor is liable to Master Lessor pursuant to Section 6 (Operating Expenses) of the Master Lease, together with other expenses of the Premises for which Sublessor is responsible (excluding any late charges or penalties not caused by Sublessee), including without limitation utilities, trash removal, phone, water, sewer, security, access and fire control systems (maintenance and lease payments). When incorporated into this Sublease, references to "Landlord" in Sections 6.b. and 6.c. of the Master Lease shall be deemed to include Master Lessor and/or Sublessor. With respect to Section 6.e. as incorporated into this Sublease, Sublessor shall have fifteen (15) days following receipt of Master Lessor's annual reconciliation within which to provide Sublessor's reconciliation to Sublessee. Notwithstanding the foregoing, until the Phase II Delivery Date, Sublessee shall only be liable for 29% of the Operating Expenses and other expenses, that being the percentage allocable to the Initial Premises. Following the Phase II Delivery Date, Sublessee shall be liable for all Operating Expenses and

other expenses allocable to the Premises. Sublessee's obligation to pay its share of Operating Expenses shall be prorated annually based on actual days.

4. Security Deposit. Sublessee shall deposit with Sublessor upon execution hereof the sum of Seventy Five Thousand Dollars ($75,000.00) as security for Sublessee's faithful performance of Sublessee's obligations hereunder. Sublessee hereby grants Sublessor a security interest in the Security Deposit to secure performance of Sublessee's obligations hereunder. If Sublessee defaults with respect to any provision of this Sublease, Sublessor may use, apply or retain all or any part of the Security Deposit for the payment of any Rent or other sum in default, for the payment of any amount which Sublessor may expend or become obligated to expend by reason of Sublessee's default, or to compensate Sublessor for any loss or damage which Sublessor may suffer by reason of Sublessee's default. Sublessor shall have no obligation to apply the Security Deposit in such manner and may exercise any right or remedy available under this Sublease or at law or in equity with or without resort to the Security Deposit. The Security Deposit does not constitute prepayment of the last month's rent (or any other). If any portion of the Security Deposit is used or applied, Sublessee shall deposit with Sublessor, within ten (10) days after written demand therefor, cash in an amount sufficient to restore the Security Deposit to its original amount. Sublessor shall not be required to keep the Security Deposit separate from its general funds. The Security Deposit, or such much of it as may remain, shall be returned, without interest, to Sublessee within thirty (30) days after expiration of the term hereof. If any bankruptcy, insolvency, reorganization, receivership or other similar proceedings shall be instituted by or against Sublessee, the Security Deposit shall be applied first to the payment of rent and additional charges due to Sublessor for the period prior to the institution of such proceedings, and any balance of the Security Deposit may thereafter be retained and held by Sublessor in accordance with the terms of this section.

5. Use. The Premises shall be used and occupied only for laboratory, research and development, wet chemistry, biological laboratories, related offices and uses which are ancillary thereto, and which are consistent with the requirements and limitations set forth in the Master Lease, and for no other purpose without the prior written consent of Sublessor and Master Lessor. Sublessor agrees not to unreasonably withhold, delay or condition its consent to any such requested change.

6. Master Lease.

(a) Sublease Is Subordinate to Master Lease. This Sublease is subject and subordinate to the Master Lease. Sublessee represents and warrants to Sublessor that it has read and is familiar with the terms and conditions of the Master Lease. Sublessee shall not commit or permit to be committed on the Premises any act or omission which shall violate any term or condition of the Master Lease. If the Master Lease terminates, this Sublease shall terminate. Sublessor shall have no liability to Sublessee if the Master Lease terminates without fault of Sublessor.

(b) Application of Master Lease Provisions. Except as otherwise expressly provided in this Sublease, Sublessee shall assume and perform the obligations of Sublessor as Lessee under the Master Lease. Therefore, except as otherwise provided, for the purpose of this Sublease, wherever in the Master Lease "Landlord" is used, it shall be deemed to mean

Sublessor, and wherever in the Master Lease "Tenant" is used, it shall be deemed to mean Sublessee, and wherever in the Master Lease "Lease" is used, it shall be deemed to mean this Sublease.

(c) Incorporation of Master Lease Provisions.

(1) All of the terms and conditions in the Master Lease are incorporated herein except for: Basic Lease Provisions; 1 (Premises); 3 (Term); 5 (Base Rent); 8 (Tenant Improvements); 9.a. and 9.e. (Use of Premises); 10.c. (Ownership of Alterations) 11.b. (Landlord's Ongoing Obligations); 11.c. (Landlord's Delivery Obligations); 12 (Damage or Destruction); 13 (Eminent Domain); 14.c. (Casualty Insurance); 15.e. (Payment on Sublet); 18 (Security Deposit); 19 (Acceptance of Premises); 20 (Holding Over); 36 (Notices); 39.h. (Entire Agreement); and Schedule A; Exhibit D (Construction Rider); and Exhibit E (Memorandum).

(2) Except as otherwise provided herein, Sublessor is responsible for all financial obligations of the tenant under the Master Lease. Whenever any provision of the Master Lease has not been incorporated herein, except as otherwise provided, any provision of the Addendum which pertains to a provision of the Master Lease which has not been incorporated herein, shall not be incorporated herein. In addition, Master Lease Addendum Section 25 (stated to pertain to Section 14.b., but really pertaining to Section 14.c.), Master Lease Addendum Section 42 (pertaining to Master Lease Section 34) and Master Lease Addendum Section 46 (pertaining to options to extend) shall not be incorporated into this Sublease.

(d) Indemnity. Without in any way limiting Sublessee's assumption of the indemnity set forth in the Master Lease, Sublessee hereby agrees to defend, indemnify and hold Sublessor and Master Lessor harmless from and against any and all losses, liabilities, causes of action, judgments, costs, damages, expenses, claims or demands, including reasonable attorney's fees, arising out of Sublessee's failure to comply with or perform Sublessee's obligations under this Sublease.

(e) Master Lease in Effect. Sublessor represents to Sublessee that the Master Lease is in full force and effect and that, to Sublessor's knowledge, no default exists on the part of any party to the Master Lease. Subject to the terms and provisions of this Sublease, Sublessor agrees to keep the Master Lease in full force and effect during the term of this Sublease, subject, however, to any earlier termination of the Master Lease without the default of Sublessor.

(f) Default. Any act or omission by Sublessee which would constitute a breach or default by Sublessor under Section 16 of the Master Lease shall constitute a default on the part of Sublessee hereunder. In the event of any breach or default by Sublessee hereunder or under the Master Lease, Sublessor shall have all of the rights and remedies afforded Master Lessor under the Master Lease, and in addition Sublessor shall have the right, but without any obligation to do so, to cure any such breach or default by Sublessee, with Sublessee to be obligated to reimburse Sublessor immediately upon demand for all costs which Sublessor may incur in effecting the cure of such breach or default.

7. Alterations. Notwithstanding the provisions of Section 10.a. of the Master Lease, any alteration which requires Master Lessor's approval pursuant to the Master Lease shall not be commenced by Sublessee unless and until such consent is obtained. Any alteration made by Sublessee shall become a part of the Premises, and at Sublessor's election, shall be surrendered to Sublessor at the end of the Sublease term. Notwithstanding the foregoing, except as otherwise provided in the Master Lease, any alteration made by Sublessee shall remain Sublessee's property throughout the Sublease term. In the event Sublessor is (or becomes) obligated under the Master Lease to remove any of Sublessee's alterations, Sublessee shall be obligated to remove same at Sublessee's sole cost and expense and to restore the Premises to its condition prior to the alteration. Sublessee shall (i) pay to Sublessor, or at direction of Sublessor, directly to Master Lessor, an amount equal to one percent (1%) of the total cost of the alterations (and for purposes of calculating the total costs, such cost shall include architectural and engineering fees but shall not include permit fees) as compensation to Master Lessor for miscellaneous costs and time incurred by Master Lessor in connection with the alterations, and (ii) reimburse Master Lessor any reasonable amounts it pays to architect, engineers or other consultants in connection with reviewing such alterations. Such amounts shall be paid in advance of, or during or upon completion of the alterations, as Master Lessor shall determine and Sublessee shall submit such evidence of the cost of the alterations as master Lessor may reasonably require.

8. Repairs. Pursuant to Section 11.b. of the Master Lease, Master Lessor is responsible to repair and maintain the roof, exterior walls, foundation and HVAC system (including distribution ducts) (provided that the cost of maintaining, repairing and replacing the HVAC system shall be included in Operating Expenses, pursuant to the terms of Section 6 of the Master Lease), unexposed portions of the building plumbing and electrical systems (except to the extent installed or modified by Sublessor or Sublessee), the Common Areas, and structural portions of the Building. Master Lessor also has the obligation to repair certain categories of items as provided in Section 17 of the Addendum to the Master Lease. Sublessor's sole obligation to Sublessee shall be to request performance of such obligations by Master Lessor. In the event Master Lessor breaches its obligations, Sublessor will assign to Sublessee its right to enforce such obligation and shall otherwise cooperate with Sublessee in connection therewith, provided, however, Sublessee, at its sole cost and expense, shall be responsible for enforcement thereof without reimbursement from Sublessor. Sublessee, not Master Lessor, shall be responsible for the repair of the roof and structural portions of the Building to the extent the need for maintenance or repair is caused in whole or in part by the act, neglect, fault or omission of any duty of Sublessee, its agents, servants, contractors, subcontractors, employees or invitees, in which case Sublessee shall pay to Sublessor the cost of the maintenance and repairs caused in whole or in part by Sublessee (except (i) to the extent the damage is covered by any insurance maintained by Master Lessor, or, (ii) if Master Lessor fails to maintain the insurance required to be maintained by Master Lessor pursuant to the terms of the Master Lease, to the extent the damage would have been covered by insurance, if Master Lessor had maintained the required insurance). There shall be no abatement of rent and no liability of Master Lessor or Sublessor by reason of any injury to or interference with Sublessee's business arising from the making of any repairs, alterations or improvements in or to the fixtures, appurtenances and equipment therein, provided that Sublessor shall request Master Lessor to use reasonable efforts to minimize the interruption of Sublessee's use and occupancy of the Premises in connection with its performance of the repairs and maintenance (although nothing contained herein shall be deemed

to obligate Master Lessor to pay any overtime costs in order to minimize such interference, or otherwise to perform the repairs or maintenance during hours other than normal business hours).

9. Insurance.

(a) Property Insurance. Sublessee shall, at its sole cost and' expense, obtain and maintain in force a policy or policies of fire and property damage insurance providing protection against those perils included within the classification of "all risk" insurance from an insurance company or companies reasonably satisfactory to Sublessor and Master Lessor and in a form reasonably satisfactory to Sublessor and Master Lessor insuring the Tenant Improvements (as defined in the Master Lease) and all other improvements, in an amount equal to the full replacement cost thereof (which amount shall be subject to Sublessor's and Master Lessor's approval). The insurance policy or policies shall name Master Lessor and Sublessor and the lenders of either of them, if any, as additional insureds and shall provide that the policy or policies may not be canceled on less than thirty (30) days prior written notice to Master Lessor, Sublessor and the lenders of either of them. If Sublessee fails to carry the insurance or to furnish Sublessor with copies of all the policies after a request to do so, Sublessor shall have the right to obtain the insurance and collect the costs thereof from Sublessee as additional rent.

(b) Liability Insurance. In addition to the above referenced insurance, Sublessee shall maintain liability insurance coverage as required by Section 14 of the Master Lease which has been incorporated into this Sublease by reference. Each policy of insurance which Sublessee is required to maintain pursuant to this Lease shall name both Sublessor and Master Lessor as additional insureds (including cross-liability endorsements). Sublessee's insurance coverage shall be primary and non-contributory as respects any insurance maintained by Sublessor and/or Master Lessor. Sublessee shall deliver evidence of the coverage required hereunder (i) within seven (7) days after execution and delivery of this Sublease by Sublessor and Sublessee, and (ii) within ten (10) days of the renewal date for each policy of insurance required hereunder.

(c) Master Lessor Insurance. Pursuant to the terms of the Master Lease as provided in Section 25 of the Addendum thereto, Master Lessor is obligated to maintain certain insurance coverage with respect to certain perils and to maintain a certain level of liability coverage. Sublessor's sole obligation to Sublessee with respect to Master Lessor's obligations pursuant to said Section 25 shall be to request performance of such obligations by Master Lessor. In the event Master Lessor breaches its obligations, Sublessor will assign to Sublessee its right to enforce such obligation and shall otherwise cooperate with Sublessee in connection therewith, provided, however, Sublessee, at its sole cost and expense, shall be responsible for enforcement thereof without reimbursement from Sublessor.

(d) Evidence of Insurance. Upon the Commencement Date (or upon the date of early possession if early possession is granted hereunder), Sublessee shall deliver to Sublessor and Master Lessor certificates of insurance showing that Sublessee has the insurance required hereunder.

10. Damage or Destruction.

(a) Master Lessor Has Obligation to Restore. If the Premises are damaged or destroyed, Master Lessor has the obligation pursuant to Section 12 of the Master Lease to promptly and diligently repair the Premises, unless Master Lessor has the right to terminate. If Master Lessor fails to perform its obligations pursuant to Section 12 of the Master Lease, Sublessor's sole obligation to Sublessee shall be to request performance of such obligations by Master Lessor. In the event Master Lessor breaches its obligations, Sublessor will assign to Sublessee its right to enforce such obligation, provided, however, Sublessee, at its sole cost and expense, shall be responsible for enforcement thereof without reimbursement from Sublessor.

(b) Termination of Master Lease. If the Master Lease terminates pursuant to Section 12 of the Master Lease, this Sublease shall terminate concurrently with the termination of the Master Lease.

(c) Sublessee Notice; Right to Terminate. In the event that Sublessor receives notice from Master Lessor pursuant to Section 12 of the Master Lease of Master Lessor's determination that repair of the Premises or the Building cannot be completed within two hundred seventy (270) days after a casualty, Sublessor shall so notify Sublessee in writing and shall request Sublessee to notify it whether Sublessee agrees to continue this Sublease in effect. Within twenty (20) days following written request from Sublessor, Sublessee shall give notice to Sublessor in writing whether Sublessee agrees to continue this Sublease in effect if Master Lessor reasonably determines that the repair of the Premises or the Building cannot be completed within two hundred seventy (270) days after the casualty. If Sublessee does not so agree to continue this Sublease in effect, then Sublessor may elect to terminate the Master Lease and this Sublease. If Sublessee agrees to continue this Sublease in effect as aforesaid, then Sublessor shall have no right to exercise its right to terminate the Master Lease or this Sublease. If (i) Master Lessor reasonably determines that the repair of the Premises or the Building cannot be completed within two hundred seventy (270) days after the casualty, (ii) neither Master Lessor nor Sublessor have elected to terminate the Master Lease, and (iii) Sublessee agrees to continue this Sublease in effect notwithstanding the time to reconstruct, then this Sublease shall continue in effect, and Sublessee shall fulfill all of the obligations of Sublessor pursuant to the provisions of Section 12 of the Master Lease.

(d) Limited Obligation to Repair. Master Lessor's obligation, should Master Lessor elect or be obligated to repair or rebuild, shall be limited to replacing/restoring the Building shell and Building systems so that the Building shell and Building systems as repaired and restored are comparable (in scope of improvements) to the Building shell and Building systems which were in existence on the Master Lease Commencement Date. Master Lessor shall have no obligation to replace or restore the Tenant Improvements or any other alterations installed by Sublessor or Sublessee. If this Sublease has not been terminated, Sublessee shall be obligated to (i) with respect to those portions of the Premises which are damaged and were built out for office use as of the Master Lease Commencement Date, either: (A) promptly build-out those portions with new tenant improvements approved by Master Lessor and Sublessor in accordance with Exhibit D to the Master Lease, and spend an amount equal to or greater than the Building Standard Improvements Allowance (defined below) on the build-out; (B) promptly build-out-those portions with new tenant improvements approved by Master Lessor and

Sublessor in accordance with Exhibit D and spend an amount less than the Building Standard Improvement Allowance (in which case promptly upon completion of the Tenant Improvements, Sublessee shall pay to Sublessor the difference between the amount spent by Sublessee for new tenant improvements and the Building Standard Improvements Allowance); or (C) pay to Sublessor an amount equal to the Building Standard Improvements Allowance multiplied by the rentable square footage of the office space so affected; and (ii) with respect to those portions of the Premises which are damaged, but were not built out for office use as of the Master Lease Commencement Date, either: (A) promptly construct new tenant improvements approved by Master Lessor and Sublessor in accordance with Exhibit D in the space so affected (and expend no less than the Tenant Improvement Allowance for the improvements); (B) promptly construct new tenant improvements approved by Master Lessor and Sublessor in accordance with Exhibit D in the space so affected, expending less than the Tenant Improvement Allowance (in which case Tenant shall pay to Sublessor the difference between the amount expended and the Tenant Improvement Allowance promptly upon completion of the construction); or (C) pay to Sublessor an amount equal to the Tenant Improvement Allowance applicable to the affected space. Any payment by Tenant to Sublessor in accordance with subsections (i) (C) or (ii) (C) of the preceding sentence must be made upon the earlier of ten (10) days following Sublessee's receipt of insurance proceeds thereof, or ninety (90) days after the occurrence of the damage or destruction, or Sublessee shall be deemed to have elected to restore and rebuild the portions of the Premises which were damaged. As used herein, the term "Building Standard Improvements Allowance" shall have the meaning set forth in Section 12.c. of the Master Lease. Sublessee shall at its sole cost and expense restore all improvements made by Sublessee.

(e) Abatement of Rent. Rent under this Sublease shall abate to the same extent as the rent owing by Sublessor under the Master Lease abates.

(f) Damage Near End of Term. In addition to the rights to terminate specified in Section 10.c. of this Sublease, either Sublessor or Sublessee shall have the right to cancel and terminate this Sublease as of the date of the occurrence of destruction or damage if the Premises or the Building is substantially destroyed or damaged (i.e., there is damage or destruction which Landlord determines would require more than four (4) months to repair) and made untenantable during the last twelve (12) months of the term of the Master Lease. Sublessor and Sublessee shall give notice of their election to terminate this Sublease under this subsection f. within thirty (30) days after Master Lessor or Sublessor determines that the damage or destruction would require more than four (4) months to repair. If either Master Lessor or Sublessor elect to terminate the Master Lease pursuant to Section 12.e. of the Master Lease, this Sublease shall terminate concurrently with the termination of the Master Lease. If neither Master Lessor nor Sublessor terminates the Master Lease and if either Sublessor or Sublessee elects to terminate this Sublease, the repair of the damage shall be governed by Sections 12.c. or 12.e. of the Master Lease, as the case may be.

(g) Insurance Proceeds. If this Sublease is terminated, Master Lessor and Sublessor may each keep all their respective insurance proceeds resulting from the damage except for those proceeds, if any, which specifically insure Sublessee's personal property and trade fixtures which Sublessee has a right .or obligation to remove upon the expiration of the Sublease term. Sublessor shall be entitled to receive from Sublessee the proceeds of insurance carried by Sublessee with respect to Tenant Improvements or other alterations installed in the

Premises by Sublessor or at Sublessor's expense. To the extent that Sublessee has paid for any alterations regardless of whether the alterations may become the property of Sublessor upon termination of this Sublease, Sublessee shall receive any portion of the insurance proceeds payable with respect to the then unamortized cost (based on an 8-year, straight line, amortization schedule) for the applicable alterations, reduced by the amounts necessary to pay off any equipment lease or other lien against the applicable alteration, and the balance of the proceeds, if any, will be payable to Sublessor. With respect to those alterations which Sublessee is obligated to remove at the end of the Sublease term which are the property of Sublessee, all proceeds shall be paid to Sublessee.

(h) Uninsured Casualty. If the Master Lease terminates pursuant to the provisions of Section 12.g. of the Master Lease, this Sublease shall terminate. Sublessor shall have no obligation to deposit funds with Master Lessor pursuant to said Section 12.g.; provided, however, if Sublessor and Sublessee have so agreed that Sublessee will provide the funds for deposit with Master Lessor in that amount which Sublessor is permitted to contribute to repairs in order to keep the Master Lease from terminating pursuant to Section 12.g., then upon Sublessee providing such funds, this Sublease shall continue in effect.

11. Eminent Domain. If all or any part of the Premises is taken for public or quasi-public use by a governmental authority under the power of eminent domain or is conveyed to a governmental authority in lieu of such taking, and if the taking or conveyance causes the remaining part of the Premises to be untenantable and inadequate for use by Sublessee for the purpose for which they were leased, then Sublessee, at its option and by giving notice within fifteen (15) days after the taking, may terminate this Sublease as of the date Sublessee is required to surrender possession of the Premises. If a part of the Premises is taken or conveyed but the remaining part is tenantable and adequate for Sublessee's use, then this Sublease shall be terminated as to the part taken or conveyed as of the date Sublessee surrenders possession; Master Lessor is obligated, at no cost or expenses to Sublessor or Sublessee, to restore the Premises (other than any Tenant Improvements) to a complete architectural unit of a design comparable to the design of the Premises (other than any Tenant Improvements or alterations) immediately prior to the condemnation, and the rent shall be reduced based on any decrease in use to Sublessee of the Premises. All compensation awarded for the taking or conveyance shall be the property of Master Lessor and Sublessor, as their interests may appear, and Sublessee hereby assigns to Sublessor all its right, title and interest in and to the award, unless the governmental authority makes only one (1) award, and the award contains compensation for the value of moving expenses, Sublessee's personal property, trade fixtures and alterations, in which case, subject to the rights of any mortgagee or beneficiary of a deed of trust holding a lien, Sublessee shall be entitled to the compensation paid for Sublessee's moving expenses, trade fixtures, personal property and the portion of the award attributable to the then unamortized cost of alterations and improvements constructed at Sublessee's expense (which are to be amortized on a straight line basis over the term of this Sublease). Sublessee shall have the right, however, to recover from the governmental authority, but not from Sublessor or Master Lessor, except as provided in the preceding sentence, such compensation as may be awarded to Sublessee on account of the interruption of Sublessee's business, moving and relocation expenses and removal of Sublessee's trade fixtures and personal properly.

12. Assignment and Subletting. Sublessee shall obtain the consent and approval of Sublessor and Master Lessor pursuant to Section 15 of the Master Lease prior to any further sublease or assignment of this Sublease. Notwithstanding any provision of this Sublease to the contrary, if Sublessor consents to a sublease or assignment, Sublessee shall pay to Sublessor on a monthly basis as additional Rent, on the date Base Rent is due, an amount equal to fifty percent (50%) of the amount by which the rent payable to Sublessee ("Subrent") under the sublease or assignment exceeds the rent due for the applicable portion of the Premises after deducting from the Subrent (A) the reasonable out-of-pocket costs incurred by Sublessee for brokerage commissions and tenant concessions (which concessions are not reflected in the reduced Subrent), and (B) the costs of any additional improvements constructed by Sublessee in connection with the sublease or assignment (amortized on a straight line basis over the term of the sublease). Sublessor shall not unreasonably withhold, delay, or condition such consent.

13. Access to Premises. Master Lessor shall have the same right of access to the Premises as Sublessor.

14. Surrender at End of Term. Sublessee shall surrender the Premises to Sublessor in the same condition received, broom clean, except for any alterations Sublessee is not required to remove, normal wear and tear, acts of God, damage, destruction (except to the extent Sublessee is obligated to restore the same under Section 10 of this Sublease) and eminent domain covered by the provisions of this Sublease. Sublessee shall remove from the Premises all of Sublessee's personal property and trade fixtures and any alterations and improvements Sublessee is required to remove, and shall repair all damage caused by the removal. Sublessee shall obtain and deliver to Sublessor a closure certificate if required by the City of South San Francisco. Sublessee shall indemnify Sublessor against all loss or liability resulting from delay by Sublessee in so surrendering the Premises, including without limitation, any claims made by any succeeding tenant, losses to Sublessor due to lost opportunities to lease to a succeeding tenant, and attorneys' fees and costs.

15. Signs. Master Lessor shall have the same approval rights with respect to signs as Sublessor.

16. Holding Over. This Sublease shall terminate without further notice at the expiration of the Sublease term. Any holding over by Sublessee after the expiration or sooner termination of this Sublease without the consent of Sublessor shall be construed to be a tenancy at sufferance. Rent for the Premises during any tenancy at sufferance, or if Sublessor shall have consented to Sublessee's holding over, shall be at a rate equal to 150% of the Base Rent for the last month of the term, and shall otherwise be on the terms and conditions herein specified insofar as applicable, including, without limitation, those providing for additional rent.

17. Brokers. For the purposes of Section 29 of the Master Lease as incorporated into this Sublease, Cornish & Cary Commercial-Oncor International is the only broker to whom a Commission is owing, which commission shall be paid by Fibrogen, Inc.

18. Notices. All notices or demands of any kind required to be given by Sublessor or Sublessee hereunder shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, to Sublessor or Sublessee, respectively, at the following

addresses, or at such other address as such party shall designate by written notice to the other party. Such addresses are:

Sublessor:

180 Kimball Way
South San Francisco, CA 94080
Attention: Chief Financial Officer

Sublessee:

260 Littlefield Road
South San Francisco, CA 94080
Attention: Mr. Remi Barbier

Personal delivery may be accomplished by means of commercial "overnight" or "express" delivery services. Notices shall be deemed delivered upon receipt or refusal to accept delivery. All rent and other payments due under this Sublease or the Master Lease shall be made by Sublessee to Sublessor at the above address.

19. Attorneys' Fees. Without in any way limiting the provisions of Section 28 of the Master Lease, if there is any legal action or proceeding between Sublessor and Sublessee to enforce any provision of this Sublease, or to protect or to establish any right or remedy of either party hereunder, the prevailing party in such action or proceeding shall be entitled to recover from the other party all costs and expenses, including reasonable attorneys' fees and expert witness fees incurred by such prevailing party in connection with any such action or any appeal in connection therewith.

20. Consent of Master Lessor. This Sublease is contingent upon Sublessor obtaining the consent of Master Lessor. Sublessee shall pay all costs and expenses payable by Sublessor to Master Lessor or Simeon Commercial Properties pursuant to Paragraph 8 of the Consent to Sublease and Agreement executed by Master Lessor, Sublessor and Sublessee, up to a maximum amount of $5,000.

In Witness Whereof, the undersigned have executed this Sublease as of the dates set forth below.

Sublessor:

Arris Pharmaceutical Corporation,
a Delaware corporation

By: /s/ Fred Ruegsegger Date: July 6, 1997

Its: VP + CFO

Sublessee:

Exelixis Pharmaceuticals, Inc.,
a Delaware corporation

By: /s/ Remi Barbier Date: July 6, 1997

Its: Chief Operating Officer

Landlord:

Utah Partners Limited a California Limited Partnership, by Simeon Commercial Properties, A California Corporation, General Partner

By: /s/ Curt B. Setzer Date: July 6, 1997

Its: VP

THIS BUILD-TO-SUIT LEASE ("Lease") is made and entered into as of May ___, 1999, by and between BRITANNIA POINTE GRAND LIMITED PARTNERSHIP, a Delaware limited partnership ("Landlord"), and EXELIXIS PHARMACEUTICALS, INC., a Delaware corporation ("Tenant").

THE PARTIES AGREE AS FOLLOWS:

1. PROPERTY

1.1 Lease of Buildings and Property.

(a) Landlord leases to Tenant and Tenant hires and leases from Landlord, on the terms, covenants and conditions hereinafter set forth, (i) the building ("Building 1") to be constructed pursuant to Article 5 hereof and Exhibit C attached hereto on the real property described as the Phase 1 Property in Exhibit A attached hereto and designated as the Phase 1 Property in Exhibit B attached hereto (the "Phase 1 Property"), and (ii) at Tenant's option (as hereinafter set forth), the building ("Building 2") to be constructed pursuant to Article 5 hereof and Exhibit C attached hereto on either the real property described as the Phase 2-A Property in Exhibit A attached hereto and designated as the Phase 2-A Property in Exhibit B attached hereto (the "Phase 2-A Property") or the real property described as the Phase 2-B Property in Exhibit A attached hereto and designated as the Phase 2-B Property in Exhibit B attached hereto (the "Phase 2-B Property"). Building 1 and Building 2 are sometimes hereinafter collectively called the "Buildings" (although such term shall generally be construed to include Building 2 only if Tenant exercises its option under Section 1.1(c)(ii) or (iii), as applicable, unless the context clearly or reasonably requires otherwise); the Phase 2-A and Phase 2-B Properties are sometimes hereinafter collectively called the "Phase 2 Properties," and the one of those two properties on which Building 2 is actually constructed (if Tenant exercises its option under Section 1.1(c)(ii) or (iii), as applicable) is sometimes hereinafter called the "Phase 2 Property"; and the Phase 1 Property and the Phase 2-A and/or Phase 2-B Properties, as applicable, are sometimes hereinafter collectively called the "Property" or the "Properties," as the context may require. Building 1 shall consist of a three (3) story office and laboratory building containing approximately 70,000 square feet. Building 2 is presently intended to consist of a two (2) story office and laboratory building containing approximately 45,000 square feet, but the size and configuration of Building 2 cannot be finally determined until the site for Building 2 is finally identified. The location of the Phase 1, Phase 2-A and Phase 2-B Properties is, and the location of the proposed Buildings on those respective Properties (to the extent presently known or contemplated) is intended to be, substantially as shown on the site plan attached hereto as Exhibit B (the "Site Plan"). The Properties are located on Harbor Way in the City of South San Francisco, County of San Mateo, State of California, adjacent to and across the street from the Britannia Pointe Grand Business Park (which is also owned and operated by Landlord) on East Grand Avenue and Harbor Way. The Buildings and the other improvements to be constructed on the applicable Properties pursuant to Article 5 hereof and Exhibit C attached hereto are sometimes referred to collectively herein as the "Improvements." The parking areas, driveways, sidewalks, landscaped areas and other portions of the Properties that lie outside the exterior walls of the Buildings to be constructed on the Properties, as depicted in the Site Plan and as hereafter modified by Landlord from time to time in accordance with the provisions of this Lease, are sometimes referred to herein as the "Common Areas"; provided, however, that the term "Common Areas" shall also include the parking areas, driveways, sidewalks, landscaped areas and other portions of the remainder of the Britannia Pointe Grand Business Park that lie outside the exterior walls of the other buildings existing from time to time in the Britannia Pointe Grand Business Park.

(b) As an appurtenance to Tenant's leasing of the Buildings pursuant to Section 1.1(a), Landlord hereby grants to Tenant, for the benefit of Tenant and its employees, suppliers, shippers, customers and invitees, during the term of this Lease, the non-exclusive right to use, in common with others entitled to such use, (i) those portions of the Common Areas improved from time to time for use as parking areas, driveways, sidewalks, landscaped areas, or for other common purposes, and (ii) all access easements and similar rights and privileges relating to or appurtenant to the Property and created or existing from time to time under any access easement agreements, declarations of covenants, conditions and restrictions, or other written agreements now or hereafter of record with respect to the Property, subject however to

any limitations applicable to such rights and privileges under applicable law, under this Lease and/or under the written agreements creating such rights and privileges.

(c) The parties acknowledge that as of the date of this Lease, Landlord does not own either of the Phase 2 Properties. Landlord agrees to use its best efforts (including a willingness to pay the fair market value of the respective Phase 2 Properties, as such value may exist from time to time) to Acquire the Phase 2 Properties, either by private negotiation or by invoking condemnation or other assistance from the City of South San Francisco, within a time frame consistent with the time frame contemplated in this Lease for the construction of Building 2 for occupancy by Tenant under this Lease. If Landlord, despite the exercise of such best efforts, is delayed in its Acquisition of either or both of the Phase 2 Properties or is ultimately unable to Acquire either or both of the Phase 2 Properties, Landlord shall not be liable for any damages caused by such delay or inability, nor shall any such delay or inability affect the validity of this Lease or the obligations of Landlord and Tenant hereunder with respect to the Phase 1 Property and Building 1. If Landlord is able to Acquire one or both of the Phase 2 Properties, then the procedure for identifying the site of Building 2 and determining the parties' rights and obligations with respect thereto shall be as follows:

(i) The parties mutually acknowledge that their first preference for a site for Building 2 is the Phase 2-A Property, that their second preference for a site for Building 2 is the Phase 2-B Property, and that the MetaXen Building Option provided in Section 1.3 hereof with respect to the MetaXen Space is intended primarily as a possible solution for Tenant's space needs in the unlikely event that Landlord's efforts to Acquire the Phase 2 Properties are unsuccessful as to both of the Phase 2 Properties. Landlord agrees to keep Tenant informed, on a regular basis (and promptly following any material change in circumstances), regarding Landlord's efforts to Acquire the Phase 2-A Property and the Phase 2-B Property and regarding the availability of the MetaXen Space.

(ii) If Landlord Acquires the Phase 2-A Property, then Landlord shall promptly give Tenant written notice thereof (the "Phase 2-A Acquisition Notice") and Tenant shall have an option (the "Phase 2-A Option"), during the period extending from the date Tenant receives the Phase 2-A Acquisition Notice until the date three (3) months thereafter (the "Phase 2-A Option Period"), to elect to have Building 2 constructed on the Phase 2-A Property. The Phase 2-A Option shall be conditional upon Landlord's Acquisition of the Phase 2-A Property, shall not apply during any period in which Tenant is in default, beyond any applicable cure period, under this Lease and shall be exercisable only by written notice from Tenant to Landlord prior to 5:00 p.m. local time in Oakland, California on the last day of the Phase 2-A Option Period. During the Phase 2-A Option Period, Landlord and Tenant shall negotiate, diligently and in good faith, regarding the size, location and general layout of the building to be constructed as Building 2 on the Phase 2-A Property, the proposed timing of the construction of the building shell and tenant improvements in such Building 2, the terms for construction of the tenant improvements to be constructed in such Building 2 and the rent and other economic terms to be applicable to such Building 2. Subject to the outcome of such negotiations, it is generally the intention of the parties that the size and general layout of Building 2 would be designed to maximize the square footage of Building 2, consistent with applicable local laws and requirements; that the timing of the construction of the building shell and tenant improvements (or at least the first phase of tenant improvements, if applicable) would provide for completion and delivery thereof twelve (12) months after the Phase 1 Rent Commencement Date as hereinafter defined; that the term of the lease with respect to Building 2 would be coterminous with the term of this Lease as it is then in effect with respect to Building 1; that the tenant improvement allowance and other terms relating to the construction of tenant improvements in Building 2 would be no less favorable to Tenant in any material respect than the terms set forth in this Lease with respect to Building 1; and that the rent and other economic terms applicable to Building 2 would be substantially the same as the economic terms applicable to Building 1 as set forth in this Lease, but (w) adjusted to take into account differences in the size of the respective buildings and in Landlord's reasonably estimated costs of land acquisition (provided, however, that to the extent the acquisition costs for the applicable property cannot then be estimated with reasonable precision because the property value is to be determined through an eminent domain proceeding which has not yet been completed, the acquisition costs would be estimated based on the land value established by the appraiser for the City of South San Francisco or its Redevelopment Agency in connection with the eminent domain proceeding and the parties would agree that to the extent Landlord's actual acquisition costs eventually paid to the owner of the subject property exceed that estimated amount, the rent and other economic terms would be

adjusted to reflect an increase in the estimated acquisition costs by one-half (1/2) of such excess, such adjustment to be made in a manner and to an extent appropriate to the relative weighting of the land acquisition costs in the overall determination of the rent and other economic terms), costs of construction (including any necessary fill), costs of demolition of any then existing improvements and cost of money (determined by reference to changes in the Bank of America prime rate in effect in the San Francisco Bay Area from time to time) with respect to the Phase 2-A Property, and (x) implemented in such a matter that on the Phase 2 Rent Commencement Date (as hereinafter defined), the rental rate applicable to Building 2 shall be the same rental rate per square foot then applicable to Building 1 as set forth in Section 3.1(a) hereof (the intentions of the parties as described in the foregoing sentence, including any adjustments expressly contemplated therein, being sometimes hereinafter collectively called the "Baseline Terms and Conditions"). Effective upon the date Landlord delivers the Phase 2-A Acquisition Notice to Tenant, any remaining rights and obligations of the parties with respect to the Phase 2-B Property and the MetaXen Space under Section 1.1(c)(iii) and Section 1.3 of this Lease, respectively, shall terminate and be of no further force or effect (except to the extent that any rights of Tenant with respect to the Phase 2-B Property and/or the MetaXen Space have previously been exercised by Tenant in a final and binding manner pursuant to Section 1.1(c)(iii) or Section 1.3 of this Lease, as applicable).

(A) If Landlord and Tenant reach mutual agreement during the Phase 2-A Option Period on all material terms and conditions to be applicable to Building 2 as contemplated in the preceding paragraph, then Tenant's written exercise of the Phase 2-A Option prior to the expiration of the Phase 2-A Option Period shall create an obligation binding on both parties for the construction and leasing of Building 2 on such agreed terms and conditions, in which event Landlord and Tenant shall promptly (and in all events within sixty (60) days after Tenant's exercise of the Phase 2-A Option) enter into a lease amendment covering such Building 2 and incorporating such agreed terms and conditions. If Landlord and Tenant fail to reach mutual agreement during the Phase 2-A Option Period on any material terms or conditions to be applicable to Building 2 as contemplated in the preceding paragraph, then Tenant's written exercise of the Phase 2-A Option prior to the expiration of the Phase 2-A Option Period shall create an obligation binding on both parties for the construction and leasing of Building 2 on the Baseline Terms and Conditions, applied in accordance with the provisions of Section 1.1(c)(v) hereof, in which event Landlord and Tenant shall promptly proceed to determine the applicable Baseline Terms and Conditions in accordance with Section 1.1(c)(v) and thereafter shall promptly (and in all events within sixty (60) days after such determination) enter into a lease amendment covering such Building 2 and incorporating the applicable Baseline Terms and Conditions as determined under Section 1.1(c)(v).

(B) If, at the time Landlord gives Tenant the Phase 2-A Acquisition Notice, Tenant has already exercised the Phase 2-B Option under Section 1.1(c)(iii) hereof but Landlord has not yet commenced actual construction of Building 2 on the Phase 2-B Property pursuant to such exercise, then Tenant may elect, by written notice to Landlord at any time prior to the earlier of (y) Landlord's commencement of actual construction of Building 2 on the Phase 2-B Property or (z) the expiration of the Phase 2-A Option Period, to rescind Tenant's exercise of the Phase 2-B Option (and any lease amendment or other documents to the extent they implement or reflect that exercise) and concurrently to exercise the Phase 2-A Option under this Section 1.1(c)(ii); following Landlord's commencement of actual construction of Building 2 on the Phase 2-B Property pursuant to an exercise of the Phase 2-B Option by Tenant, however, Tenant's sole rights with respect to the Phase 2-A Property under this Section 1.1(c)(ii) shall be to have the Phase 2-A Option construed, at Tenant's option, as an option to lease a third building to be constructed on the Phase 2-A Property for occupancy by Tenant under this Lease, in which event the existence, exercise and/or non-exercise of such option by Tenant shall have no effect on the parties' respective contractual obligations with respect to the Phase 2-B Property pursuant to Tenant's exercise of the Phase 2-B Option. To the extent the provisions of this Section 1.1(c)(ii), including (but not limited to) those relating to Baseline Terms and Conditions, are then to be applied to a third building for tenant to be constructed on the Phase 2-A Property, the parties assume and intend (notwithstanding any other provisions of this Section 1.1(c)(ii) to the contrary) that the lease term with respect to such third building would be seventeen (17) years and would not be coterminous with the lease terms for Buildings 1 and 2, that the projected delivery date for such third building would not bear any necessary relationship to the Phase 1 Rent Commencement Date or the Phase 2 Rent Commencement Date (since the Phase 2-A Option could arise a number of years in the future) but would be no more than (and might be

materially less than) fifteen (15) months after execution of the lease or lease amendment providing for such third building (subject to provisions comparable to those set forth in this Lease and in the Workletter attached hereto as Exhibit C for force majeure, tenant delays and similar factors), that the nature and scope of tenant improvements and the amount of the tenant improvement allowance would be comparable to those contemplated in this Lease for Building 2 (but without necessarily having any contemplated phasing of tenant improvements in such third building) and that the rental rate for such third building, upon occupancy, would not be determined with reference to the then applicable rate per square foot for Buildings 1 and 2 under Section 3.1(a) hereof but would instead be the then prevailing fair market rental rate for properties in the City of South San Francisco with shell and office, laboratory and research and development improvements and site (common area) improvements comparable to those to be constructed in and around such third building, taking into account for such determination all tenant improvements to be constructed at Landlord's expense and paid for by Landlord or by Tenant through additional rent (including, but not limited to, equipment and laboratory improvements to be installed as part of the initial tenant improvements in such third building except to the extent, if any, paid for by Tenant in cash), but excluding from such determination any tenant improvements to be constructed by Tenant at its sole expense or paid for by Tenant in cash. If Landlord and Tenant are unable to agree upon such then prevailing fair market rental or upon any other terms and conditions to be applied to such third building, the applicable terms and conditions shall be determined in accordance with the procedure set forth in Section 1.1(c)(v) for Baseline Terms and Conditions, subject to any restrictions or criteria specially applicable to such third building in accordance with this Section 1.1(c)(ii)(B).

(C) If Tenant does not exercise the Phase 2-A Option prior to the expiration of the Phase 2-A Option Period, then the parties' rights and obligations with respect to the Phase 2-A Property shall terminate and be of no further force or effect and Landlord shall be free to lease and/or develop the Phase 2-A Property without further obligation to offer the same to Tenant or to enter into any further negotiations with Tenant with respect thereto.

(iii) If Landlord Acquires the Phase 2-B Property prior to the termination of Tenant's rights with respect to the Phase 2-B Property pursuant to any other applicable provisions of this Lease, then Landlord shall promptly give Tenant written notice thereof (the "Phase 2-B Acquisition Notice") and Tenant shall have an option (the "Phase 2-B Option"), during the period extending from the date Tenant receives the Phase 2-B Acquisition Notice until the later of (A) five (5) months after the date Tenant receives the Phase 2-B Acquisition Notice or (B) December 31, 1999 (the "Phase 2-B Option Period"), to elect to have Building 2 constructed on the Phase 2-B Property. The Phase 2-B Option shall be conditional upon Landlord's Acquisition of the Phase 2-B Property, shall not apply during any period in which Tenant is in default, beyond any applicable cure period, under this Lease and shall be exercisable only by written notice from Tenant to Landlord prior to 5:00 p.m. local time in Oakland, California on the last day of the Phase 2-B Option Period. During the Phase 2-B Option Period, Landlord and Tenant shall negotiate, diligently and in good faith, regarding the size, location and general layout of the building to be constructed as Building 2 on the Phase 2-B Property, the proposed timing of the construction of the building shell and tenant improvements in such Building 2, the terms for construction of the tenant improvements to be constructed in such Building 2 and the rent and other economic terms to be applicable to such Building 2. Subject to the outcome of such negotiations, it is generally the intention of the parties that the terms and conditions applicable to Building 2 on the Phase 2-B Property would be the Baseline Terms and Conditions as defined above, but with all references in such definition to "the Phase 2-A Property" to be construed instead as referring to "the Phase 2-B Property." Effective upon the date Landlord delivers the Phase 2-B Acquisition Notice to Tenant, any remaining rights and obligations of the parties with respect to the MetaXen Space under Section 1.3 of this Lease shall terminate and be of no further force or effect (except to the extent that any rights of Tenant with respect to the MetaXen Space have previously been exercised by Tenant in a final and binding manner pursuant to Section 1.3 of this Lease).

(A) If Landlord and Tenant reach mutual agreement during the Phase 2-B Option Period on all material terms and conditions to be applicable to Building 2 as contemplated in the preceding paragraph, then Tenant's written exercise of the Phase 2-B Option prior to the expiration of the Phase 2-B Option Period shall create an obligation binding on both parties for the construction and leasing of Building 2 on such agreed terms and conditions, in which event Landlord and Tenant shall promptly (and in all events within sixty (60) days after Tenant's exercise of the Phase 2-B Option) enter into a lease amendment covering such Building

2 and incorporating such agreed terms and conditions. If Landlord and Tenant fail to reach mutual agreement during the Phase 2-B Option Period on any material terms or conditions to be applicable to Building 2 as contemplated in the preceding paragraph, then Tenant's written exercise of the Phase 2-B Option prior to the expiration of the Phase 2-B Option Period shall create an obligation binding on both parties for the construction and leasing of Building 2 on the Baseline Terms and Conditions, applied in accordance with the provisions of Section 1.1(c)(v) hereof, in which event Landlord and Tenant shall promptly proceed to determine the applicable Baseline Terms and Conditions in accordance with Section 1.1(c)(v) and thereafter shall promptly (and in all events within sixty (60) days after such determination) enter into a lease amendment covering such Building 2 and incorporating the applicable Baseline Terms and Conditions as determined under Section 1.1(c)(v).

(B) If, following Tenant's exercise of the Phase 2-B Option but prior to Landlord's commencement of actual construction of Building 2 on the Phase 2-B Property pursuant to such exercise, Landlord gives Tenant a Phase 2-A Acquisition Notice, then Tenant shall have certain rights as set forth in Section 1.1(c)(ii)(B) above, which rights may include, notwithstanding any contrary provisions of this Section 1.1(c)(iii), the rescission of Tenant's exercise of the Phase 2-B Option (and the concurrent rescission of any lease amendment or other documents to the extent they implement or reflect such exercise) in accordance with the terms of such Section 1.1(c)(ii)(B).

(C) If Tenant does not exercise the Phase 2-B Option prior to the expiration of the Phase 2-B Option Period, then the parties' rights and obligations with respect to the Phase 2-B Property shall terminate and be of no further force or effect and Landlord shall be free to lease and/or develop the Phase 2-B Property without further obligation to offer the same to Tenant or to enter into any further negotiations with Tenant with respect thereto.

(iv) For purposes of this Section 1.1(c), the term "Acquire" and related forms of that term shall mean or refer to (in a manner appropriate to the context), with respect to any property, the earliest of (A) the date on which fee title to such property is conveyed to Landlord, or to the City of South San Francisco or its Redevelopment Agency subject to a binding agreement of such entity to retransfer the applicable property to Landlord, or (B) the date on which either Landlord or the City of South San Francisco or its Redevelopment Agency has executed a binding purchase and sale agreement with the owner of such property, providing for the purchase or other acquisition of such property by Landlord, or by the City of South San Francisco or its Redevelopment Agency subject to a binding agreement of such entity to retransfer the applicable property to Landlord, as applicable, or (C) the date on which the City of South San Francisco and/or its Redevelopment Agency has obtained an Order for Prejudgment Possession or substantially equivalent relief with respect to such property pursuant to an eminent domain proceeding initiated against such property and/or the owner(s) thereof, subject to a binding agreement of the City of South San Francisco or its Redevelopment Agency to retransfer the applicable property to Landlord.

(v) If Landlord and Tenant fail to agree upon the terms and conditions applicable to Tenant's lease of a building on the Phase 2-A Property as contemplated in Section 1.1(c)(ii)(A) above or to Tenant's lease of a building on the Phase 2-B Property as contemplated in Section 1.1(c)(iii)(A) above, then in either such event either Landlord or Tenant may give a written notice to the other electing to have the Baseline Terms and Conditions applicable to such lease be determined under this Section 1.1(c)(v) (a "Baseline Terms and Conditions Determination Notice"). Within seven (7) days after delivery of the Baseline Terms and Conditions Determination Notice, each party, at its cost and by giving written notice to the other party, shall appoint a real estate appraiser with at least five (5) years experience appraising similar commercial properties in northeastern San Mateo County to determine the applicable Baseline Terms and Conditions in accordance with the provisions of this Section 1.1(c)(v); provided, however, that if Landlord and Tenant at the time are able to agree upon a single appraiser to make such determination, then they shall jointly appoint such appraiser to act as the sole determiner of the applicable Baseline Terms and Conditions and they shall share equally the costs of such single appraiser. If either party fails to appoint an appraiser within the allotted time, the single appraiser appointed by the other party shall be the sole appraiser. Within twenty-one (21) days after delivery of the Baseline Terms and Conditions Determination Notice, Landlord shall deliver to each of the appointed appraiser(s) and to Tenant a written statement specifying Landlord's position on the correct interpretation and application of each element of the Baseline Terms and Conditions as applied to the Phase 2-A Property or Phase 2-B Property, as applicable, together with copies of any supporting documentation reasonably necessary to support Landlord's position (for example, with respect to changes in acquisition costs, costs of money based on the Bank of America prime rate, etc.). Within fourteen (14) days after delivery of Landlord's position statement and supporting materials, Tenant shall deliver to each of the appointed appraiser(s) and to Landlord a written statement specifying Tenant's position on the correct interpretation and application of each element of the Baseline Terms and Conditions as applied to the Phase 2-A Property or Phase 2-B Property,

as applicable, together with copies of any supporting documentation reasonably necessary to support Tenant's positions where they differ from Landlord's positions. Within five (5) days after delivery of Tenant's position statement and supporting materials, Landlord may, if it so chooses, deliver to each of the appointed appraiser(s) and to Tenant a written rebuttal to Tenant's position statement. Within fourteen (14) days after their receipt of all such position statements and Landlord's rebuttal (if applicable), the appointed appraisers shall issue a joint written decision specifying their joint determination as to the correct interpretation and application of the Baseline Terms and Conditions with respect to each element addressed in the position statement of either party and, if they are unable to agree with respect to any element of such Baseline Terms and Conditions, specifying their respective separate determinations with respect to such element. If the appraisers have reached a joint determination as to all elements of the Baseline Terms and Conditions, then their determination shall be final and binding on the parties and Landlord and Tenant shall thereafter promptly (and in all events within sixty (60) days) enter into a lease amendment incorporating the terms and conditions specified in such determination. If the appraisers have been unable to agree with respect to any element of the Baseline Terms and Conditions, then they shall jointly appoint a third similarly qualified appraiser within five (5) days after issuance of their determination; if they are unable to agree upon such a third appraiser within such 5-day period, then either party may, upon not less than three (3) days notice to the other party, apply to the Presiding Judge of the San Mateo County Superior Court for the appointment of a third qualified appraiser. Each party shall bear its own legal fees in connection with the appointment of the third appraiser and shall bear one-half of any other costs of appointment of the third appraiser and of such third appraiser?s fee. The third appraiser, however selected, shall be a person who has not previously acted for either party in any capacity. Within fourteen (14) days after the appointment of the third appraiser, the third appraiser shall review the joint determination of the first two appraisers and, to the extent he or she deems appropriate, all position statements and supporting materials submitted by either party to the first two appraisers and shall issue his or her written determination specifying, as to each element of the Baseline Terms and Conditions on which the first two appraisers were unable to agree, his or her determination as to the correct interpretation and application of the Baseline Terms and Conditions with respect to such element, which determination shall be limited to selecting from one of the two separate determinations issued with respect to such element by the first two appraisers. Upon issuance of the third appraiser's determination, the joint determination of the first two appraisers as to all elements on which they reached agreement shall be final and binding on the parties, the determination of the third appraiser as to all elements on which the first two appraisers were unable to reach agreement shall be final and binding on the parties, and Landlord and Tenant shall thereafter promptly (and in all events within sixty (60) days) enter into a lease amendment incorporating the terms and conditions specified in such binding determinations.

(d) The parties acknowledge that Landlord does not presently own the property described as Parcel Four of the Phase 1 Property on Exhibit A attached hereto and designated as the Marble Master Property on Exhibit B attached hereto (the "Marble Master Property"). Landlord has represented to Tenant, however, that Landlord presently has a binding contract (subject to customary conditions) to acquire the Marble Master Property, that Landlord's acquisition of the Marble Master Property is presently scheduled to close on June 28, 1999, that Landlord will redesign the footprint of Building 1 and its surrounding grounds to exclude the Marble Master Property if Landlord for some reason is ultimately unsuccessful in acquiring the same, but that any such redesign shall not reduce the size of Building 1 below the approximately 70,000 square feet contemplated in this Lease.

1.2 Landlord's Reserved Rights. To the extent reasonably necessary to permit Landlord to exercise any rights of Landlord and discharge any obligations of Landlord under this Lease, Landlord shall have, in addition to the right of entry set forth in Section 16.1 hereof, the following rights: (i) to make changes to the Common Areas, including, without limitation, changes in the location, size or shape of any portion of the Common Areas, and to relocate parking spaces on the Property and in the Common Areas (but not materially decrease the

number of such parking spaces in areas of the Property generally adjacent to the Buildings); (ii) to close temporarily any of the Common Areas for maintenance or other reasonable purposes, provided that reasonable parking and reasonable access to the Buildings remain available; (iii) to construct, alter or add to other buildings and Common Area improvements on the Property (including, but not limited to, construction of site improvements, buildings and Common Area improvements on portions of the Property and/or on adjacent properties owned by Landlord from time to time); (iv) to build in areas adjacent to the Property and to add such areas to the Property or operate such areas, for maintenance, access, parking and other purposes, on an integrated basis with the Property; (v) to use the Common Areas while engaged in making additional improvements, repairs or alterations to the Property or any portion thereof or to any adjacent properties owned by Landlord from time to time; and (vi) to do and perform such other acts with respect to the Common Areas and the Property as may be necessary or appropriate; provided, however, that notwithstanding anything to the contrary in this Section 1.2, Landlord's exercise of its rights hereunder shall not cause any material diminution of Tenant's rights, nor any material increase of Tenant's obligations, under this Lease or with respect to the Improvements.

1.3 MetaXen Building Option. Landlord grants to Tenant the option to lease space in the building designated as the MetaXen Building on Exhibit B-1 attached hereto (the "MetaXen Space" or the "MetaXen Building"), which building is located on the real property described as the MetaXen Property on Exhibit A attached hereto, when and if such space becomes available, subject to the terms and conditions set forth in this Section 1.3. Landlord has represented to Tenant that the MetaXen Space is at present fully leased under a long-term lease to MetaXen, LLC, subject to subleases of a portion of such space to Tenant and of a portion of such space to Cytokinetics, Inc. If, at any time during the Phase 2-B Option Period, MetaXen, LLC abandons or surrenders its leasehold interest or its existing lease of the MetaXen Space is otherwise terminated for any reason with respect to all or any portion of the MetaXen Space, Landlord shall give written notice of such fact to Tenant (the "MetaXen Option Notice"), which notice shall specify how much (all or a specified part) of the MetaXen Space is thus available (the "Offered Space"), shall identify any existing occupancies or other leasing arrangements to which the Offered Space is subject in whole or in part (as contemplated in the final two sentences of this Section 1.3), and shall specify Landlord's position as to the then prevailing fair market rental rate for comparably improved space in the Britannia Pointe Grand Business Park. Tenant shall then have an option, exercisable only by written notice to Landlord within a period of thirty (30) days after the date Tenant receives the MetaXen Option Notice (the "MetaXen Option Period"), in which to elect to lease the Offered Space, subject to the existing occupancies and other leasing arrangements (if any) as specified in the MetaXen Option Notice, in "as is" condition, at a rental rate equal to the fair market rental rates then prevailing for comparably improved space in the Britannia Pointe Grand Business Park and for a term equal to, at Tenant's election (to be specified in Tenant's notice of exercise of such option), either fifteen (15) years or the then remaining term applicable to Building 1 under this Lease. During the MetaXen Option Period, Landlord shall, if Tenant so requests, negotiate diligently and in good faith with Tenant regarding the fair market rental rates then prevailing for comparably improved space in the Britannia Pointe Grand Business Park and regarding any material variations that Tenant wishes to implement from the terms set forth in the preceding sentence, but in the absence of any contrary written agreement between Landlord and Tenant with respect to specific terms, a timely written exercise by Tenant of its option with respect to the Offered Space shall create an obligation binding on both parties for the leasing of the Offered Space to Tenant for the permissible term specified in such exercise notice and on the other terms set forth in the preceding sentence; provided, however, that if Tenant in its notice of exercise objects to Landlord's position as to the fair market rental rates then prevailing for comparably improved space in the Britannia Pointe Grand Business Park and elects to have such fair market rental rates determined in accordance with the procedure set forth in Section 3.1(b) hereof, then within ten (10) days after Tenant's exercise of its option to lease the Offered Space, each party shall appoint a qualified real estate appraiser as contemplated in Section 3.1(b) hereof, after which the two appraisers (and a third appraiser, if necessary) shall appraise and set, for purposes of Tenant's lease of the Offered Space, the fair market rental rates then prevailing for comparably improved space in the Britannia Pointe Grand Business Park in accordance with the procedures set forth in Section 3.1(b) hereof and such determination shall be final and binding on the parties. Meanwhile, within sixty (60) days after Tenant's exercise of its option to lease the Offered Space, Landlord and Tenant shall enter into a new written lease, in form and substance substantially identical to this Lease except to the extent changes are reasonably necessary to reflect the different locations and sizes of the buildings and the different terms and conditions

applicable to the Offered Space, incorporating the terms and conditions which apply to Tenant's lease of the Offered Space under this Section 1.3. To the extent the applicable rental has not been determined under Section 3.1(b) hereof within such 60-day period, the lease shall provide for an initial rental rate equal to Landlord's good faith estimate of the then prevailing fair market rental rate for comparably improved space in the Britannia Pointe Grand Business Park and shall also provide for any necessary adjustment of such rent, retroactive to the commencement of such lease, to be made upon completion of the fair market rental determination under Section 3.1(b) hereof. If Tenant fails to exercise its option with respect to the Offered Space during the MetaXen Option Period, then Landlord shall thereafter have the right to lease the Offered Space to a third party at any time and on any terms that Landlord may deem appropriate, without any further obligation to offer such space to Tenant. Notwithstanding any other provisions of this Section 1.3, the provisions of this Section 1.3 shall not apply during any period in which Tenant is in default, beyond any applicable cure period, under this Lease, nor shall they be construed to prohibit, invalidate, supersede or take priority over any other occupancies or leasing arrangements in effect prior to the MetaXen Space becoming available (including, but not limited to, the presently existing occupancies of MetaXen, LLC as tenant and of Cytokinetics, Inc. as subtenant), or any leasing arrangements that Landlord may enter into on a direct basis with Cytokinetics, Inc., following any termination of Landlord's lease with MetaXen, LLC, to permit Cytokinetics, Inc. to continue to occupy its then existing space for the balance of the then existing term of its sublease. Landlord represents to Tenant that the sublease between MetaXen, LLC and Cytokinetics, Inc. presently provides for an expiration date of August 31, 2000, although Landlord also understands that Cytokinetics, Inc. has requested that MetaXen, LLC extend that expiration date to December 31, 2000, and that in the event of an early termination of the master lease of MetaXen, LLC for the MetaXen Space, it is Landlord's intention to honor, on a direct basis with Cytokinetics, Inc., the remaining term (if any) of the Cytokinetics, Inc. sublease as it then exists; the foregoing information is provided solely for Tenant's information and benefit, however, and is not intended to benefit or to create any enforceable rights on the part of Cytokinetics, Inc. or any other third party.

2. TERM

2.1 Term. The term of this Lease shall commence upon mutual execution of this Lease by Landlord and Tenant and shall end on the day (the "Termination Date") immediately preceding the date seventeen (17) years after after the Phase I Rent Commencement Date (as hereinafter defined), unless sooner terminated or extended as hereinafter provided.

(a) Tenant's minimum rental and Operating Expense obligations with respect to Building 1 and the Phase 1 Property shall commence on the earlier of (i) the date which is six (6) months after the date Landlord delivers to Tenant a Structural Completion Certificate for Building 1 pursuant to the Workletter attached hereto as Exhibit C (subject to any adjustments authorized or required under the provisions of such Exhibit C), correctly notifying Tenant that Landlord's construction of the shell of Building 1 pursuant to Article V and Exhibit C is substantially complete, or (ii) the date Tenant takes occupancy of and commences operation of its business in Building 1, the earlier of such dates being herein called the "Phase 1 Rent Commencement Date."

(b) Tenant's minimum rental and Operating Expense obligations with respect to Building 2 and the Phase 2 Property, if Tenant exercises its option under Section 1.1(c)(ii) or (iii) to have Building 2 constructed on the Phase 2-A Property or the Phase 2-B Property, shall commence in accordance with the terms and conditions determined to be applicable to Building 2 under the applicable provisions of Section 1.1(c). Subject to such determination, it is generally the expectation of the parties that such obligations would commence on the earlier of (i) the date which is six (6) months after the date Landlord delivers to Tenant a Structural Completion Certificate for Building 2 pursuant to the Workletter attached hereto as Exhibit C (subject to any adjustments authorized or required under the provisions of such Exhibit C), correctly notifying Tenant that Landlord's construction of the shell of Building 2 pursuant to Article V and Exhibit C is substantially complete, or (ii) the date Tenant takes occupancy of and commences operation of its business in Building 2, the earlier of such dates being herein called the "Phase 2 Rent Commencement Date," and would end on the Termination Date, unless sooner terminated or extended (if applicable) as hereinafter provided. The parties presently contemplate that the delivery of the Structural Completion Certificate for Building 2 and the Phase 2 Rent Commencement Date, respectively, will occur approximately one (1) year after the

corresponding dates or events with respect to Building 1, subject in all events to the provisions of Section 1.1(c) and the terms and conditions determined thereunder for Building 2.

2.2 Early Possession. Tenant shall have the nonexclusive right to occupy and take possession of the respective Buildings from and after the date of Landlord's delivery of the respective Structural Completion Certificates described in clause (i) of each of Section 2.1(a) and Section 2.1(b), even though Landlord will be continuing to construct the balance of Landlord's Work in the applicable Building as contemplated in Exhibit C, for the purpose of constructing Tenant's Work as contemplated in Exhibit C and for the purpose of installing fixtures and furniture, laboratory equipment, computer equipment, telephone equipment, low voltage data wiring and personal property and other similar work related to the construction of Tenant's Work and/or preparatory to the commencement of Tenant's business in the applicable Building. Such occupancy and possession, and any early access under the next sentence of this Section 2.2, shall be subject to and upon all of the terms and conditions of this Lease and of the Workletter attached hereto as Exhibit C (including, but not limited to, conditions relating to the maintenance of required insurance), except that Tenant shall have no obligation to pay minimum rental or Operating Expenses for any period prior to the applicable Rent Commencement Date as determined under Section 2.1; such early possession shall not advance or otherwise affect the applicable Rent Commencement Date or the Termination Date determined under Section 2.1. Tenant shall also be entitled to have early access to the Phase 1 Property or the Phase 2 Property, as applicable, at all appropriate times prior to Landlord's delivery of the respective Structural Completion Certificate for the Building to be constructed on such applicable portion of the Property, subject to the approval of Landlord and its general contractor (which approval shall not be unreasonably withheld or delayed) and to all other provisions of this Section 2.2, solely for the purpose of performing work preparatory to the construction of Tenant's Work or necessary for the orderly sequencing of such work, and Tenant shall not be required to pay minimum rental or Operating Expenses by reason of such early access until the applicable Rent Commencement Date otherwise occurs; without limiting the generality of the preceding portion of this sentence, Tenant shall be entitled to have early access to the Phase 1 Property or the Phase 2 Property, as applicable, and the applicable respective Building as soon as the roof metal decking is in place in order to begin hanging electrical, mechanical and plumbing services from the overhead structure, subject to all of the provisions of this Section 2.2. Tenant shall not interfere with or delay Landlord's contractors by any early access, occupancy or possession under this Section 2.2, shall coordinate and cooperate with Landlord and its contractors (who shall similarly coordinate and cooperate with Tenant and its contractors) to minimize any interference or delay by either party with respect to the other party's work following Landlord's delivery of the applicable Structural Completion Certificate, and shall indemnify, defend and hold harmless Landlord and its agents and employees from and against any and all claims, demands, liabilities, actions, losses, costs and expenses, including (but not limited to) reasonable attorneys' fees, arising out of or in connection with Tenant's early entry upon any portion of the Property hereunder.

2.3 Delay In Possession. Landlord agrees to use its best reasonable efforts to complete its portion of each respective phase of the work described in Section 5.1 and Exhibit C promptly, diligently and within the respective time periods set forth in the Estimated Construction Schedule attached hereto as Exhibit D and incorporated herein by this reference, as such schedule may be modified from time to time by mutual written agreement of Landlord and Tenant, and subject to the effects of any delays caused by or attributable to Tenant or any other circumstances beyond Landlord's reasonable control (excluding financial inability); provided, however, that except to the extent caused by a material default by Landlord of its obligations set forth in this Lease (including, but not limited to, its obligations set forth in this Section 2.3 and in Section 5.1 and Exhibit C), Landlord shall not be liable for any damages caused by any delay in the completion of such work, nor shall any such delay affect the validity of this Lease or the obligations of Tenant hereunder. Notwithstanding any other provision of this Section 2.3, however, if Landlord fails to deliver the Structural Completion Certificate for Building 1 and tender possession of the completed structural portions of the Building Shell (i.e., those portions required to be completed as a condition of delivery of the Structural Completion Certificate) for Building 1 to Tenant by the date which is twenty-one (21) months after the date of this Lease, then Tenant shall have the right to terminate this Lease without further liability hereunder by written notice delivered to Landlord at any time prior to Landlord's delivery of the Structural Completion Certificate for Building 1 and tender of possession of the completed structural portions of the Building Shell for Building 1 to Tenant; provided, however, that the 21-month period set forth in this sentence shall be extended, day for day, for a period equal to the length of

any delays in Landlord's design and construction of the Building Shell for Building 1 that are caused by any material default by Tenant in the performance of its obligations under this Lease, including (but not limited to) any failure of Tenant (i) to provide to Landlord, within three (3) months after the date of this Lease, details of any Building Shell modifications that will be required for Building 1 in order to accommodate Tenant's needs with respect to HVAC, plumbing and other building systems, and/or (ii) to make prompt and timely delivery to Landlord of all other information reasonably necessary for Landlord to complete the preparation of all drawings, designs and specifications for the Building Shell for Building 1, and/or (iii) to respond in a prompt and timely manner to any requests by Landlord or its architect for approval of drawings, designs, specifications, changes or other matters requiring Tenant's review or approval under the provisions of Exhibit C as they apply to Building 1.

2.4 Acknowledgement Of Rent Commencement. Promptly following the Phase 1 Rent Commencement Date, Landlord and Tenant shall execute a written acknowledgement of the Phase 1 Rent Commencement Date, Termination Date and related matters, substantially in the form attached hereto as Exhibit E (with appropriate insertions), which acknowledgement shall be deemed to be incorporated herein by this reference. Promptly following the Phase 2 Rent Commencement Date, Landlord and Tenant shall execute a written acknowledgment of the Phase 2 Rent Commencement Date and related matters, substantially in the form attached hereto as Exhibit E (with appropriate modifications and insertions), which acknowledgement shall be deemed to be incorporated herein by this reference. Notwithstanding the foregoing requirement, the failure of either party to execute any such written acknowledgement shall not affect the determination of the applicable Rent Commencement Date, Termination Date and related matters in accordance with the provisions of this Lease.

2.5 Holding Over. If Tenant holds possession of the Property or any portion thereof after the term of this Lease with Landlord's written consent, then except as otherwise specified in such consent, Tenant shall become a tenant from month to month at one hundred ten percent (110%) of the rental and otherwise upon the terms herein specified for the period immediately prior to such holding over and shall continue in such status until the tenancy is terminated by either party upon not less than thirty (30) days prior written notice. If Tenant holds possession of the Property or any portion thereof after the term of this Lease without Landlord's written consent, then Landlord in its sole discretion may elect (by written notice to Tenant) to have Tenant become a tenant either from month to month or at will, at one hundred fifty percent (150%) of the rental (prorated on a daily basis for an at-will tenancy, if applicable) and otherwise upon the terms herein specified for the period immediately prior to such holding over, or may elect to pursue any and all legal remedies available to Landlord under applicable law with respect to such unconsented holding over by Tenant. Tenant shall indemnify and hold Landlord harmless from any loss, damage, claim, liability, cost or expense (including reasonable attorneys' fees) resulting from any delay by Tenant in surrendering the Property or any portion thereof (except to the extent such delay is with Landlord's prior written consent), including but not limited to any claims made by a succeeding tenant by reason of such delay. Acceptance of rent by Landlord following expiration or termination of this Lease shall not constitute a renewal of this Lease.

2.6 Option To Extend Term. Tenant shall have the option to extend the term of this Lease, at the minimum rental set forth in Section 3.1(b) and (c) and otherwise upon all the terms and provisions set forth herein with respect to the initial term of this Lease, for up to two (2) additional periods of five (5) years each, the first commencing upon the expiration of the initial term hereof and the second commencing upon the expiration of the first extended term, if any. Exercise of such option with respect to the first such extended term shall be by written notice to Landlord at least twelve (12) months prior to the expiration of the initial term hereof; exercise of such option with respect to the second extended term, if the first extension option has been duly exercised, shall be by like written notice to Landlord at least twelve (12) months prior to the expiration of the first extended term hereof. If Tenant is in default hereunder, beyond any applicable notice and cure periods, on the date of such notice or on the date any extended term is to commence, then the exercise of the option shall be of no force or effect, the extended term shall not commence and this Lease shall expire at the end of the then current term hereof (or at such earlier time as Landlord may elect pursuant to the default provisions of this Lease). If Tenant properly exercises one or more extension options under this Section, then all references in this Lease (other than in this Section 2.6) to the "term" of this Lease shall be construed to include the extension term(s) thus elected by Tenant. Except as expressly set forth in this

Section 2.6, Tenant shall have no right to extend the term of this Lease beyond its prescribed term.

3. RENTAL

3.1 Minimum Rental.

(a) Rental Amounts. Tenant shall pay to Landlord as minimum rental for the Buildings, in advance, without deduction, offset, notice or demand, on or before the Phase 1 Rent Commencement Date and on or before the first day of each subsequent calendar month of the term of this Lease, the following amounts per month, subject to adjustment in accordance with the terms of this Section 3.1:

Months	Monthly Minimum Rental	
001 - 012	$168,700	($2.41/sq ft)
013 - 024	196,000	($2.80/sq ft)
025 - 036	200,900	($2.87/sq ft)
037 - 048	205,800	($2.94/sq ft)
049 - 060	210,700	($3.01/sq ft)
061 - 072	216,300	($3.09/sq ft)
073 - 084	221,200	($3.16/sq ft)
085 - 096	226,800	($3.24/sq ft)
097 - 108	207,200	($2.96/sq ft)
109 - 120	212,800	($3.04/sq ft)
121 - 132	219,800	($3.14/sq ft)
133 - 144	200,200	($2.86/sq ft)
145 - 156	207,200	($2.96/sq ft)
157 - 168	189,700	($2.71/sq ft)
169 - 180	197,400	($2.82/sq ft)
181 - 192	205,100	($2.93/sq ft)
193 - 204	213,500	($3.05/sq ft)

If the obligation to pay minimum rental hereunder commences on other than the first day of a calendar month or if the term of this Lease terminates on other than the last day of a calendar month, the minimum rental for such first or last month of the term of this Lease, as the case may be, shall be prorated based on the number of days the term of this Lease is in effect during such month. If an increase in minimum rental becomes effective on a day other than the first day of a calendar month, the minimum rental for that month shall be the sum of the two applicable rates, each prorated for the portion of the month during which such rate is in effect. The rental amounts set forth in this Section 3.1(a) are applicable only to Building 1. If Tenant exercises its option under Section 1.1(c)(ii) or (iii), as applicable, for construction and leasing of Building 2 on either the Phase 2-A Property or the Phase 2-B Property, then the rent and other economic terms of such construction and leasing shall be determined in accordance with the applicable provisions of Section 1.1(c) and embodied in a written lease amendment as contemplated therein.

(b) Rental Amounts During First Extended Term. If Tenant properly exercises its right to extend the term of this Lease pursuant to Section 2.6 hereof, the minimum rental during the first year of the first extended term shall be equal to ninety percent (90%) of the fair market rental value of the Buildings (as defined below), determined as of the commencement of such extended term in accordance with this paragraph, and during each subsequent year of the first extended term shall be equal to one hundred three percent (103%) of the minimum rental in effect during the immediately preceding year of such extended term. Upon Landlord's receipt of a proper notice of Tenant's exercise of its option to extend the term of this Lease, the parties shall have sixty (60) days in which to agree on the fair market rental for the Buildings at the commencement of the first extended term for the uses permitted hereunder. If the parties agree on such fair market rental, they shall execute an amendment to this Lease stating the amount of the applicable minimum monthly rental (including the indexed amounts applicable during subsequent years of the first extended term as described above). If the parties are unable to agree on such rental within such sixty (60) day period, then within fifteen (15) days after the expiration of such period each party, at its cost and by giving notice to the other party, shall appoint a real estate appraiser with at least five (5) years experience appraising similar commercial properties in northeastern San Mateo County to appraise and set the fair market rental for the Buildings at

the commencement of the first extended term in accordance with the provisions of this Section 3.1(b). If either party fails to appoint an appraiser within the allotted time, the single appraiser appointed by the other party shall be the sole appraiser. If an appraiser is appointed by each party and the two appraisers so appointed are unable to agree upon a fair market rental within thirty (30) days after the appointment of the second, the two appraisers shall appoint a third similarly qualified appraiser within ten (10) days after expiration of such 30-day period; if they are unable to agree upon a third appraiser, then either party may, upon not less than five (5) days notice to the other party, apply to the Presiding Judge of the San Mateo County Superior Court for the appointment of a third qualified appraiser. Each party shall bear its own legal fees in connection with appointment of the third appraiser and shall bear one-half of any other costs of appointment of the third appraiser and of such third appraiser's fee. The third appraiser, however selected, shall be a person who has not previously acted for either party in any capacity. Within thirty (30) days after the appointment of the third appraiser, a majority of the three appraisers shall set the fair market rental for the first extended term and shall so notify the parties. If a majority are unable to agree within the allotted time, the three appraised fair market rentals shall be added together and divided by three and the resulting quotient shall be the fair market rental for the first extended term, which determination shall be binding on the parties and shall be enforceable in any further proceedings relating to this Lease. For purposes of this Section 3.1(b), the "fair market rental" of the Buildings shall be determined with reference to the then prevailing market rental rates for properties in the City of South San Francisco with shell and office, laboratory and research and development improvements and site (common area) improvements comparable to those then existing in the Buildings and on the Property, taking into account for such determination all tenant improvements constructed at Landlord's expense and paid for by Landlord or by Tenant through additional rent (including, but not limited to, equipment and laboratory improvements installed as part of the initial Tenant Improvements pursuant to Section 5.1 and Exhibit C except to the extent, if any, paid for by Tenant in cash), but excluding from such determination any Tenant Improvements constructed by Tenant at its sole expense or paid for by Tenant in cash.

(c) Rental Amounts During Second Extended Term. If Tenant properly exercises its right to a second extended term of this Lease pursuant to Section 2.6 hereof, the minimum rental during such second extended term shall be determined in the same manner provided in the preceding paragraph for the first extended term (including the indexation provision for years after the first year of such second extended term), except that the determination shall be made as of the commencement of the second extended term.

(d) Rental Adjustment Due to Change in Square Footage. The minimum rental amounts specified in this Section 3.1 are based upon an estimated area of 70,000 square feet (the estimated area of Building 1 alone). If the actual area of any Building (measured from the exterior faces of exterior walls and from the dripline of any overhangs, except that in the case of any two-story recesses or overhangs, the area to the dripline of the overhang shall be counted as part of the area of the first story but not as part of the area of the second story), when completed, is greater or less than the estimated area used in establishing rental amounts and schedules for such Building under this Lease (as amended from time to time), then the minimum rentals otherwise applicable under this Lease (as amended from time to time) with respect to such Building shall be adjusted for each rental period in strict proportion to the ratio between the actual area of such Building (determined on the basis of measurement described above in this sentence) and the assumed area of such Building reflected in the previously established rental amounts or schedules. Measurement of building area under this paragraph shall be made initially by Landlord's architect, subject to review and approval by Tenant's architect.

(e) Rental Adjustments Due to Tenant Improvement Costs. If Tenant exercises its option under Section 1.1(c)(ii) or (iii), as applicable, with respect to the Phase 2-A Property or the Phase 2-B Property and elects, in accordance with Section 5.1 and Exhibit C, to have the Tenant Improvements in Building 2 constructed in two phases, then for purposes of the rent structure established for Building 2 under Section 1.1(c)(ii) or (iii), as applicable, the parties intend that during the period from the Phase 2 Rent Commencement Date until the earlier to occur of (x) the first anniversary of the Phase 2 Rent Commencement Date or (y) the date construction of the Phase 2B Tenant Improvements is certified by Landlord's architect as being substantially complete (i.e., complete subject only to the completion of "punch list" items which do not, in the aggregate, materially interfere with Tenant's ability to occupy and use the Phase 2B Tenant Improvements for the uses contemplated hereunder), Tenant's "fully loaded" minimum monthly rental otherwise established under Section 1.1(c)(ii) or (iii), as applicable, for

Building 2 as a whole shall be reduced each month by an amount equal to the product of the square footage of Building 2 (measured in accordance with Section 3.1(d) hereof) multiplied by whichever of the following factors is applicable, depending upon the Cost of Improvements for the Phase 2A Tenant Improvements:

(i) if Landlord's share of the Cost of Improvements for the Phase 2A Tenant Improvements is less than One Hundred Fifteen and No/100 Dollars ($115.00) per square foot times the square footage of Building 2 (measured in accordance with Section 3.1(d) hereof) but not less than Ninety-Five and No/100 Dollars ($95.00) per square foot times the square footage of Building 2 (measured in accordance with Section 3.1(d) hereof), the applicable factor shall be $0.0185 per square foot per month for each dollar per square foot (or fraction thereof) by which Landlord's share of such Cost of Improvements is less than One Hundred Fifteen and No/100 Dollars ($115.00) per square foot;

(ii) if Landlord's share of the Cost of Improvements for the Phase 2A Tenant Improvements is less than Ninety-Five and No/100 Dollars ($95.00) per square foot times the square footage of Building 2 (measured in accordance with Section 3.1(d) hereof) but not less than Seventy and No/100 Dollars ($70.00) per square foot times the square footage of Building 2 (measured in accordance with Section 3.1(d) hereof), the applicable factor shall be the sum of (A) $0.37 per square foot per month plus (B) $0.0148 per square foot per month for each dollar per square foot (or fraction thereof) by which Landlord's share of such Cost of Improvements is less than Ninety-Five and No/100 Dollars ($95.00) per square foot; and

(iii) if Landlord's share of the Cost of Improvements for the Phase 2A Tenant Improvements is less than Seventy and No/100 Dollars ($70.00) per square foot times the square footage of Building 2 (measured in accordance with Section 3.1(d) hereof), the applicable factor shall be the sum of (A) $0.74 per square foot per month plus (B) $0.014 per square foot per month for each dollar per square foot (or fraction thereof) by which Landlord's share of such Cost of Improvements is less than Seventy and No/100 Dollars ($70.00) per square foot but not less than Forty-Five and No/100 Dollars ($45.00) per square foot.

In all events, upon the earlier to occur of (x) the first anniversary of the Phase 2 Rent Commencement Date or (y) the date construction of the Phase 2B Tenant Improvements is certified by Landlord's architect as being substantially complete (i.e., complete subject only to the completion of ?punch list? items which do not, in the aggregate, materially interfere with Tenant's ability to occupy and use the Phase 2B Tenant Improvements for the uses contemplated hereunder), the foregoing rental adjustment shall expire and Tenant's minimum monthly rental obligation shall revert to the full amount established under Section 1.1(c)(ii) or (iii), as applicable, for Building 2, subject only to any applicable adjustment under Section 3.1(d).

3.2 Late Charge. If Tenant fails to pay when due rental or other amounts due Landlord hereunder, such unpaid amounts shall bear interest for the benefit of Landlord at a rate equal to the lesser of fifteen percent (15%) per annum or the maximum rate permitted by law, from the date due to the date of payment. In addition to such interest, Tenant shall pay to Landlord a late charge in an amount equal to six percent (6%) of any installment of minimum rental and any other amounts due Landlord if not paid in full on or before the fifth (5th) day after such rental or other amount is due. Tenant acknowledges that late payment by Tenant to Landlord of rental or other amounts due hereunder will cause Landlord to incur costs not contemplated by this Lease, including, without limitation, processing and accounting charges and late charges which may be imposed on Landlord by the terms of any loan relating to the Property. Tenant further acknowledges that it is extremely difficult and impractical to fix the exact amount of such costs and that the late charge set forth in this Section 3.2 represents a fair and reasonable estimate thereof. Acceptance of any late charge by Landlord shall not constitute a waiver of Tenant's default with respect to overdue rental or other amounts, nor shall such acceptance prevent Landlord from exercising any other rights and remedies available to it. Acceptance of rent or other payments by Landlord shall not constitute a waiver of late charges or interest accrued with respect to such rent or other payments or any prior installments thereof, nor of any other defaults by Tenant, whether monetary or non-monetary in nature, remaining uncured at the time of such acceptance of rent or other payments.

4. STOCK WARRANTS

4.1 Stock Warrants. Within thirty (30) days after the execution of this Lease, Tenant shall deliver to Landlord or Landlord's designees (which may be any partners, shareholders or affiliates of Landlord or any affiliates of any such partners, shareholders or affiliates of Landlord) warrants registered in the name of Landlord or Landlord's designees for the acquisition of an aggregate of one hundred fifty thousand (150,000) shares of Tenant's common stock, which warrants shall be in form and substance substantially identical to the form of warrant mutually approved by Landlord and Tenant prior to execution of this Lease. The warrants shall have an exercise price consistent with the most recent arm's-length financing consummated by Tenant at the time of execution of this Lease (which the parties presently estimate to be $3.00 per share) and shall be exercisable for a period beginning on the date of this Lease and ending on the fifth (5th) anniversary of the closing of the initial public offering (if any) of Tenant's common stock.

5. CONSTRUCTION

5.1 Construction of Improvements.

(a) Landlord shall, at Landlord's cost and expense (except as otherwise provided herein and in Exhibit C), construct Landlord's Work as defined in and in accordance with the terms and conditions of the Workletter attached hereto as Exhibit C (the "Workletter"). Landlord shall use its best reasonable efforts to complete such construction promptly, diligently and within the applicable time periods set forth in the Estimated Construction Schedule attached hereto as Exhibit D and incorporated herein by this reference, as such schedule may be modified from time to time in accordance with the Workletter, subject to the effects of any delays caused by Tenant or any other circumstances beyond Landlord's reasonable control (excluding any financial inability), and subject to the provisions of Section 2.3 above. As described in Exhibit C, Building 1 and the Tenant Improvements therein shall be constructed in a single phase, but if Tenant exercises its option under Section 1.1(c)(ii) or (iii) to have Building 2 constructed on the Phase 2-A Property or the Phase 2-B Property, then Tenant in its discretion may elect, by written notice to Landlord at any time prior to Landlord's delivery to Tenant of the Structural Completion Certificate for the Building Shell for Building 2, to have the Tenant Improvements in Building 2 completed in two separate phases, a first phase of no less than 25,000 square feet ("Phase 2A") and a second phase of no more than 20,000 square feet ("Phase 2B"), with the sum of the square footages for such phases to be equal to the total square footage of Building 2 and the construction of Phase 2B to be completed no later than twelve (12) months after the Phase 2 Rent Commencement Date. If Tenant exercises its option for Building 2 and elects such phased completion of the Tenant Improvements in Building 2, then (i) Landlord shall still construct the entire Building Shell for Building 2 in the same manner and within the same time frame as if all of the Building 2 Improvements were to be constructed in a single phase, (ii) Tenant shall be entitled to occupy and use all of Building 2 or any lesser portion thereof (including, at Tenant's election, any portions in which Tenant Improvements have not yet been completed) from and after the completion of Phase 2A, and (iii) Tenant shall begin paying rent for all of Building 2 on the Phase 2 Rent Commencement Date, subject to a rental adjustment under Section 3.1(e) hereof in accordance with its terms, regardless of how much of Building 2 is actually occupied by Tenant as of that date.

(b) Tenant shall, at Tenant's cost and expense (except as otherwise provided herein and in Exhibit C), promptly and diligently construct Tenant's Work as defined in and in accordance with the terms and conditions of the Workletter.

5.2 Condition of Property. Landlord shall deliver the Building Shell for each Building and the other Improvements constructed by Landlord in each Building to Tenant clean and free of debris, promptly upon completion of construction thereof, and Landlord warrants to Tenant that the Building Shell for each Building and the other Improvements constructed by Landlord in each Building (i) shall be free from material structural defects and shall be in good operating condition on the applicable Rent Commencement Date, and (ii) shall be constructed in compliance in all material respects with the plans and specifications developed pursuant to the Workletter and mutually approved (to the extent required thereunder) by Landlord and Tenant, subject to any changes implemented in such specifications in accordance with the procedures set forth in the Workletter. If this warranty is violated in any respect, then it shall be the obligation of Landlord, after receipt of written notice from Tenant setting forth with specificity the nature of the violation, to promptly, at Landlord's sole cost, correct the condition(s) constituting such violation. Tenant's failure to give such written notice to Landlord within one (1) year after the

applicable Rent Commencement Date relating to such Building and Improvements shall give rise to a conclusive presumption that Landlord has complied with all Landlord's obligations hereunder, except with respect to latent defects (as to which such 1-year limitation shall not apply). Without limiting the scope of Landlord's obligations under the foregoing provisions of this Section 5.2, Landlord also agrees to either (x) use its best reasonable efforts to enforce when and as necessary, for the benefit of Tenant and the Improvements, any and all contractor's and/or manufacturer's warranties extending more than one (1) year after the applicable Rent Commencement Date with respect to any of Landlord's Work or, at Tenant's request, (y) assign any or all of such warranties to Tenant for enforcement purposes (provided, however, that Landlord may reserve joint enforcement rights under such warranties to the extent of Landlord's continuing obligations or warranties hereunder). TENANT ACKNOWLEDGES THAT THE WARRANTY CONTAINED IN THIS SECTION IS IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, WITH RESPECT TO THE PHYSICAL CONDITION OF THE IMPROVEMENTS TO BE CONSTRUCTED BY LANDLORD AND THAT LANDLORD MAKES NO OTHER WARRANTIES EXCEPT AS EXPRESSLY SET FORTH IN THIS LEASE.

5.3 Compliance with Law. Landlord warrants to Tenant that the Building
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Shell for each Building and the other Improvements constructed by Landlord in each Building (when constructed), as they exist on the applicable Rent Commencement Date, but without regard to the use for which Tenant will occupy the respective Buildings, shall not violate any covenants or restrictions of record or any applicable law, building code, regulation or ordinance in effect on the applicable Rent Commencement Date. Tenant warrants to Landlord that the Tenant Improvements and any other improvements constructed by Tenant from time to time shall not violate any applicable law, building code, regulation or ordinance in effect on the applicable Rent Commencement Date or at the time such improvements are placed in service. If it is determined that any of these warranties has been violated, then it shall be the obligation of the warranting party, after written notice from the other party, to correct the condition(s) constituting such violation promptly, at the warranting party's sole cost and expense. Tenant acknowledges that except as expressly set forth in this Lease, neither Landlord nor any agent of Landlord has made any representation or warranty as to the present or future suitability of the Property or Improvements for the conduct of Tenant's business or proposed business thereon.

6. TAXES

6.1 Personal Property. Tenant shall be responsible for and shall pay
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prior to delinquency all taxes and assessments levied against or by reason of (a) any and all alterations, additions and items installed or placed on or in the Buildings and taxed as personal property rather than as real property, and/or (b) all personal property, trade fixtures and other property placed by Tenant on or about the Property. Upon request by Landlord, Tenant shall furnish Landlord with satisfactory evidence of Tenant's payment thereof. If at any time during the term of this Lease any of said alterations, additions or personal property, whether or not belonging to Tenant, shall be taxed or assessed as part of the Property, then such tax or assessment shall be paid by Tenant to Landlord within fifteen (15) days after presentation by Landlord of copies of the tax bills in which such taxes and assessments are included and shall, for the purposes of this Lease, be deemed to be personal property taxes or assessments under this Section 6.1.

6.2 Real Property. To the extent any real property taxes and assessments
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on the Property (including, but not limited to, the Improvements or any portion thereof) are assessed directly to Tenant, Tenant shall be responsible for and shall pay prior to delinquency all such taxes and assessments levied against the Property. Upon request by Landlord, Tenant shall furnish Landlord with satisfactory evidence of Tenant's payment thereof. To the extent the Property and/or Improvements are taxed or assessed to Landlord following the Phase 1 Rent Commencement Date, such real property taxes and assessments shall constitute Operating Expenses (as that term is defined in Section 7.2 of this Lease) and shall be paid in accordance with the provisions of Article 7 of this Lease.

7. OPERATING EXPENSES

7.1 Payment of Operating Expenses.

(a) Tenant shall pay to Landlord, at the time and in the manner hereinafter set forth, as additional rental, an amount equal to one hundred percent (100%) ("Tenant's Operating Cost Share") of the Operating Expenses defined in Section 7.2.

(b) Tenant's Operating Cost Share as specified in paragraph (a) of this Section is based upon Tenant being the sole occupant of the Property and upon the Property being operated and accounted for separately from the balance of the Britannia Pointe Grand Business Park for operation, maintenance and common area purposes. Notwithstanding any other provisions of this Lease, during the period prior to the Phase 2 Rent Commencement Date, no Operating Expenses relating to the Phase 2 Property or to Building 2 shall be included in the Operating Expenses chargeable to Tenant under this Lease.

(c) If Landlord at any time elects to operate the Property on an integrated basis with the balance of the Britannia Pointe Grand Business Park or with any other adjacent property owned by Landlord for operation, maintenance and common area purposes, then Tenant's Operating Cost Share shall be adjusted to be equal to the percentage determined by dividing the gross square footage of the Buildings as they exist from time to time by the gross square footage of all buildings located on the Property and on such adjacent property owned by Landlord as described above. In determining such percentage, a building shall be taken into account from and after the date on which a tenant first enters into possession of the building or a portion thereof, and the good faith determination of the gross square footage of any such building by Landlord's architects shall be final and binding upon the parties. Without limiting the generality of the foregoing provisions, if Building 2 is constructed on the Phase 2-B Property, Landlord in its discretion may elect to treat Building 2 as part of the Britannia Pointe Grand Business Park for operation, maintenance and common area purposes and to treat Building 1 as not being part of the Britannia Pointe Grand Business Park for operation, maintenance and common area purposes, in which event Tenant's Operating Cost Share and the Operating Expenses to which such Operating Cost Share applies shall be calculated separately for each of such two Buildings and references to the "Property" in this Article 7 shall be construed accordingly.

7.2 Definition Of Operating Expenses.

(a) Subject to the exclusions and provisions hereinafter contained, the term "Operating Expenses" shall mean the total costs and expenses incurred by or allocable to Landlord for management, operation and maintenance of the Improvements, the Buildings and the Property, including, without limitation, costs and expenses of (i) insurance (which may include, at Landlord's option, earthquake insurance as part of or in addition to any casualty or property insurance policy), property management, landscaping, and the operation, repair and maintenance of buildings and Common Areas; (ii) all utilities and services; (iii) real and personal property taxes and assessments or substitutes therefor levied or assessed against the Property or any part thereof, including (but not limited to) any possessory interest, use, business, license or other taxes or fees, any taxes imposed directly on rents or services, any assessments or charges for police or fire protection, housing, transit, open space, street or sidewalk construction or maintenance or other similar services from time to time by any governmental or quasi-governmental entity, and any other new taxes on landlords in addition to taxes now in effect; (iv) supplies, equipment, utilities and tools used in management, operation and maintenance of the Property; (v) capital improvements to the Property, the Improvements or the Buildings, amortized over a reasonable period, (aa) which reduce or will cause future reduction of other items of Operating Expenses for which Tenant is otherwise required to contribute or (bb) which are required by law, ordinance, regulation or order of any governmental authority or (cc) of which Tenant has use or which benefit Tenant; and (vi) any other costs (including, but not limited to, any parking or utilities fees or surcharges) allocable to or paid by Landlord, as owner of the Property, Buildings or Improvements, pursuant to any applicable laws, ordinances, regulations or orders of any governmental or quasi-governmental authority or pursuant to the terms of any declarations of covenants, conditions and restrictions now or hereafter affecting the Property or any other property over which Tenant has non-exclusive use rights as contemplated in Section 1.1(b) hereof. Operating Expenses shall not include any costs attributable to the work for which Landlord is required to pay under Article 5 or Exhibit C, nor any costs attributable to the initial construction of the Buildings or of Common Area improvements on the Property. The distinction between items of ordinary operating maintenance and repair and items of a capital nature shall be made in accordance with generally accepted accounting principles applied on a

consistent basis or in accordance with tax accounting principles, as determined in good faith by Landlord's accountants.

(b) Notwithstanding anything to the contrary contained in this Lease, the following shall not be included within Operating Expenses:

(i) Costs of maintenance or repair of the roof membrane for any building, except during periods (if any) in which costs of maintenance or repair of the roof membranes for the Buildings are likewise included as an Operating Expense (rather than being incurred directly by Tenant or passed through directly to Tenant on a building-by-building basis);

(ii) Leasing commissions, attorneys' fees, costs, disbursements, and other expenses incurred in connection with negotiations or disputes with tenants, or in connection with leasing, renovating or improving space for tenants or other occupants or prospective tenants or other occupants of the Property or of any other property owned by Landlord;

(iii) The cost of any service sold to any tenant (including Tenant) or other occupant for which Landlord is entitled to be reimbursed as an additional charge or rental over and above the basic rent and operating expenses payable under the lease with that tenant;

(iv) Any depreciation on the Buildings or on any other improvements on the Property or on any other property owned by Landlord;

(v) Expenses in connection with services or other benefits of a type that are not offered or made available to Tenant but that are provided to another tenant of the Property or of any other property owned by Landlord;

(vi) Costs incurred due to Landlord's violation of any terms or conditions of this Lease or of any other lease relating to the Buildings or to any other portion of the Property or of any other property owned by Landlord;

(vii) Overhead profit increments paid to any subsidiary or affiliate of Landlord for management or other services on or to the Property or any portion thereof or any other property owned by Landlord, or for supplies or other materials to the extent that the cost of the services, supplies or materials exceeds the cost that would have been paid had the services, supplies or materials been provided by unaffiliated parties on a competitive basis;

(viii) All interest, loan fees and other carrying costs related to any mortgage or deed of trust or related to any capital item, and all rental and other amounts payable under any ground or underlying lease, or under any lease for any equipment ordinarily considered to be of a capital nature (except (A) janitorial equipment which is not affixed to the Buildings and/or (B) equipment the cost of which, if purchased, would be considered an amortizable Operating Expense under the provisions of this Section 7.2, notwithstanding the capital nature of such equipment);

(ix) Any compensation paid to clerks, attendants or other persons in commercial concessions operated by Landlord;

(x) Advertising and promotional expenditures;

(xi) Costs of repairs and other work occasioned by fire, windstorm or other casualty of an insurable nature, except to the extent of any applicable deductible amounts under insurance actually carried by Landlord;

(xii) Any costs, fines or penalties incurred due to violations by Landlord of any governmental rule or authority or of this Lease or any other lease of any portion of the Property or any other property owned by Landlord, or due to Landlord's negligence or willful misconduct;

(xiii) Management fees to the extent they exceed, in any given period, one percent (1%) of gross income (rent and Operating Expenses) received by Landlord with respect to the Property (and any other property owned by Landlord and operated on an integrated

basis with the Property for operation, maintenance and common area purposes) during the applicable period;

(xiv) Costs for sculpture, paintings or other objects of art, and for any insurance thereon or extraordinary security in connection therewith;

(xv) Wages, salaries or other compensation paid to any executive employees above the grade of building manager;

(xvi) The cost of correcting any building code or other violations which were violations prior to the applicable Rent Commencement Date;

(xvii) The cost of containing, removing or otherwise remediating any contamination of the Property (including the underlying land and groundwater) by any toxic or hazardous materials (including, without limitation, asbestos and PCBs); and

(xviii) Premiums for earthquake insurance coverage, but only to the extent (if any) that such premiums exceed, in any applicable period, a commercially reasonable rate, taking into account all relevant factors (including, but not limited to, the nature, size and location of the Property, the nature and value of the improvements therein that are owned by or insurable by Landlord, and the general availability and cost of commercial earthquake insurance in the insurance markets existing from time to time during the term of this Lease).

7.3 Determination Of Operating Expenses. On or before the Phase 1 Rent Commencement Date and during the last month of each calendar year of the term of this Lease ("Lease Year"), or as soon thereafter as practical, Landlord shall provide Tenant notice of Landlord's estimate of the Operating Expenses for the ensuing Lease Year or applicable portion thereof. On or before the first day of each month during the ensuing Lease Year or applicable portion thereof, beginning on the Phase 1 Rent Commencement Date, Tenant shall pay to Landlord Tenant's Operating Cost Share of the portion of such estimated Operating Expenses allocable (on a prorata basis) to such month; provided, however, that if such notice is not given in the last month of a Lease Year, Tenant shall continue to pay on the basis of the prior year's estimate, if any, until the month after such notice is given. If at any time or times it appears to Landlord that the actual Operating Expenses will vary from Landlord's estimate by more than five percent (5%), Landlord may, by notice to Tenant, revise its estimate for such year and subsequent payments by Tenant for such year shall be based upon such revised estimate.

7.4 Final Accounting For Lease Year.

(a) Within ninety (90) days after the close of each Lease Year, or as soon after such 90-day period as practicable, Landlord shall deliver to Tenant a statement of Tenant's Operating Cost Share of the Operating Expenses for such Lease Year prepared by Landlord from Landlord's books and records, which statement shall be final and binding on Landlord and Tenant (except as provided in Section 7.4(b)). If on the basis of such statement Tenant owes an amount that is more or less than the estimated payments for such Lease Year previously made by Tenant, Tenant or Landlord, as the case may be, shall pay the deficiency to the other party within thirty (30) days after delivery of the statement. Failure or inability of Landlord to deliver the annual statement within such ninety (90) day period shall not impair or constitute a waiver of Tenant's obligation to pay Operating Expenses, or cause Landlord to incur any liability for damages.

(b) At any time within three (3) months after receipt of Landlord's annual statement of Operating Expenses as contemplated in Section 7.4(a), Tenant shall be entitled, upon reasonable written notice to Landlord and during normal business hours at Landlord's office or such other places as Landlord shall designate, to inspect and examine those books and records of Landlord relating to the determination of Operating Expenses for the immediately preceding Lease Year covered by such annual statement or, if Tenant so elects by written notice to Landlord, to request an independent audit of such books and records. The independent audit of the books and records shall be conducted by a certified public accountant acceptable to both Landlord and Tenant or, if the parties are unable to agree, by a certified public accountant appointed by the Presiding Judge of the San Mateo County Superior Court upon the application of either Landlord or Tenant (with notice to the other party). In either event, such certified public accountant shall be one who is not then employed in any capacity by Landlord or Tenant

or by any of their respective affiliates. The audit shall be limited to the determination of the amount of Operating Expenses for the subject Lease Year, and shall be based on generally accepted accounting principles and tax accounting principles, consistently applied. If it is determined, by mutual agreement of Landlord and Tenant or by independent audit, that the amount of Operating Expenses billed to or paid by Tenant for the applicable Lease Year was incorrect, then the appropriate party shall pay to the other party the deficiency or overpayment, as applicable, within thirty (30) days after the final determination of such deficiency or overpayment. All costs and expenses of the audit shall be paid by Tenant unless the audit shows that Landlord overstated Operating Expenses for the subject Lease Year by more than five percent (5%), in which case Landlord shall pay all costs and expenses of the audit. Each party agrees to maintain the confidentiality of the findings of any audit in accordance with the provisions of this Section 7.4.

7.5 Proration. If the Phase 1 Rent Commencement Date falls on a day other than the first day of a Lease Year or if this Lease terminates on a day other than the last day of a Lease Year, then the amount of Operating Expenses payable by Tenant with respect to such first or last partial Lease Year shall be prorated on the basis which the number of days during such Lease Year in which this Lease is in effect bears to 365. The termination of this Lease shall not affect the obligations of Landlord and Tenant pursuant to Section 7.4 to be performed after such termination.

8. UTILITIES

8.1 Payment. Commencing with the Phase 1 Rent Commencement Date and thereafter throughout the term of this Lease with respect to Building 1, and commencing with the Phase 2 Rent Commencement Date and thereafter throughout the term of this Lease with respect to Building 2, Tenant shall pay, before delinquency, all charges for water, gas, heat, light, electricity, power, sewer, telephone, alarm system, janitorial and other services or utilities supplied to or consumed in or with respect to the respective Buildings (other than any separately metered costs for water, electricity or other services or utilities furnished with respect to the Common Areas, which costs shall be paid by Landlord and shall constitute Operating Expenses under Section 7.2 hereof), including any taxes on such services and utilities. It is the intention of the parties that all such services shall be separately metered to the Buildings. In the event that any of such services supplied to the Buildings are not separately metered, then the amount thereof shall be an item of Operating Expenses and shall be paid as provided in Article 7.

8.2 Interruption. There shall be no abatement of rent or other charges required to be paid hereunder and Landlord shall not be liable in damages or otherwise for interruption or failure of any service or utility furnished to or used with respect to the Buildings or Property because of accident, making of repairs, alterations or improvements, severe weather, difficulty or inability in obtaining services or supplies, labor difficulties or any other cause. Notwithstanding the foregoing provisions of this Section 8.2, however, in the event of any interruption or failure of any service or utility to the Buildings that (i) is caused in whole or in material part by the active negligence or willful misconduct of Landlord or its agents or employees and (ii) continues for more than three (3) business days and (iii) materially impairs Tenant's ability to use the Buildings for their intended purposes hereunder, then following such three (3) business day period, Tenant's obligations for payment of rent and other charges under this Lease shall be abated in proportion to the degree of impairment of Tenant's use of the Buildings, and such abatement shall continue until Tenant's use of the Buildings is no longer materially impaired thereby.

9. ALTERATIONS; SIGNS

9.1 Right To Make Alterations. Tenant shall make no alterations, additions or improvements to the Buildings or the Property, other than interior non-structural alterations costing less than Fifty Thousand Dollars ($50,000.00) in the aggregate during any twelve (12) month period, without the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed. All such alterations, additions and improvements shall be completed with due diligence in a first-class workmanlike manner, in compliance with plans and specifications approved in writing by Landlord and in compliance with all applicable laws, ordinances, rules and regulations, and to the extent Landlord's consent is not otherwise required hereunder for such alterations, additions or improvements, Tenant shall give prompt written notice thereof to Landlord. Tenant shall cause any contractors engaged by Tenant for work in

the Buildings or on the Property to maintain public liability and property damage insurance, and other customary insurance, with such terms and in such amounts as Landlord may reasonably require, naming as additional insureds Landlord and any of its partners, shareholders, property managers and lenders designated by Landlord for this purpose, and shall furnish Landlord with certificates of insurance or other evidence that such coverage is in effect. Notwithstanding any other provisions of this Section 9.1, under no circumstances shall Tenant make any structural alterations or improvements, or any substantial changes to the roof or substantial equipment installations on the roof, or any substantial changes or alterations to the building systems, without Landlord's prior written consent (which consent shall not be unreasonably withheld or delayed). If Tenant so requests in seeking Landlord's consent to any alterations, additions or improvements, Landlord shall specify in granting such consent whether Landlord intends to require that Tenant remove such alterations, additions or improvements (or any specified portions thereof) upon expiration or termination of this Lease. Landlord shall receive no fee for supervision, profit, overhead or general conditions in connection with any alterations, additions or improvements constructed or installed by Tenant under this Lease, whether as part of the initial Tenant's Work under Exhibit C or otherwise.

9.2 Title To Alterations. All alterations, additions and improvements installed in, on or about the Buildings or the Property shall become part of the Property and shall become the property of Landlord, unless Landlord elects to require Tenant to remove the same upon the termination of this Lease; provided, however, that the foregoing shall not apply to Tenant's movable furniture and equipment and trade fixtures. Tenant shall promptly repair any damage caused by its removal of any such furniture, equipment or trade fixtures. Notwithstanding any other provisions of this Article 9, however, (a) under no circumstances shall Tenant have any right to remove from the Buildings or the Property, at the expiration or termination of this Lease, any lab benches, fume hoods, cold rooms or other similar improvements and equipment installed in the Buildings and paid for by Landlord or Tenant, even if such equipment and improvements were installed by Tenant as part of Tenant's Work under Exhibit C and paid for by Tenant in cash or in the form of rent; and (b) if Tenant requests Landlord's written consent to any alterations, additions or improvements under Section 9.1 hereof and, in requesting such consent, asks that Landlord specify whether Landlord will require removal of such alterations, additions or improvements upon termination or expiration of this Lease, then Landlord shall not be entitled to require such removal unless Landlord specified its intention to do so at the time of granting of Landlord's consent to the requested alterations, additions or improvements.

9.3 Tenant Fixtures. Subject to the final sentence of Section 9.2 and to Section 9.5, Tenant may install, remove and reinstall trade fixtures without Landlord's prior written consent, except that installation and removal of any fixtures which are affixed to the Buildings or the Property or which affect the exterior or structural portions of the Buildings or the building systems shall require Landlord's written approval, which approval shall not be unreasonably withheld or delayed. Subject to the provisions of Section 9.5, the foregoing shall apply to Tenant's signs, logos and insignia, all of which Tenant shall have the right to place and remove and replace (a) only with Landlord's prior written consent as to location, size and composition, which consent shall not be unreasonably withheld or delayed, and (b) only in compliance with all restrictions and requirements of applicable law and of any covenants, conditions and restrictions or other written agreements now or hereafter applicable to the Property. Tenant shall immediately repair any damage caused by installation and removal of fixtures under this Section 9.3.

9.4 No Liens. Tenant shall at all times keep the Buildings and the Property free from all liens and claims of any contractors, subcontractors, materialmen, suppliers or any other parties employed either directly or indirectly by Tenant in construction work on the Buildings or the Property. Tenant may contest any claim of lien, but only if, prior to such contest, Tenant either (i) posts security in the amount of the claim, plus estimated costs and interest, or (ii) records a bond of a responsible corporate surety in such amount as may be required to release the lien from the Buildings and the Property. Tenant shall indemnify, defend and hold Landlord harmless against any and all liability, loss, damage, cost and other expenses, including, without limitation, reasonable attorneys' fees, arising out of claims of any lien for work performed or materials or supplies furnished at the request of Tenant or persons claiming under Tenant.

9.5 Signs. Without limiting the generality of the provisions of Section 9.3 hereof, Tenant shall have the right to display its corporate name and logo on the Buildings and in front of the entrance to the Buildings, subject to Landlord's prior approval as to location, size, design

and composition (which approval shall not be unreasonably withheld or delayed), subject to the established sign criteria for the Britannia Pointe Grand Business Park and subject to all restrictions and requirements of applicable law and of any covenants, conditions and restrictions or other written agreements now or hereafter applicable to the Property. Landlord is hereby deemed to have approved, as to location, any signage the location of which is expressly designated on any Approved Plan developed pursuant to the Workletter.

10. MAINTENANCE AND REPAIRS

10.1 Landlord's Work.

(a) Landlord shall repair and maintain or cause to be repaired and maintained the Common Areas of the Property and the roof (structural portions only), exterior walls and other structural portions of the Buildings. The cost of all work performed by Landlord under this Section 10.1 shall be an Operating Expense hereunder, except to the extent such work (i) is required due to the negligence of Landlord, (ii) involves the repair or correction of a condition or defect that Landlord is required to correct pursuant to Section 5.2 hereof, (iii) is a capital expense not includible as an Operating Expense under Section 7.2 hereof, or (iv) is required due to the negligence or willful misconduct of Tenant or its agents, employees or invitees (in which event Tenant shall bear the full cost of such work pursuant to the indemnification provided in Section 12.6 hereof, subject to the release set forth in Section 12.4 hereof). Tenant knowingly and voluntarily waives the right to make repairs at Landlord's expense, except to the extent permitted by Section 10.1(b) below, or to offset the cost thereof against rent, under any law, statute, regulation or ordinance now or hereafter in effect.

(b) If Landlord fails to perform any repairs or maintenance required to be performed by Landlord on the Buildings under Section 10.1(a) and such failure continues for thirty (30) days or more after Tenant gives Landlord written notice of such failure (or, if such repairs or maintenance cannot reasonably be performed within such 30-day period, then if Landlord fails to commence performance within such 30-day period and thereafter to pursue such performance diligently to completion), then Tenant shall have the right to perform such repairs or maintenance and Landlord shall reimburse Tenant for the reasonable cost thereof within fifteen (15) days after written notice from Tenant of the completion and cost of such work, accompanied by copies of invoices or other reasonable supporting documentation. Under no circumstances, however, shall Tenant have any right to offset the cost of any such work against rent or other charges falling due from time to time under this Lease.

10.2 Tenant's Obligation For Maintenance.

(a) Good Order, Condition And Repair. Except as provided in Section 10.1 hereof, Tenant at its sole cost and expense shall keep and maintain in good and sanitary order, condition and repair the Buildings and every part thereof, wherever located, including but not limited to the roof (non-structural portions only), signs, interior, ceiling, electrical system, plumbing system, telephone and communications systems of the Buildings, the HVAC equipment and related mechanical systems serving the Buildings (for which equipment and systems Tenant shall enter into a service contract with a person or entity designated or approved by Landlord), all doors, door checks, windows, plate glass, door fronts, exposed plumbing and sewage and other utility facilities, fixtures, lighting, wall surfaces, floor surfaces and ceiling surfaces of the Buildings and all other interior repairs, foreseen and unforeseen, with respect to the Buildings, as required.

(b) Landlord's Remedy. If Tenant, after notice from Landlord, fails to make or perform promptly any repairs or maintenance which are the obligation of Tenant hereunder, Landlord shall have the right, but shall not be required, to enter the Buildings and make the repairs or perform the maintenance necessary to restore the Buildings to good and sanitary order, condition and repair. Immediately on demand from Landlord, the cost of such repairs shall be due and payable by Tenant to Landlord.

(c) Condition Upon Surrender. At the expiration or sooner termination of this Lease, Tenant shall surrender the Buildings and the Improvements, including any additions, alterations and improvements thereto, broom clean, in good and sanitary order, condition and repair, ordinary wear and tear excepted, first, however, removing all goods and effects of Tenant and all and fixtures and items required to be removed or specified to be removed at Landlord's

election pursuant to this Lease (including, but not limited to, any such removal required as a result of an election duly made by Landlord to require such removal as contemplated in Section 9.2), and repairing any damage caused by such removal. Tenant shall not have the right to remove fixtures or equipment if Tenant is in default hereunder unless Landlord specifically waives this provision in writing. Tenant expressly waives any and all interest in any personal property and trade fixtures not removed from the Property by Tenant at the expiration or termination of this Lease, agrees that any such personal property and trade fixtures may, at Landlord's election, be deemed to have been abandoned by Tenant, and authorizes Landlord (at its election and without prejudice to any other remedies under this Lease or under applicable law) to remove and either retain, store or dispose of such property at Tenant's cost and expense, and Tenant waives all claims against Landlord for any damages resulting from any such removal, storage, retention or disposal.

11. USE OF PROPERTY

11.1 Permitted Use. Subject to Sections 11.3, 11.4 and 11.6 hereof, Tenant shall use the Buildings solely for a laboratory research and development facility, including (but not limited to) wet chemistry and biology labs, clean rooms, pilot scale, clinical scale and GMP scale manufacturing, storage and use of toxic and radioactive materials (subject to the provisions of Section 11.6 hereof), storage and use of laboratory animals, administrative offices, and other lawful purposes reasonably related to or incidental to such specified uses (subject in each case to receipt of all necessary approvals from the City of South San Francisco and other governmental agencies having jurisdiction over the Buildings), and for no other purpose.

11.2 [Omitted.]

11.3 No Nuisance. Tenant shall not use the Property for or carry on or permit upon the Property or any part thereof any offensive, noisy or dangerous trade, business, manufacture, occupation, odor or fumes, or any nuisance or anything against public policy, nor interfere with the rights or business of Landlord in the Buildings or the Property, nor commit or allow to be committed any waste in, on or about the Property. Tenant shall not do or permit anything to be done in or about the Property, nor bring nor keep anything therein, which will in any way cause the Property to be uninsurable with respect to the insurance required by this Lease or with respect to standard fire and extended coverage insurance with vandalism, malicious mischief and riot endorsements.

11.4 Compliance With Laws. Tenant shall not use the Property or permit the Property to be used in whole or in part for any purpose or use that is in violation of any applicable laws, ordinances, regulations or rules of any governmental agency or public authority. Tenant shall keep the Buildings and Improvements equipped with all safety appliances required by law, ordinance or insurance on the Property, or any order or regulation of any public authority, because of Tenant's particular use of the Property. Tenant shall procure all licenses and permits required for use of the Property. Tenant shall use the Property in strict accordance with all applicable ordinances, rules, laws and regulations and shall comply with all requirements of all governmental authorities now in force or which may hereafter be in force pertaining to the use of the Property by Tenant, including, without limitation, regulations applicable to noise, water, soil and air pollution, and making such nonstructural alterations and additions thereto as may be required from time to time by such laws, ordinances, rules, regulations and requirements of governmental authorities or insurers of the Property (collectively, "Requirements") because of Tenant's construction of improvements in or other particular use of the Property. Any structural alterations or additions required from time to time by applicable Requirements because of Tenant's construction of improvements in the Buildings or other particular use of the Property shall, at Landlord's election, either (i) be made by Tenant, at Tenant's sole cost and expense, in accordance with the procedures and standards set forth in Section 9.1 for alterations by Tenant, or (ii) be made by Landlord at Tenant's sole cost and expense, in which event Tenant shall pay to Landlord as additional rent, within ten (10) days after demand by Landlord, an amount equal to all reasonable costs incurred by Landlord in connection with such alterations or additions. The judgment of any court, or the admission by Tenant in any proceeding against Tenant, that Tenant has violated any law, statute, ordinance or governmental rule, regulation or requirement shall be conclusive of such violation as between Landlord and Tenant.

11.5 Liquidation Sales. Tenant shall not conduct or permit to be conducted any auction, bankruptcy sale, liquidation sale, or going out of business sale, in, upon or about the

Property, whether said auction or sale be voluntary, involuntary or pursuant to any assignment for the benefit of creditors, or pursuant to any bankruptcy or other insolvency proceeding.

11.6 Environmental Matters.

(a) For purposes of this Section, "hazardous substance" shall mean the substances included within the definitions of the term "hazardous substance" under (i) the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. (S)(S) 9601 et seq., and the regulations promulgated thereunder, as amended, (ii) the California Carpenter-Presley-Tanner Hazardous Substance Account Act, California Health & Safety Code (S)(S) 25300 et seq., and regulations promulgated thereunder, as amended, (iii) the Hazardous Materials Release Response Plans and Inventory Act, California Heath & Safety Code (S)(S) 25500 et seq., and regulations promulgated thereunder, as amended, and (iv) petroleum; "hazardous waste" shall mean (i) any waste listed as or meeting the identified characteristics of a "hazardous waste" under the Resource Conservation and Recovery Act of 1976, 42 U.S.C. (S)(S) 6901 et seq., and regulations promulgated pursuant thereto, as amended (collectively, "RCRA"), (ii) any waste meeting the identified characteristics of "hazardous waste," "extremely hazardous waste" or "restricted hazardous waste" under the California Hazardous Waste Control Law, California Health & Safety Code (S)(S) 25100 et seq., and regulations promulgated pursuant thereto, as amended (collectively, the "CHWCL"), and/or (iii) any waste meeting the identified characteristics of "medical waste" under California Health & Safety Code (S)(S) 25015-25027.8, and regulations promulgated thereunder, as amended; and "hazardous waste facility" shall mean a hazardous waste facility as defined under the CHWCL.

(b) Without limiting the generality of the obligations set forth in Section 11.4 of this Lease:

(i) Tenant shall not cause or permit any hazardous substance or hazardous waste to be brought upon, kept, stored or used in or about the Property without the prior written consent of Landlord, which consent shall not be unreasonably withheld, except that Tenant, in connection with its permitted use of the Property as provided in Section 11.1, may keep, store and use materials that constitute hazardous substances which are customary for such permitted use, provided such hazardous substances are kept, stored and used in quantities which are customary for such permitted use and are kept, stored and used in full compliance with clauses (ii) and (iii) immediately below.

(ii) Tenant shall comply with all applicable laws, rules, regulations, orders, permits, licenses and operating plans of any governmental authority with respect to the receipt, use, handling, generation, transportation, storage, treatment and/or disposal of hazardous substances or wastes by Tenant or its agents or employees, and Tenant will provide Landlord with copies of all permits, licenses, registrations and other similar documents that authorize Tenant to conduct any such activities in connection with its authorized use of the Property from time to time.

(iii) Tenant shall not (A) operate on or about the Property any facility required to be permitted or licensed as a hazardous waste facility or for which interim status as such is required, nor (B) store any hazardous wastes on or about the Property for ninety (90) days or more, nor (C) conduct any other activities on or about the Property that could result in the Property being deemed to be a "hazardous waste facility" (including, but not limited to, any storage or treatment of hazardous substances or hazardous wastes which could have such a result).

(iv) Tenant shall comply with all applicable laws, rules, regulations, orders and permits relating to underground storage tanks installed by Tenant or its agents or employees or at the request of Tenant (including any installation, monitoring, maintenance, closure and/or removal of such tanks) as such tanks are defined in California Health & Safety Code (S) 25281(x), including, without limitation, complying with California Health & Safety Code (S)(S) 25280-25299.7 and the regulations promulgated thereunder, as amended. Tenant shall furnish to Landlord copies of all registrations and permits issued to or held by Tenant from time to time for any and all underground storage tanks located on or under the Property.

(v) If applicable, Tenant shall provide Landlord in writing the following information and/or documentation within fifteen (15) days after the Phase 1 Rent

Commencement Date, and shall update such information at least annually, on or before each anniversary of the Phase 1 Rent Commencement Date, to reflect any change in or addition to the required information and/or documentation (provided, however, that in the case of the materials described in subparagraphs (B), (C) and (E) below, Tenant shall not be required to deliver copies of such materials to Landlord but shall maintain copies of such materials to such extent and for such periods as may be required by applicable law and shall permit Landlord or its representatives to inspect and copy such materials during normal business hours at any time and from time to time upon reasonable notice to Tenant):

(A) A list of all hazardous substances and/or wastes that Tenant receives, uses, handles, generates, transports, stores, treats or disposes of from time to time in connection with its operations on the Property.

(B) All Material Safety Data Sheets ("MSDS's"), if any, required to be completed with respect to operations of Tenant at the Property from time to time in accordance with Title 26, California Code of Regulations 8-5194 or 42 U.S.C. (S) 11021, or any amendments thereto, and any Hazardous Materials Inventory Sheets that detail the MSDS's.

(C) All hazardous waste manifests (as defined in Title 26, California Code of Regulations (S) 22-66481), if any, that Tenant is required to complete from time to time in connection with its operations at the Property.

(D) A copy of any Hazardous Materials Management Plan required from time to time with respect to Tenant's operations at the Property, pursuant to California Health & Safety Code (S)(S) 25500 et seq., and any regulations promulgated thereunder, as amended.

(E) Any Contingency Plans and Emergency Procedures required of Tenant from time to time due to its operations in accordance with Title 26, California Code of Regulations (S)(S) 22-67140 et seq., and any amendments thereto, and any Training Programs and Records required under Title 26, California Code of Regulations, (S) 22-67105, and any amendments thereto.

(F) Copies of any biennial reports to be furnished to the California Department of Health Services from time to time relating to hazardous substances or wastes, pursuant to Title 26, California Code of Regulations, 22-66493, and any amendments thereto.

(G) Copies of all industrial wastewater discharge permits issued to or held by Tenant from time to time in connection with its operations on the Property.

(H) Copies of any other lists or inventories of hazardous substances and/or wastes on or about the Property that Tenant is otherwise required to prepare and file from time to time with any governmental or regulatory authority.

(vi) Tenant shall secure Landlord's prior written approval for any proposed receipt, storage, possession, use, transfer or disposal of "radioactive materials" or "radiation," as such materials are defined in Title 26, California Code of Regulations (S) 17-30100, and/or any other materials possessing the characteristics of the materials so defined, which approval Landlord may withhold in its sole and absolute discretion; provided, that such approval shall not be required for any radioactive materials for which Tenant has secured prior written approval of the Nuclear Regulatory Commission and delivered to Landlord a copy of such approval. Tenant, in connection with any such authorized receipt, storage, possession, use, transfer or disposal of radioactive materials or radiation, shall:

(A) Comply with all federal, state and local laws, rules, regulations, orders, licenses and permits issued to or applicable to Tenant with respect to its business operations on the Property;

(B) Maintain, to such extent and for such periods as may be required by applicable law, and permit Landlord and its representatives to inspect during normal business hours at any time and from time to time upon reasonable notice to Tenant, a list of all radioactive materials or radiation received, stored, possessed, used, transferred or disposed of by Tenant or in connection with the operation of Tenant's business on the Property from time to

time, to the extent not already disclosed through delivery of a copy of a Nuclear Regulatory Commission approval with respect thereto as contemplated above; and

(C) Maintain, to such extent and for such periods as may be required by applicable law, and permit Landlord or its representatives to inspect during normal business hours at any time and from time to time upon reasonable notice to Tenant, all licenses, registration materials, inspection reports, governmental orders and permits in connection with the receipt, storage, possession, use, transfer or disposal of radioactive materials or radiation by Tenant or in connection with the operation of Tenant's business on the Property from time to time.

(vii) Tenant shall comply with any and all applicable laws, rules, regulations and orders of any governmental authority with respect to the release into the environment of any hazardous wastes or substances or radiation or radioactive materials by Tenant or its agents or employees. Tenant shall give Landlord immediate verbal notice of any unauthorized release of any such hazardous wastes or substances or radiation or radioactive materials into the environment, and shall follow such verbal notice with written notice to Landlord of such release within twenty-four (24) hours of the time at which Tenant became aware of such release.

(viii) Tenant shall indemnify, defend and hold Landlord harmless from and against any and all claims, losses (including, but not limited to, loss of rental income), damages, liabilities, costs, legal fees and expenses of any sort arising out of or relating to (A) any failure by Tenant to comply with any provisions of this paragraph 11.6(b), or (B) any receipt, use handling, generation, transportation, storage, treatment, release and/or disposal of any hazardous substance or waste or any radioactive material or radiation on or about the Property as a proximate result of Tenant's use of the Property or as a result of any intentional or negligent acts or omissions of Tenant or of any agent, employee or invitee of Tenant.

(ix) Tenant shall cooperate with Landlord in furnishing Landlord with complete information regarding Tenant's receipt, handling, use, storage, transportation, generation, treatment and/or disposal of any hazardous substances or wastes or radiation or radioactive materials. Upon request, Tenant shall grant Landlord reasonable access at reasonable times to the Property to inspect Tenant's receipt, handling, use, storage, transportation, generation, treatment and/or disposal of hazardous substances or wastes or radiation or radioactive materials, provided that Landlord uses reasonable efforts to avoid any unreasonable interference with Tenant's business operations in exercising such access and inspection rights, without thereby being deemed guilty of any disturbance of Tenant's use or possession and without being liable to Tenant in any manner.

(x) Notwithstanding Landlord's rights of inspection and review under this paragraph 11.6(b), Landlord shall have no obligation or duty to so inspect or review, and no third party shall be entitled to rely on Landlord to conduct any sort of inspection or review by reason of the provisions of this paragraph 11.6(b).

(xi) If Tenant receives, handles, uses, stores, transports, generates, treats and/or disposes of any hazardous substances or wastes or radiation or radioactive materials on or about the Property at any time during the term of this Lease, then within thirty (30) days after the termination or expiration of this Lease, Tenant at its sole cost and expense shall obtain and deliver to Landlord an environmental study, performed by an expert reasonably satisfactory to Landlord, evaluating the presence or absence of hazardous substances and wastes, radiation and radioactive materials on and about the Property. Such study shall be based on a reasonable and prudent level of tests and investigations of the Property and surrounding areas (if appropriate), which tests shall be conducted no earlier than the date of termination or expiration of this Lease. Liability for any remedial actions required or recommended on the basis of such study shall be allocated in accordance with Sections 11.4, 11.6, 12.6 and other applicable provisions of this Lease.

(c) Landlord shall indemnify, defend and hold Tenant harmless from and against any and all claims, losses, damages, liabilities, costs, legal fees and expenses of any sort arising out of or relating to (i) the presence on the Property of any hazardous substances or wastes or radiation or radioactive materials as of the Phase 1 Rent Commencement Date (other than as a result of any intentional or negligent acts or omissions of Tenant or of any agent,

employee or invitee of Tenant), (ii) any unauthorized release into the environment (including, but not limited to, the Property) of any hazardous substances or wastes or radiation or radioactive materials to the extent such release results from the negligence of or willful misconduct or omission by Landlord or its agents or employees, and/or (iii) the presence on the Property of any hazardous substances or wastes or radiation or radioactive materials arising after the Phase 1 Rent Commencement Date from any cause or source other than as a result of any intentional or negligent acts or omissions of Tenant or of any agent, employee or invitee of Tenant.

(d) The provisions of this Section 11.6 shall survive the termination of this Lease.

12. INSURANCE AND INDEMNITY

12.1 Insurance.

(a) Tenant shall procure and maintain in full force and effect at all times during the term of this Lease, at Tenant's cost and expense, commercial general liability insurance to protect against liability to the public, or to any invitee of Tenant or Landlord, arising out of or related to the use of or resulting from any accident occurring in, upon or about the Property, with limits of liability of not less than (i) Two Million Dollars ($2,000,000.00) for injury to or death of one person, (ii) Five Million Dollars ($5,000,000.00) for personal injury or death, per occurrence, and (iii) One Million Dollars ($1,000,000.00) for property damage, or combined single limit of liability of not less than Five Million Dollars ($5,000,000.00). Such insurance shall name Landlord, its general partners, its Managing Agent and any lender holding a deed of trust on the Property from time to time (as designated in writing by Landlord to Tenant from time to time) as additional insureds thereunder. The amount of such insurance shall not be construed to limit any liability or obligation of Tenant under this Lease. Tenant shall also procure and maintain in full force and effect at all times during the term of this Lease, at Tenant's cost and expense, products/completed operations coverage on terms and in amounts (A) customary in Tenant's industry for companies engaged in the marketing of products on a scale comparable to that in which Tenant is engaged from time to time and (B) mutually satisfactory to Landlord and Tenant in their respective reasonable discretion.

(b) Landlord shall procure and maintain in full force and effect at all times during the term of this Lease, at Landlord's cost and expense (but reimbursable as an Operating Expense under Section 7.2 hereof), commercial general liability insurance to protect against liability arising out of or related to the use of or resulting from any accident occurring in, upon or about the Property, with combined single limit of liability of not less than Five Million Dollars ($5,000,000.00) per occurrence for bodily injury and property damage.

(c) Landlord shall procure and maintain in full force and effect at all times during the term of this Lease, at Landlord's cost and expense (but reimbursable as an Operating Expense under Section 7.2 hereof), policies of property insurance providing protection against "all risk of direct physical loss" (as defined by and detailed in the Insurance Service Office's Commercial Property Program "Cause of Loss--Special Form [CP1030]" or its equivalent) for the Building Shell (as defined in Exhibit C) of the Buildings and for the improvements in the Common Areas of the Property, on a full replacement cost basis (with no co-insurance or, if coverage without co-insurance is not reasonably available, then on an "agreed amount" basis). Such insurance may include earthquake coverage to the extent Landlord in its discretion elects to carry such coverage, and shall have such commercially reasonable deductibles and other terms as Landlord in its reasonable discretion determines to be appropriate. Landlord shall have no obligation to carry property damage insurance for any alterations, additions or improvements installed by Tenant in the Buildings or on or about the Property.

(d) Tenant shall procure and maintain in full force and effect at all times during the term of this Lease, at Tenant's cost and expense, policies of property insurance providing protection against "all risk of direct physical loss" (as defined by and detailed in the Insurance Service Office's Commercial Property Program "Cause of Loss-Special Form [CP1030]" or its equivalent) for the Tenant Improvements constructed by Tenant pursuant to Exhibit C and on all other alterations, additions and improvements installed by Tenant from time to time in or about the Buildings, on a full replacement cost basis (with no co-insurance or, if coverage without co-insurance is not reasonably available, then on an "agreed amount" basis). Such insurance may have such commercially reasonable deductibles and other terms as Tenant in

its discretion determines to be appropriate, and shall name both Tenant and Landlord as insureds as their interests may appear.

(e) During the course of construction of the improvements being constructed by Landlord and Tenant under Section 5.1 and Exhibit C, Landlord and Tenant respectively shall each procure and maintain in full force and effect, at its respective sole cost and expense, policies of builder's risk insurance on the improvements respectively being constructed by it, in such amounts and with such commercially reasonable deductibles and other terms as Landlord in its reasonable discretion determines to be appropriate with respect to the insurance to be maintained by Landlord, and in such amounts and with such commercially reasonable deductibles and other terms as Landlord and Tenant may mutually and reasonably determine to be appropriate with respect to the insurance to be maintained by Tenant.

12.2 Quality Of Policies And Certificates. All policies of insurance required hereunder shall be issued by responsible insurers and, in the case of policies carried or required to be carried by Tenant, shall be written as primary policies not contributing with and not in excess of any coverage that Landlord may carry. Tenant shall deliver to Landlord copies of policies or certificates of insurance showing that said policies are in effect. The coverage provided by such policies shall include the clause or endorsement referred to in Section 12.4. If Tenant fails to acquire, maintain or renew any insurance required to be maintained by it under this Article 12 or to pay the premium therefor, then Landlord, at its option and in addition to its other remedies, but without obligation so to do, may procure such insurance, and any sums expended by it to procure any such insurance on behalf of or in place of Tenant shall be repaid upon demand, with interest as provided in Section 3.2 hereof. Tenant shall obtain written undertakings from each insurer under policies required to be maintained by it to notify all insureds thereunder at least thirty (30) days prior to cancellation of coverage.

12.3 Workers' Compensation. Tenant shall maintain in full force and effect during the term of this Lease workers' compensation insurance in at least the minimum amounts required by law, covering all of Tenant's employees working on the Property.

12.4 Waiver Of Subrogation. To the extent permitted by law and without affecting the coverage provided by insurance required to be maintained hereunder, Landlord and Tenant each waive any right to recover against the other with respect to (i) damage to property, (ii) damage to the Property or any part thereof, or (iii) claims arising by reason of any of the foregoing, but only to the extent that any of the foregoing damages and claims under clauses (i)-(iii) hereof are covered, and only to the extent of such coverage, by casualty insurance actually carried or required to be carried hereunder by either Landlord or Tenant. This provision is intended to waive fully, and for the benefit of each party, any rights and claims which might give rise to a right of subrogation in any insurance carrier. Each party shall procure a clause or endorsement on any casualty insurance policy denying to the insurer rights of subrogation against the other party to the extent rights have been waived by the insured prior to the occurrence of injury or loss. Coverage provided by insurance maintained by Tenant shall not be limited, reduced or diminished by virtue of the subrogation waiver herein contained.

12.5 Increase In Premiums. Tenant shall do all acts and pay all expenses necessary to insure that the Property is not used for purposes prohibited by any applicable fire insurance, and that Tenant's use of the Property complies with all requirements necessary to obtain any such insurance. If Tenant uses or permits the Property to be used in a manner which increases the existing rate of any insurance carried by Landlord on the Property and such use continues for longer than a reasonable period specified in any written notice from Landlord to Tenant identifying the rate increase and the factors causing the same, then Tenant shall pay the amount of the increase in premium caused thereby, and Landlord's costs of obtaining other replacement insurance policies, including any increase in premium, within ten (10) days after demand therefor by Landlord.

12.6 Indemnification.

(a) Tenant shall indemnify, defend and hold Landlord and its partners, shareholders, officers, directors, agents and employees harmless from any and all liability for injury to or death of any person, or loss of or damage to the property of any person, and all actions, claims, demands, costs (including, without limitation, reasonable attorneys' fees), damages or expenses of any kind arising therefrom which may be brought or made against

Landlord or which Landlord may pay or incur by reason of the use, occupancy and enjoyment of the Property by Tenant or any invitees, sublessees, licensees, assignees, employees, agents or contractors of Tenant or holding under Tenant (including, but not limited to, any such matters arising out of or in connection with any early entry upon the Property by Tenant pursuant to Section 2.2 hereof) from any cause whatsoever other than negligence or willful misconduct or omission by Landlord, its agents or employees. Landlord and its partners, shareholders, officers, directors, agents and employees shall not be liable for, and Tenant hereby waives all claims against such persons for, damages to goods, wares and merchandise in or upon the Property, or for injuries to Tenant, its agents or third persons in or upon the Property, from any cause whatsoever other than negligence or willful misconduct or omission by Landlord, its agents or employees. Tenant shall give prompt notice to Landlord of any casualty or accident in, on or about the Property.

(b) Landlord shall indemnify, defend and hold Tenant and its partners, shareholders, officers, directors, agents and employees harmless from any and all liability for injury to or death of any person, or loss of or damage to the property of any person, and all actions, claims, demands, costs (including, without limitation, reasonable attorneys' fees), damages or expenses of any kind arising therefrom which may be brought or made against Tenant or which Tenant may pay or incur, to the extent such liabilities or other matters arise in, on or about the Property by reason of any negligence or willful misconduct or omission by Landlord, its agents or employees.

12.7 Blanket Policy. Any policy required to be maintained hereunder may be maintained under a so-called "blanket policy" insuring other parties and other locations so long as the amount of insurance required to be provided hereunder is not thereby diminished.

13. SUBLEASE AND ASSIGNMENT

13.1 Assignment And Sublease Of Building. Except in the case of a Permitted Transfer, Tenant shall not have the right or power to assign its interest in this Lease, or make any sublease of the Buildings or any portion thereof, nor shall any interest of Tenant under this Lease be assignable involuntarily or by operation of law, without on each occasion obtaining the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed. Any purported sublease or assignment of Tenant's interest in this Lease requiring but not having received Landlord's consent thereto (to the extent such consent is required hereunder) shall be void. Without limiting the generality of the foregoing, Landlord may withhold consent to any proposed subletting or assignment for which consent is requested solely on the ground, if applicable, that the use by the proposed subtenant or assignee is reasonably likely to be incompatible with Landlord's use of any adjacent property owned or operated by Landlord, unless the proposed use is within the permitted uses specified in Section 11.1, in which event it shall not be reasonable for Landlord to object to the proposed use. Except in the case of a Permitted Transfer, any dissolution, consolidation, merger or other reorganization of Tenant, or any sale or transfer of substantially all of the stock or assets of Tenant in a single transaction or series of related transactions, shall be deemed to be an assignment hereunder and shall be void without the prior written consent of Landlord as required above. Notwithstanding the foregoing, (i) an initial public offering of the common stock of Tenant shall not be deemed to be an assignment hereunder; (ii) any transfer of Tenant's stock during any period in which Tenant has a class of stock listed on any recognized securities exchange or traded in the NASDAQ over-the-counter market shall not be deemed to be an assignment hereunder; (iii) any transfer of Tenant's stock in connection with a bona fide financing, capitalization or recapitalization of Tenant shall not be deemed to be an assignment hereunder, provided that such financing, capitalization or recapitalization does not result in a material reduction in Tenant's net worth or materially change the nature of Tenant's ongoing business as a going concern; and (iv) Tenant shall have the right to assign this Lease or sublet the Buildings, or any portion thereof, without Landlord's consent (but with prior or concurrent written notice by Tenant to Landlord, except to the extent Tenant is advised by its counsel that such prior or concurrent notice would be in violation of applicable law, in which event Tenant shall give such written notice as soon as reasonably possible after the giving of such notice is no longer in violation of applicable law), to any Affiliate of Tenant, or to any entity which results from a merger or consolidation with Tenant, or to any entity which acquires substantially all of the stock or assets of Tenant as a going concern (hereinafter each a "Permitted Transfer"). For purposes of the preceding sentence, an "Affiliate" of Tenant shall mean any entity in which Tenant owns at least a twenty percent (20%) equity interest, any entity which owns at least a twenty percent (20%) equity interest in Tenant, and/or any entity which is

related to Tenant by a chain of ownership interests involving at least a twenty percent (20%) equity interest at each level in the chain. Landlord shall have no right to terminate this Lease in connection with, and shall have no right to any sums or other economic consideration resulting from, any Permitted Transfer. Except as expressly set forth in this Section 13.1, however, the provisions of Section 13.2 shall remain applicable to any Permitted Transfer and the transferee under such Permitted Transfer shall be and remain subject to all of the terms and provisions of this Lease.

13.2 Rights Of Landlord.

(a) Consent by Landlord to one or more assignments of this Lease, or to one or more sublettings of the Buildings or any portion thereof, or collection of rent by Landlord from any assignee or sublessee, shall not operate to exhaust Landlord's rights under this Article 13, nor constitute consent to any subsequent assignment or subletting. No assignment of Tenant's interest in this Lease and no sublease shall relieve Tenant of its obligations hereunder, notwithstanding any waiver or extension of time granted by Landlord to any assignee or sublessee, or the failure of Landlord to assert its rights against any assignee or sublessee, and regardless of whether Landlord's consent thereto is given or required to be given hereunder. In the event of a default by any assignee, sublessee or other successor of Tenant in the performance of any of the terms or obligations of Tenant under this Lease, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against any such assignee, sublessee or other successor. In addition, Tenant immediately and irrevocably assigns to Landlord, as security for Tenant's obligations under this Lease, all rent from any subletting of all or a part of the Buildings as permitted under this Lease, and Landlord, as Tenant's assignee and as attorney-in-fact for Tenant, or any receiver for Tenant appointed on Landlord's application, may collect such rent and apply it toward Tenant's obligations under this Lease; except that, until the occurrence of an act of default by Tenant, Tenant shall have the right to collect such rent and to retain all sublease profits (subject to the provisions of Section 13.2(c), below).

(b) Upon any assignment of Tenant's interest in this Lease for which Landlord's consent is required under Section 13.1 hereof, Tenant shall pay to Landlord, within ten (10) days after receipt thereof by Tenant from time to time, one-half (1/2) of all cash sums and other economic considerations received by Tenant in connection with or as a result of such assignment, after first deducting therefrom (i) the unamortized cost of any leasehold improvements previously made in the Buildings and paid for by Tenant, (ii) any costs incurred by Tenant for leasehold improvements (including, but not limited to, third-party architectural and space planning costs) in the Buildings in connection with such assignment, (iii) any real estate commissions and/or attorneys' fees incurred by Tenant in connection with such assignment, and (iv) any economic consideration received by Tenant as bona fide, reasonable compensation for services rendered by Tenant to the assignee and/or personal property sold or leased by Tenant to the assignee.

(c) Upon any sublease of all or any portion of the Buidlings for which Landlord's consent is required under Section 13.1 hereof, Tenant shall pay to Landlord, within ten (10) days after receipt thereof by Tenant from time to time, one-half (1/2) of all cash sums and other economic considerations received by Tenant in connection with or as a result of such sublease, after first deducting therefrom (i) the rental due hereunder for the corresponding period, prorated (on the basis of the average per-square-foot cost paid by Tenant for the entire Buildings for the applicable period under this Lease) to reflect the size of the subleased portion of the Buildings, (ii) any costs incurred by Tenant for leasehold improvements in the subleased portion of the Buildings (including, but not limited to, third-party architectural and space planning costs) for the specific benefit of the sublessee in connection with such sublease, amortized over the term of the sublease, (iii) any real estate commissions and/or attorneys' fees incurred by Tenant in connection with such sublease, amortized over the term of such sublease, (iv) the unamortized cost of any leasehold improvements previously made and paid for by Tenant with respect to the subleased portion of the Buildings, and (v) any economic consideration received by Tenant as bona fide, reasonable compensation for services rendered by Tenant to the sublessee and/or personal property sold or leased by Tenant to the sublessee.

14. RIGHT OF ENTRY AND QUIET ENJOYMENT

14.1 Right Of Entry. Landlord and its authorized representatives shall have the right to enter the Buildings at any time during the term of this Lease during normal business hours and

upon not less than twenty-four (24) hours prior notice, except in the case of emergency (in which event no notice shall be required and entry may be made at any time), for the purpose of inspecting and determining the condition of the Buildings or for any other proper purpose including, without limitation, to make repairs, replacements or improvements which Landlord may deem necessary, to show the Buildings to prospective purchasers, to show the Buildings to prospective tenants (but only during the final year of the term of this Lease), and to post notices of nonresponsibility. Landlord shall not be liable for inconvenience, annoyance, disturbance, loss of business, quiet enjoyment or other damage or loss to Tenant by reason of making any repairs or performing any work upon the Buildings or the Property or by reason of erecting or maintaining any protective barricades in connection with any such work, and the obligations of Tenant under this Lease shall not thereby be affected in any manner whatsoever, provided, however, Landlord shall use reasonable efforts to minimize the inconvenience to Tenant's normal business operations caused thereby.

14.2 Quiet Enjoyment. Landlord covenants that Tenant, upon paying the rent and performing its obligations hereunder and subject to all the terms and conditions of this Lease, shall peacefully and quietly have, hold and enjoy the Buildings and the Property throughout the term of this Lease, or until this Lease is terminated as provided by this Lease.

15. CASUALTY AND TAKING

15.1 Damage or Destruction.

(a) If the Buildings, or the Common Areas of the Property necessary for Tenant's use and occupancy of the Buildings, are damaged or destroyed in whole or in part under circumstances in which (i) repair and restoration is permitted under applicable governmental laws, regulations and building codes then in effect and (ii) repair and restoration reasonably can be completed within a period of one (1) year (or, in the case of an occurrence during the last year of the term of this Lease, within a period of sixty (60) days) following the date of the occurrence, then Landlord, as to the Common Areas of the Property and the Building Shells, and Tenant, as to the Tenant Improvements constructed by Tenant, shall commence and complete, with all due diligence and as promptly as is reasonably practicable under the conditions then existing, all such repair and restoration as may be required to return the affected portions of the Property to a condition comparable to that existing immediately prior to the occurrence. In the event of damage or destruction the repair of which is not permitted under applicable governmental laws, regulations and building codes then in effect, if such damage or destruction (despite being corrected to the extent then permitted under applicable governmental laws, regulations and building codes) would still materially impair Tenant's ability to conduct its business in the Buildings, then either party may terminate this Lease as of the date of the occurrence by giving written notice to the other within thirty (30) days after the date of the occurrence; if neither party timely elects such termination, or if such damage or destruction does not materially impair Tenant's ability to conduct its business in the Buildings, then this Lease shall continue in full force and effect, except that there shall be an equitable adjustment in monthly minimum rental and of Tenant's Operating Cost Share of Operating Expenses, based upon the extent to which Tenant's ability to conduct its business in the Buildings is impaired, and Landlord and Tenant respectively shall restore the Common Areas and Building Shells and the Tenant Improvements to a complete architectural whole and to a functional condition. In the event of damage or destruction which cannot reasonably be repaired within one (1) year (or, in the case of an occurrence during the last year of the term of this Lease, within a period of sixty (60) days) following the date of the occurrence, then either Landlord or Tenant, at its election, may terminate this Lease as of the date of the occurrence by giving written notice to the other within thirty (30) days after the date of the occurrence; if neither party timely elects such termination, then this Lease shall continue in full force and effect and Landlord and Tenant shall each repair and restore applicable portions of the Property in accordance with the first sentence of this Section 15.1.

(b) The respective obligations of Landlord and Tenant pursuant to Section 15.1(a) are subject to the following limitations:

(i) If the occurrence results from a peril which is required to be insured pursuant to Section 12.1(c) and (d) above, the obligations of either party shall not exceed the amount of insurance proceeds received from insurers (or, in the case of any failure to maintain required insurance, proceeds that reasonably would have been available if the required

insurance had been maintained) by reason of such occurrence, plus the amount of the party's permitted deductible (provided that each party shall be obligated to use its best efforts to recover any available proceeds from the insurance which it is required to maintain pursuant to the provisions of Section 12.1(c) or (d), as applicable), and, if such proceeds (including, in the case of a failure to maintain required insurance, any proceeds that reasonably would have been available) are insufficient, either party may terminate the Lease unless the other party promptly elects and agrees, in writing, to contribute the amount of the shortfall; and

(ii) If the occurrence results from a peril which is not required to be insured pursuant to Section 12.1(c) and (d) above and is not actally insured, Landlord shall be required to repair and restore the Building Shells and Common Areas to the extent necessary for Tenant's continued use and occupancy of the Buildings, and Tenant shall be required to repair and restore the Tenant Improvements to the extent necessary for Tenant's continued use and occupancy of the Buildings, provided that each party's obligation to repair and restore shall not exceed an amount equal to five percent (5%) of the replacement cost of the Building Shells and Common Area improvements, as to Landlord, or five percent (5%) of the replacement cost of the Tenant Improvements, as to Tenant; if the replacement cost as to either party exceeds such amount, then the party whose limit has been exceeded may terminate this Lease unless the other party promptly elects and agrees, in writing, to contribute the amount of the shortfall.

(c) If this Lease is terminated pursuant to the foregoing provisions of this Section 15.1 following an occurrence which is a peril actually insured or required to be insured against pursuant to Section 12.1(c) and (d), Landlord and Tenant agree (and any Lender shall be asked to agree) that such insurance proceeds shall be allocated between Landlord and Tenant in a manner which fairly and reasonably reflects their respective ownership rights under this Lease, as of the termination or expiration of the term of this Lease, with respect to the improvements, fixtures, equipment and other items to which such insurance proceeds are attributable.

(d) From and after the date of an occurrence resulting in damage to or destruction of the Buildings or of the Common Areas necessary for Tenant's use and occupancy of the Buildings, and continuing until repair and restoration thereof are completed, there shall be an equitable abatement of minimum rental and of Tenant's Operating Cost Share of Operating Expenses based upon the degree to which Tenant's ability to conduct its business in the Buildings is impaired.

15.2 Condemnation.

(a) If during the term of this Lease the Property or Improvements, or any substantial part of either, is taken by eminent domain or by reason of any public improvement or condemnation proceeding, or in any manner by exercise of the right of eminent domain (including any transfer in avoidance of an exercise of the power of eminent domain), or receives irreparable damage by reason of anything lawfully done under color of public or other authority, then (i) this Lease shall terminate as to the entire affected Building(s) at Landlord's election by written notice given to Tenant within sixty (60) days after the taking has occurred, and (ii) this Lease shall terminate as to the entire affected Building(s) at Tenant's election, by written notice given to Landlord within thirty (30) days after the nature and extent of the taking have been finally determined, if the portion of the Building(s) taken is of such extent and nature as substantially to handicap, impede or permanently impair Tenant's use of the balance of the Building(s). If Tenant elects to terminate this Lease, Tenant shall also notify Landlord of the date of termination, which date shall not be earlier than thirty (30) days nor later than ninety (90) days after Tenant has notified Landlord of Tenant's election to terminate, except that this Lease shall terminate on the date of taking if such date falls on any date before the date of termination designated by Tenant. If neither party elects to terminate this Lease as hereinabove provided, this Lease shall continue in full force and effect (except that there shall be an equitable abatement of minimum rental and of Tenant's Operating Cost Share of Operating Expenses based upon the degree to which Tenant's ability to conduct its business in the Building(s) is impaired), Landlord shall restore the Building Shells and Common Area improvements to a complete architectural whole and a functional condition and as nearly as reasonably possible to the condition existing before the taking, and Tenant shall restore the Tenant Improvements and Tenant's other alterations, additions and improvements to a complete architectural whole and a functional condition and as nearly as reasonably possible to the condition existing before the taking. In connection with any such restoration, each party shall use its respective best efforts (including, without limitation, any necessary negotiation or intercession with its respective

lender, if any) to ensure that any severance damages or other condemnation awards intended to provide compensation for rebuilding or restoration costs are promptly collected and made available to Landlord and Tenant in portions reasonably corresponding to the cost and scope of their respective restoration obligations, subject only to such payment controls as either party or its lender may reasonably require in order to ensure the proper application of such proceeds toward the restoration of the Improvements. Each party waives the provisions of Code of Civil Procedure Section 1265.130, allowing either party to petition the Superior Court to terminate this Lease in the event of a partial condemnation of the Buildings or Property.

(b) The respective obligations of Landlord and Tenant pursuant to Section 15.2(a) are subject to the following limitations:

(i) Each party's obligation to repair and restore shall not exceed, net of any condemnation awards or other proceeds available for and allocable to such restoration as contemplated in Section 15.2(a), an amount equal to five percent (5%) of the replacement cost of the Building Shells and Common Area improvements, as to Landlord, or five percent (5%) of the replacement cost of the Tenant Improvements, as to Tenant; if the replacement cost as to either party exceeds such amount, then the party whose limit has been exceeded may terminate this Lease unless the other party promptly elects and agrees, in writing, to contribute the amount of the shortfall; and

(ii) If this Lease is terminated pursuant to the foregoing provisions of this Section 15.2, or if this Lease remains in effect but any condemnation awards or other proceeds become available as compensation for the loss or destruction of any of the Improvements, then Landlord and Tenant agree (and any Lender shall be asked to agree) that such proceeds shall be allocated between Landlord and Tenant, respectively, in the respective proportions in which Landlord and Tenant would have shared, under Section 15.1(c), the proceeds of any insurance proceeds following loss or destruction of the applicable Improvements by an insured casualty.

15.3 Reservation Of Compensation. Landlord reserves, and Tenant waives and assigns to Landlord, all rights to any award or compensation for damage to the Improvements, the Property and the leasehold estate created hereby, accruing by reason of any taking in any public improvement, condemnation or eminent domain proceeding or in any other manner by exercise of the right of eminent domain or of anything lawfully done by public authority, except that (a) Tenant shall be entitled to any and all compensation or damages paid for or on account of Tenant's moving expenses, trade fixtures and equipment and any leasehold improvements installed by Tenant in the Buildings at its own sole expense, but only to the extent Tenant would have been entitled to remove such items at the expiration of the term of this Lease and then only to the extent of the then remaining unamortized value of such improvements computed on a straight-line basis over the term of this Lease, and (b) any condemnation awards or proceeds described in Section 15.2(b)(ii) shall be allocated and disbursed in accordance with the provisions of Section 15.2(b)(ii), notwithstanding any contrary provisions of this Section 15.3.

15.4 Restoration Of Improvements. In connection with any repair or restoration of Improvements by either party following a casualty or taking as hereinabove set forth, the party responsible for such repair or restoration shall, to the extent possible, return such Improvements to a condition substantially equal to that which existed immediately prior to the casualty or taking. To the extent such party wishes to make material modifications to such Improvements, such modifications shall be subject to the prior written approval of the other party (not to be unreasonably withheld or delayed), except that no such approval shall be required for modifications that are required by applicable governmental authorities as a condition of the repair or restoration, unless such required modifications would impair or impede Tenant's conduct of its business in the Buildings (in which case any such modifications in Landlord's work shall require Tenant's consent, not unreasonably withheld or delayed) or would materially and adversely affect the exterior appearance, the structural integrity or the mechanical or other operating systems of the Buildings (in which case any such modifications in Tenant's work shall require Landlord's consent, not unreasonably withheld or delayed).

16. DEFAULT

16.1 Events Of Default. The occurrence of any of the following shall constitute an event of default on the part of Tenant:

(a) [Omitted.}

(b) Nonpayment. Failure to pay, when due, any amount payable to Landlord hereunder, such failure continuing for a period for five (5) business days after written notice of such failure; provided, however, that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure Section 1161 et. seq., as amended from time to time;

(c) Other Obligations. Failure to perform any obligation, agreement or covenant under this Lease other than those matters specified in subsection (b) hereof, such failure continuing for thirty (30) days after written notice of such failure; provided, however, that if such failure is curable in nature but cannot reasonably be cured within such 30-day period, then Tenant shall not be default if, and so long as, Tenant promptly (and in all events within such 30-day period) commences such cure and thereafter diligently pursues such cure to completion; and provided further, however, that any such notice shall be in lieu of, and not in addition to, any notice required under California Code of Civil Procedure Section 1161 et seq., as amended from time to time;

(d) General Assignment. A general assignment by Tenant for the benefit of creditors;

(e) Bankruptcy. The filing of any voluntary petition in bankruptcy by Tenant, or the filing of an involuntary petition by Tenant's creditors, which involuntary petition remains undischarged for a period of thirty (30) days. In the event that under applicable law the trustee in bankruptcy or Tenant has the right to affirm this Lease and continue to perform the obligations of Tenant hereunder, such trustee or Tenant shall, in such time period as may be permitted by the bankruptcy court having jurisdiction, cure all defaults of Tenant hereunder outstanding as of the date of the affirmance of this Lease and provide to Landlord such adequate assurances as may be necessary to ensure Landlord of the continued performance of Tenant's obligations under this Lease. Specifically, but without limiting the generality of the foregoing, such adequate assurances must include assurances that the Buildings continue to be operated only for the use permitted hereunder. The provisions hereof are to assure that the basic understandings between Landlord and Tenant with respect to Tenant's use of the Property and the benefits to Landlord therefrom are preserved, consistent with the purpose and intent of applicable bankruptcy laws;

(f) Receivership. The employment of a receiver appointed by court order to take possession of substantially all of Tenant's assets or the Buildings, if such receivership remains undissolved for a period of thirty (30) days;

(g) Attachment. The attachment, execution or other judicial seizure of all or substantially all of Tenant's assets or the Buildings, if such attachment or other seizure remains undismissed or undischarged for a period of thirty (30) days after the levy thereof; or

(h) Insolvency. The admission by Tenant in writing of its inability to pay its debt as they become due, the filing by Tenant of a petition seeking any reorganization or arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, the filing by Tenant of an answer admitting or failing timely to contest a material allegation of a petition filed against Tenant in any such proceeding or, if within thirty (30) days after the commencement of any proceeding against Tenant seeking any reorganization or arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such proceeding shall not have been dismissed.

16.2 Remedies Upon Tenant's Default.

(a) Upon the occurrence of any event of default described in Section 16.1 hereof, Landlord, in addition to and without prejudice to any other rights or remedies it may have, shall have the immediate right to re-enter the Buildings or any part thereof and repossess the same, expelling and removing therefrom all persons and property (which property may be stored in a public warehouse or elsewhere at the cost and risk of and for the account of Tenant), using such force as may be necessary to do so (as to which Tenant hereby waives any claim for loss or damage that may thereby occur). In addition to or in lieu of such re-entry, and without

prejudice to any other rights or remedies it may have, Landlord shall have the right either (i) to terminate this Lease and recover from Tenant all damages incurred by Landlord as a result of Tenant's default, as hereinafter provided, or (ii) to continue this Lease in effect and recover rent and other charges and amounts as they become due.

(b) Even if Tenant has breached this Lease and abandoned the Buildings, this Lease shall continue in effect for so long as Landlord does not terminate Tenant's right to possession under subsection (a) hereof and Landlord may enforce all of its rights and remedies under this Lease, including the right to recover rent as it becomes due, and Landlord, without terminating this Lease, may exercise all of the rights and remedies of a lessor under California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has right to sublet or assign, subject only to reasonable limitations), or any successor Code section. Acts of maintenance, preservation or efforts to relet the Buildings or the appointment of a receiver upon application of Landlord to protect Landlord's interests under this Lease shall not constitute a termination of Tenant's right to possession.

(c) If Landlord terminates this Lease pursuant to this Section 16.2, Landlord shall have all of the rights and remedies of a landlord provided by Section 1951.2 of the Civil Code of the State of California, or any successor Code section, which remedies include Landlord's right to recover from Tenant (i) the worth at the time of award of the unpaid rent and additional rent which had been earned at the time of termination, (ii) the worth at the time of award of the amount by which the unpaid rent and additional rent which would have been earned after termination until the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided, (iii) the worth at the time of award of the amount by which the unpaid rent and additional rent for the balance of the term after the time of award exceeds the amount of such rental loss that Tenant proves could be reasonably avoided, and (iv) any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including, but not limited to, the cost of recovering possession of the Buildings, expenses of reletting, including necessary repair, renovation and alteration of the Buildings, reasonable attorneys' fees, and other reasonable costs. The "worth at the time of award" of the amounts referred to in clauses (i) and (ii) above shall be computed by allowing interest at ten percent (10%) per annum from the date such amounts accrued to Landlord. The "worth at the time of award" of the amounts referred to in clause (iii) above shall be computed by discounting such amount at one percentage point above the discount rate of the Federal Reserve Bank of San Francisco at the time of award.

16.3 Remedies Cumulative. All rights, privileges and elections or remedies of Landlord contained in this Article 16 are cumulative and not alternative to the extent permitted by law and except as otherwise provided herein.

17. SUBORDINATION, ATTORNMENT AND SALE

17.1 Subordination To Mortgage. This Lease, and any sublease entered into by Tenant under the provisions of this Lease, shall be subject and subordinate to any ground lease, mortgage, deed of trust, sale/leaseback transaction or any other hypothecation for security now or hereafter placed upon the Buildings, the Property, or any of them, and the rights of any assignee of Landlord or of any ground lessor, mortgagee, trustee, beneficiary or leaseback lessor under any of the foregoing, and to any and all advances made on the security thereof and to all renewals, modifications, consolidations, replacements and extensions thereof; provided, however, that such subordination in the case of any future ground lease, mortgage, deed of trust, sale/leaseback transaction or any other hypothecation for security placed upon the Buildings, the Property, or any of them shall be conditioned on Tenant's receipt from the ground lessor, mortgagee, trustee, beneficiary or leaseback lessor of a Non-Disturbance Agreement in a form reasonably acceptable to Tenant (i) confirming that so long as Tenant is not in material default hereunder beyond any applicable cure period (for which purpose the occurrence of any event of default under Section 16.1 hereof shall be deemed to be "material"), Tenant's rights hereunder shall not be disturbed by such person or entity and (ii) agreeing that the benefit of such Non-Disturbance Agreement shall be transferable to any transferee under a Permitted Transfer and to any other assignee or subtenant that is acceptable to the ground lessor, mortgagee, trustee, beneficiary or leaseback lessor at the time of transfer. Moreover, Tenant's obligations under this Lease shall be conditioned on Tenant's receipt within thirty (30) days after mutual execution of

this Lease, from (x) Slough Estates USA Inc., the beneficiary under an existing deed of trust on the Phase I Property, and (y) any other ground lessor, mortgagee, trustee, beneficiary or leaseback lessor currently owning or holding a security interest in the Phase I Property, of a Non-Disturbance Agreement in a form reasonably acceptable to Tenant confirming (i) that so long as Tenant is not in material default hereunder beyond any applicable cure period (for which purpose the occurrence of any event of default under Section 16.1 hereof shall be deemed to be "material"), Tenant's rights hereunder shall not be disturbed by such person or entity and (ii) agreeing that the benefit of such Non-Disturbance Agreement shall be transferable to any transferee under a Permitted Transfer and to any other assignee or subtenant that is acceptable to the ground lessor, mortgagee, trustee, beneficiary or leaseback lessor at the time of transfer. If any mortgagee, trustee, beneficiary, ground lessor, sale/leaseback lessor or assignee elects to have this Lease be an encumbrance upon the Property prior to the lien of its mortgage, deed of trust, ground lease or leaseback lease or other security arrangement and gives notice thereof to Tenant, this Lease shall be deemed prior thereto, whether this Lease is dated prior or subsequent to the date thereof or the date of recording thereof. Tenant, and any sublessee, shall execute such documents as may reasonably be requested by any mortgagee, trustee, beneficiary, ground lessor, sale/leaseback lessor or assignee to evidence the subordination herein set forth, subject to the conditions set forth above, or to make this Lease prior to the lien of any mortgage, deed of trust, ground lease, leaseback lease or other security arrangement, as the case may be. Upon any default by Landlord in the performance of its obligations under any mortgage, deed of trust, ground lease, leaseback lease or assignment, Tenant (and any sublessee) shall, notwithstanding any subordination hereunder, attorn to the mortgagee, trustee, beneficiary, ground lessor, leaseback lessor or assignee thereunder upon demand and become the tenant of the successor in interest to Landlord, at the option of such successor in interest, and shall execute and deliver any instrument or instruments confirming the attornment herein provided for.

17.2 Sale Of Landlord's Interest. Upon sale, transfer or assignment of Landlord's entire interest in the Buildings and the Property, Landlord shall be relieved of its obligations hereunder with respect to liabilities accruing from and after the date of such sale, transfer or assignment.

17.3 Estoppel Certificates. Tenant or Landlord (the "responding party"), as applicable, shall at any time and from time to time, within ten (10) days after written request by the other party (the "requesting party"), execute, acknowledge and deliver to the requesting party a certificate in writing stating: (i) that this Lease is unmodified and in full force and effect, or if there have been any modifications, that this Lease is in full force and effect as modified and stating the date and the nature of each modification; (ii) the date to which rental and all other sums payable hereunder have been paid; (iii) that the requesting party is not in default in the performance of any of its obligations under this Lease, that the certifying party has given no notice of default to the requesting party and that no event has occurred which, but for the expiration of the applicable time period, would constitute an event of default hereunder, or if the responding party alleges that any such default, notice or event has occurred, specifying the same in reasonable detail; and (iv) such other matters as may reasonably be requested by the requesting party or by any institutional lender, mortgagee, trustee, beneficiary, ground lessor, sale/leaseback lessor or prospective purchaser of the Property, or prospective sublessee or assignee of this Lease. Any such certificate provided under this Section 17.3 may be relied upon by any lender, mortgagee, trustee, beneficiary, assignee or successor in interest to the requesting party, by any prospective purchaser, by any purchaser on foreclosure or sale, by any grantee under a deed in lieu of foreclosure of any mortgage or deed of trust on the Property, by any subtenant or assignee, or by any other third party. Failure to execute and return within the required time any estoppel certificate requested hereunder, if such failure continues for five (5) days after a second written request by the requesting party for such estoppel certificate, shall be deemed to be an admission of the truth of the matters set forth in the form of certificate submitted to the responding party for execution.

17.4 Subordination to CC&R's. This Lease, and any permitted sublease entered into by Tenant under the provisions of this Lease, and the interests in real property conveyed hereby and thereby shall be subject and subordinate to any declarations of covenants, conditions and restrictions affecting the Property from time to time, provided that the terms of such declarations are reasonable, do not materially impair Tenant's ability to conduct the uses permitted hereunder on the Property, and do not discriminate against Tenant relative to other similarly situated tenants occupying portions of the property covered by such declaration(s). Moreover, to the extent Tenant at any time occupies pursuant to this Lease any property which is part of the

Pointe Grand Business Park as defined in the recorded documents described in this sentence, this Lease, and any permitted sublease entered into by Tenant under the provisions of this Lease, and the interests in real property conveyed hereby and thereby shall also be subject and subordinate (a) to the Declaration of Covenants, Conditions and Restrictions for Pointe Grand Business Park dated November 4, 1991 and recorded on February 25, 1992 as Instrument No. 92025214, Official Records of San Mateo County, as amended from time to time (the Master Declaration), the provisions of which Master Declaration are an integral part of this Lease to the extent this sentence is applicable, (b) to the Declaration of Covenants, Conditions and Restrictions dated November 23, 1987 and recorded on November 24, 1987 as Instrument No. 87177987, Official Records of San Mateo County, which declaration imposes certain covenants, conditions and restrictions on the Pointe Grand Business Park, and (c) to the Environmental Restriction and Covenant (Pointe Grand) dated as of April 16, 1997 and recorded on April 16, 1997 as Instrument No. 97-043682, Official Records of San Mateo County, which declaration imposes certain covenants, conditions and restrictions on the Pointe Grand Business Park. Tenant agrees to execute, upon request by Landlord, any documents reasonably required from time to time to evidence such subordination.

17.5 Mortgagee Protection. If, following a default by Landlord under any mortgage, deed of trust, ground lease, leaseback lease or other security arrangement covering the Buildings, the Property, or any of them, the Buildings and/or the Property, as applicable, is acquired by the mortgagee, beneficiary, master lessor or other secured party, or by any other successor owner, pursuant to a foreclosure, trustee's sale, sheriff's sale, lease termination or other similar procedure (or deed in lieu thereof), then any such person or entity so acquiring the Buildings and/or the Property shall not be:

(a) liable for any act or omission of a prior landlord or owner of the Property (including, but not limited to, Landlord);

(b) subject to any offsets or defenses that Tenant may have against any prior landlord or owner of the Property (including, but not limited to, Landlord);

(c) bound by any rent or additional rent that Tenant may have paid in advance to any prior landlord or owner of the Property (including, but not limited to, Landlord) for a period in excess of one month, or by any security deposit, cleaning deposit or other prepaid charge that Tenant may have paid in advance to any prior landlord or owner (including, but not limited to, Landlord), except to the extent such deposit or prepaid amount has been expressly turned over to or credited to the successor owner thus acquiring the Property;

(d) liable for any warranties or representations of any nature whatsoever, whether pursuant to this Lease or otherwise, by any prior landlord or owner of the Property (including, but not limited to, Landlord) with respect to the use, construction, zoning, compliance with laws, title, habitability, fitness for purpose or possession, or physical condition (including, without limitation, environmental matters) of the Property or the Buildings; or

(e) liable to Tenant in any amount beyond the interest of such mortgagee, beneficiary, master lessor or other secured party or successor owner in the Property as it exists from time to time, it being the intent of this provision that Tenant shall look solely to the interest of any such mortgagee, beneficiary, master lessor or other secured party or successor owner in the Property for the payment and discharge of the landlord's obligations under this Lease and that such mortgagee, beneficiary, master lessor or other secured party or successor owner shall have no separate personal liability for any such obligations.

18. SECURITY

1.18.1 Deposit. Within ten (10) days after mutual execution of this Lease, Tenant shall deposit with Landlord the sum of One Hundred Sixty-Eight Thousand Seven Hundred and No/100 Dollars ($168,700.00); in addition, if Tenant exercises its option for Building 2 under Section 1.1(c)(ii) or (iii), then on or before the Phase 2 Rent Commencement Date, Tenant shall deposit with Landlord an additional sum equal to (but not as a payment of or substitute for) the amount of the first full month's minimum monthly rental due with respect to Building 2, as determined under the applicable provisions of Section 1.1(c). Such sums (collectively, the "Security Deposit") shall be held by Landlord as security for the faithful performance of all of the terms, covenants, and conditions of this Lease to be kept and performed by Tenant during the

term hereof. If Tenant defaults with respect to any provision of this Lease, including, without limitation, the provisions relating to the payment of rental and other sums due hereunder, Landlord shall have the right, but shall not be required, to use, apply or retain all or any part of the Security Deposit for the payment of rental or any other amount which Landlord may spend or become obligated to spend by reason of Tenant's default or to compensate Landlord for any other loss or damage which Landlord may suffer by reason of Tenant's default. If any portion of the Security Deposit is so used or applied, Tenant shall, within ten (10) days after written demand therefor, deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount and Tenant's failure to do so shall be a material breach of this Lease. Landlord shall not be required to keep any deposit under this Section separate from Landlord's general funds, and Tenant shall not be entitled to interest thereon. If Tenant fully and faithfully performs every provision of this Lease to be performed by it, the Security Deposit, or any balance thereof, shall be returned to Tenant or, at Landlord's option, to the last assignee of Tenant's interest hereunder, at the expiration of the term of this Lease and after Tenant has vacated the Property. In the event of termination of Landlord's interest in this Lease, Landlord shall transfer all deposits then held by Landlord under this Section to Landlord's successor in interest, whereupon Tenant agrees to release Landlord from all liability for the return of such deposit or the accounting thereof.

19. MISCELLANEOUS

19.1 Notices. All notices, consents, waivers and other communications which this Lease requires or permits either party to give to the other shall be in writing and shall be deemed given when delivered personally (including delivery by private courier or express delivery service) or four (4) days after deposit in the United States mail, registered or certified mail, postage prepaid, addressed to the parties at their respective addresses as follows:

To Tenant: (until Rent Commencement Date)

Exelixis Pharmaceuticals, Inc.
260 Littlefield Avenue
South San Francisco, CA 94080
Attn: George A. Scangos
(after Rent Commencement Date)

Exelixis Pharmaceuticals, Inc.
_____ Harbor Way [the Building 1 address]
South San Francisco, CA 94080
Attn: George A. Scangos

with copy to: Cooley Godward LLP
One Maritime Plaza, 20th Floor
San Francisco, CA 94111-3580
Attn: Anna B. Pope, Esq.

To Landlord: Britannia Pointe Grand Limited Partnership
1939 Harrison Street, Suite 715
Park Plaza Building
Oakland, CA 94612
Attn: T. J. Bristow

with copy to: Folger Levin & Kahn LLP
Embarcadero Center West
275 Battery Street, 23rd Floor
San Francisco, CA 94111
Attn: Donald E. Kelley, Jr.

and copy to: Slough Estates USA Inc.
33 West Monroe Street, Suite 2000
Chicago, IL 60603
Attn: William Rogalla

or to such other address as may be contained in a notice at least fifteen (15) days prior to the address change from either party to the other given pursuant to this Section. Rental payments and other sums required by this Lease to be paid by Tenant shall be delivered to Landlord at Landlord's address provided in this Section, or to such other address as Landlord may from time to time specify in writing to Tenant, and shall be deemed to be paid only upon actual receipt.

19.2 Successors And Assigns. The obligations of this Lease shall run with the land, and this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the original Landlord named herein and each successive Landlord under this Lease shall be liable only for obligations accruing during the period of its ownership of the Property, and any liability for obligations accruing after termination of such ownership shall terminate as of the date of such termination of ownership and shall pass to the successor lessor.

19.3 No Waiver. The failure of Landlord to seek redress for violation, or to insist upon the strict performance, of any covenant or condition of this Lease shall not be deemed a waiver of such violation, or prevent a subsequent act which would originally have constituted a violation from having all the force and effect of an original violation.

19.4 Severability. If any provision of this Lease or the application thereof is held to be invalid or unenforceable, the remainder of this Lease or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable shall not be affected thereby, and each of the provisions of this Lease shall be valid and enforceable, unless enforcement of this Lease as so invalidated would be unreasonable or grossly inequitable under all the circumstances or would materially frustrate the purposes of this Lease.

19.5 Litigation Between Parties. In the event of any litigation or other dispute resolution proceedings between the parties hereto arising out of or in connection with this Lease, the prevailing party shall be reimbursed for all reasonable costs, including, but not limited to, reasonable accountants' fees and attorneys' fees, incurred in connection with such proceedings (including, but not limited to, any appellate proceedings relating thereto) or in connection with the enforcement of any judgment or award rendered in such proceedings. "Prevailing party" within the meaning of this Section shall include, without limitation, a party who dismisses an action for recovery hereunder in exchange for payment of the sums allegedly due, performance of covenants allegedly breached or consideration substantially equal to the relief sought in the action.

19.6 Surrender. A voluntary or other surrender of this Lease by Tenant, or a mutual termination thereof between Landlord and Tenant, shall not result in a merger but shall, at the option of Landlord, operate either as an assignment to Landlord of any and all existing subleases and subtenancies, or a termination of all or any existing subleases and subtenancies. This provision shall be contained in any and all assignments or subleases made pursuant to this Lease.

19.7 Interpretation. The provisions of this Lease shall be construed as a whole, according to their common meaning, and not strictly for or against Landlord or Tenant. The captions preceding the text of each Section and subsection hereof are included only for convenience of reference and shall be disregarded in the construction or interpretation of this Lease.

19.8 Entire Agreement. This written Lease, together with the exhibits hereto, contains all the representations and the entire understanding between the parties hereto with respect to the subject matter hereof. Any prior correspondence, memoranda or agreements are replaced in total by this Lease and the exhibits hereto. This Lease may be modified only by an agreement in writing signed by each of the parties.

19.9 Governing Law. This Lease and all exhibits hereto shall be construed and interpreted in accordance with and be governed by all the provisions of the laws of the State of California.

19.10 No Partnership. The relationship between Landlord and Tenant is solely that of a lessor and lessee. Nothing contained in this Lease shall be construed as creating any type or manner of partnership, joint venture or joint enterprise with or between Landlord and Tenant.

19.11 Financial Information. From time to time Tenant shall promptly provide directly to prospective lenders and purchasers of the Property designated by Landlord such financial information pertaining to the financial status of Tenant as Landlord may reasonably request; provided, Tenant shall be permitted to provide such financial information in a manner which Tenant deems reasonably necessary to protect the confidentiality of such information. In addition, from time to time, Tenant shall provide Landlord with such financial information pertaining to the financial status of Tenant as Landlord may reasonably request. Landlord agrees that all financial information supplied to Landlord by Tenant shall be treated as confidential material, and shall not be disseminated to any party or entity (including any entity affiliated with Landlord) without Tenant's prior written consent, except that Landlord shall be entitled to provide such information, subject to reasonable precautions to protect the confidential nature thereof, (i) to Landlord's partners and professional advisors, solely to use in connection with Landlord's execution and enforcement of this Lease, and (ii) to prospective lenders and/or purchasers of the Property, solely for use in connection with their bona fide consideration of a proposed financing or purchase of the Property, provided that such prospective lenders and/or purchasers are not then engaged in businesses directly competitive with the business then being conducted by Tenant. For purposes of this Section, without limiting the generality of the obligations provided herein, it shall be deemed reasonable for Landlord to request copies of Tenant's most recent audited annual financial statements, or, if audited statements have not been prepared, unaudited financial statements for Tenant's most recent fiscal year, accompanied by a certificate of Tenant's chief financial officer that such financial statements fairly present Tenant's financial condition as of the date(s) indicated. Notwithstanding any other provisions of this Section 19.11, during any period in which Tenant has outstanding a class of publicly traded securities and is filing with the Securities and Exchange Commission, on a regular basis, Forms 10Q and 10K and any other periodic filings required under the Securities Exchange Act of 1934, as amended, it shall constitute sufficient compliance under this Section 19.11 for Tenant to furnish Landlord with copies of such periodic filings substantially concurrently with the filing thereof with the Securities and Exchange Commission.

Landlord and Tenant recognize the need of Tenant to maintain the confidentiality of information regarding its financial status and the need of Landlord to be informed of, and to provide to prospective lenders and purchasers of the Property financial information pertaining to, Tenant's financial status. Landlord and Tenant agree to cooperate with each other in achieving these needs within the context of the obligations set forth in this Section.

19.12 Costs. If Tenant requests the consent of Landlord under any provision of this Lease for any act that Tenant proposes to do hereunder, including, without limitation, assignment or subletting of the Buildings or any portion thereof, Tenant shall, as a condition to doing any such act and the receipt of such consent, reimburse Landlord promptly for any and all reasonable costs and expenses incurred by Landlord in connection therewith, including, without limitation, reasonable attorneys' fees, up to a maximum of $2,500.00 per request.

19.13 Time. Time is of the essence of this Lease, and of every term and condition hereof.

19.14 Rules And Regulations. Tenant shall observe, comply with and obey, and shall cause its employees, agents and, to the best of Tenant's ability, invitees to observe, comply with and obey such rules and regulations as Landlord may reasonably promulgate from time to time for the safety, care, cleanliness, order and use of the Improvements, the Buildings and the Property.

19.15 Brokers. Landlord agrees to pay a brokerage commission to Tenant's broker, Cornish & Carey Commercial, in connection with the consummation of this Lease in accordance with a separate agreement. Each party represents and warrants that no other broker participated in the consummation of this Lease and agrees to indemnify, defend and hold the other party harmless against any liability, cost or expense, including, without limitation, reasonable attorneys' fees, arising out of any claims for brokerage commissions or other similar compensation in connection with any conversations, prior negotiations or other dealings by the indemnifying party with any other broker.

19.16 Memorandum Of Lease. At any time during the term of this Lease, either party, at its sole expense, shall be entitled to record a memorandum of this Lease and, if either party so

elects, both parties agree to cooperate in the preparation, execution, acknowledgement and recordation of such document in reasonable form.

19.17 Corporate Authority. Each of the persons signing this Lease on behalf of Tenant warrants that he or she is fully authorized to do so and, by jointly so signing, to bind Tenant.

19.18 Execution and Delivery. This Lease may be executed in one or more counterparts and by separate parties on separate counterparts, but each such counterpart shall constitute an original and all such counterparts together shall constitute one and the same instrument.

19.19 Survival. Without limiting survival provisions which would otherwise be implied or construed under applicable law, the provisions of Sections 2.6, 7.4, 9.2, 9.3, 9.4, 11.6, 12.6 and 19.5 hereof shall survive the termination of this Lease with respect to matters occurring prior to the expiration of this Lease.

19.20 Parking. Landlord and Tenant agree that the Common Areas, taken as a whole, shall include parking in amounts sufficient to satisfy the minimum parking requirements of the City of South San Francisco applicable to the Property and the Britannia Pointe Grand Business Park from time to time. Landlord represents to Tenant that under the most current drawings at this date for the complete build-out of the Property and the Britannia Pointe Grand Business Park, the overall rate of parking is approximately 3.07 spaces for each 1,000 square feet of space in the various buildings presently existing or contemplated for construction on the Property and in the remainder of the Britannia Pointe Grand Business Park.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first set forth above.

"Landlord"	"Tenant"
BRITANNIA POINTE GRAND LIMITED PARTNERSHIP, a Delaware limited partnership	EXELIXIS PHARMACEUTICALS, INC., a Delaware corporation
By: BRITANNIA POINTE GRAND, LLC, a California limited liability company, General Partner	By: /s/ George Scangos George A. Scangos President and CEO
By: /s/ T. J. Bristow T. J. Bristow Its Manager, President and Chief Financial Officer	By: /s/ William D. Waddill Its: Secretary

EXHIBITS

EXHIBIT A	Real Property Description
EXHIBIT B	Site Plan
EXHIBIT C	Workletter
EXHIBIT D	Estimated Construction Schedule
EXHIBIT E	Acknowledgement of Rent Commencement Date

EXHIBIT A

REAL PROPERTY DESCRIPTION

All that certain real property in the City of South San Francisco, County of San Mateo, State of California, more particularly described as follows:

Phase 1 Property

PARCEL ONE:

Beginning at a point which bears South 89 degrees 52' 30" West, along the southerly line of East Grand Avenue, 476.27 feet and South 0 degrees 06' 30" West 532.00 feet, from the northeasterly corner of that certain 15.743 acre tract of land described in the deed from Metal and Thermit Corporation, a corporation, to Grace F. Guerin, dated June 17, 1947 and recorded July 24, 1947 in Book 1352 of Official Records of San Mateo County at Page 373, said point of beginning being the southeasterly corner of lands described in the deed from Ed Rayburn Guerin and Grace F. Guerin, his wife, to Ed Rosemont, dated April 16, 1948, and recorded April 21, 1948 in Book 1454 of Official Records of San Mateo County at Page 293 (27142-H); thence from said point of beginning, South 0 degrees 06' 30" West 50 feet, to a point; thence South 89 degrees 52' 30" West 200 feet to a point; thence North 0 degrees 04' 32" West 20 feet to a point; thence South 89 degrees 52' 30" West 232.8 feet, more or less, to a point on the westerly line of said 15.743 acre tract and the easterly line of the right of way of the Belt Line Railway; thence along said line, North 0 degrees 04' 32" West, a distance of 30 feet to the southwesterly corner of lands described in the deed to Rosemont beforementioned; thence North 89 degrees 52' 30" East, along the southerly line of said lands, 433 feet to the point of beginning.

Excepting therefrom so much thereof as lies within the lands described in the deed from Ed Rosemont and wife to Grace F. Guerin, dated March 23, 1956 and recorded May 2, 1956 in Book 3016 of Official Records of San Mateo County at Page 207 (50306-N).

PARCEL TWO:

Beginning at a point which bears South 89 degrees 52' 30" West, along the southerly line of East Grand Avenue, 476.27 feet and South 0 degrees 06' 30" West 327.34 feet from the northeasterly corner of that certain 15.743 acre tract of land described in the deed from Metal and Thermit Corporation, a corporation, to Grace F. Guerin, dated June 17, 1947, and recorded July 24, 1947 in Book 1352 of Official Records of San Mateo County at Page 373 (77876-G); thence from said point of beginning South 0 degrees 06' 30" West 204.66 feet; thence South 89 degrees 52' 30" West 433 feet to a point in the westerly line of said 15.743 acre tract and the easterly line of the right of way of the Belt Line Railway; thence along said line, North 0 degrees 04' 32" West 88.17 feet; thence continuing along said line, on the arc of a curve to the right, with a radius of 349.26 feet, tangent to the preceding course, a distance of 118.89 feet; thence North 89 degrees 52' 30" East 413.62 feet to the point of beginning.

Excepting therefrom so much thereof as lies within the lands described in the deed from Ed Rosemont and wife to Grace F. Guerin, dated March 23, 1956 and recorded May 2, 1956 in Book 3016 of Official Records of San Mateo County at Page 207 (50306-N).

PARCEL THREE:

Beginning at a point which bears North 89 degrees 52' 30" East 40 feet from the southwesterly corner of that certain 0.390 acre parcel of land described in the deed from Ed Reyburn Guerin and Grace F. Guerin, his wife, to Ed Rosemont and Margaret Rosemont, his wife, dated November 8, 1948 and recorded November 16, 1948 in Book 1593 of Official Records of San Mateo County at Page 284 (61936-H); thence North 89 degrees 52' 30" East, along the southerly line of said 0.390 acre parcel, 192.8 feet and South 0 degrees 04' 32" East 20 feet to a point; thence leaving said southerly line, South 89 degrees 52' 30" West 187.179 feet to a point; thence North 15 degrees 46' 04" West 20.782 feet, more or less, to the point of beginning.

Assessor's Parcel No. 015-032-020 (Parcels One through Three)

PARCEL FOUR:

Beginning at a point which bears South 89 degrees 52' 30" West, along the southerly line of East Grand Avenue, 476.27 feet and South 0 degrees 06' 30" West 582.00 feet from the northeasterly corner of that certain 15.743 acre tract of land described in the deed from Metal and Thermit Corporation, a corporation, to Grace F. Guerin, dated June 17, 1947, and recorded July 24, 1947 in Book 1352 of Official Records of San Mateo County at Page 373 (77876-G), said point of beginning being the southeasterly corner of lands described in the deed from E. Rayburn Guerin and Grace F. Guerin, his wife, to Ed Rosemont and wife, dated November 8, 1948 and recorded November 16, 1948, in Book 1593 of Official Records of San Mateo County, at Page 284 (61936-H); thence from said point of beginning South 0 degrees 06' 30" West, 50 feet to a point; thence South 89 degrees 52' 30" West, 150 feet to a point; thence North 0 degrees 06' 30" East, 50 feet to a point; thence North 89 degrees 52' 30" East, 150 feet to the point of beginning.

Assessor's Parcel No. 015-032-030

Phase 2-A Property
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Beginning at a point which bears South 89 degrees 52' 30" West, along the southerly line of East Grand Avenue, 476.27 feet and South 0 degrees 06' 30" West 632.00 feet from the northeasterly corner of that certain 15.743 acre tract of land described in the deed from Metal and Thermit Corporation, a corporation, to Grace F. Guerin, dated June 17, 1947, and recorded July 24, 1947 in Book 1352 of Official Records of San Mateo County at Page 373 (77876-G), said point of beginning being the southeasterly corner of a parcel of land described in the deed from E. Rayburn Guerin and Grace F. Guerin, his wife, to Walter Industries, Inc., dated December 15, 1949 and recorded December 23, 1949 in Book 1766 of Official Records of San Mateo County at Page 487; thence from said point of beginning, South 0 degrees 06' 30" West 177.25 feet, more or less, to the northerly line of lands described in deed from Grace F. Guerin to John F. Lutkenhouse, dated November 28, 1955, and recorded December 8, 1955, in Book 2928 of Official Records of San Mateo County at Page 555 (9934-E); thence along said northerly line South 89 degrees 52' 30" West 363.20 feet, more or less, to the easterly boundary of the South San Francisco Belt Railways right of way; thence northwesterly, along said right of way boundary, on the arc of a curve to the right, having a radius of 349.26 feet and a central angle of 36 degrees 30' 54", an arc length of 222.59 feet; thence North 0 degrees 04' 52" West 108.30 feet and northerly on a curve to the right, tangent to a line which bears North 0 degrees 04' 32" West from the last mentioned point, said curve having a radius of 349.26 feet, a central angle of 3 degrees 34' 52", an arc distance of 21.83 feet to the most northerly corner of lands described in deed from Ed. Rosemont and wife to Grace F. Guerin, dated March 23, 1958, and recorded May 2, 1958 in Book 3016 of Official Records of San Mateo County at Page 207 (50306-H); thence South 15 degrees 46' 04" East, along the northeasterly line of the last named lands and its southeasterly prolongation, a distance of 186.147 feet to the southwesterly corner of lands described in deed from Grace F. Guerin to Ed. Rosemont and Margaret F. Guerin, dated March 1, 1958, and recorded May 2, 1958, in Book 3016 of Official Records of San Mateo County at Page 209 (50308-H); thence along the southerly line of the last mentioned lands, North 89 degrees 52' 30" East 237.178 feet to the westerly line of the lands of Walter Industries, Inc., above mentioned in Book 1766 of Official Records at Page 487; thence along the westerly and southerly boundary of said last named lands, South 0 degrees 06' 30" West 50 feet and North 89 degrees 52' 30" East 150 feet to the point of beginning.

Assessor's Parcel No. 015-032-040

Phase 2-B Property
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See parcels designated as Phase 2-B Property (approximate) on Exhibit B-1 attached to the Lease to which this Exhibit A is attached and incorporated herein by this reference (detailed legal description not available at this time).

MetaXen Property
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Lot 4 as shown on Parcel Map No. 91-284, "Being a resubdivision of the parcels described in the deeds to Metal and Thermit Corporation, recorded in Book 293, at Page 394 of Deeds; in Book 49, at Page 490, Official Records; in Book 77, at Page 415, Official Records; and, except that parcel described in Book 1352, at Page 373, Official Records," filed on February 25, 1992, in Book 65 of Parcel Maps, in the Office of the Recorder of the County of San Mateo, California.

EXHIBIT C

WORKLETTER

This Workletter ("Workletter") constitutes part of the Build-to-Suit Lease dated as of May ___, 1999 (the "Lease") between BRITANNIA POINTE GRAND LIMITED PARTNERSHIP, a Delaware limited partnership ("Landlord"), and EXELIXIS PHARMACEUTICALS, INC., a Delaware corporation ("Tenant"). The terms of this Workletter are incorporated in the Lease for all purposes.

1. Defined Terms. As used in this Workletter, the following capitalized terms have the following meanings:

(a) Approved Plans: Plans and specifications prepared by the applicable Architect for the respective Improvements and approved by both Landlord and Tenant in accordance with Paragraph 2 of this Workletter (subject to further modification in accordance with such Paragraph 2).

(b) Architect: Chamorro Design Group, or any other architect selected by Landlord in its sole discretion, with respect to the Building Shells, the Site Improvements and any other Improvements which Landlord is to design pursuant to this Workletter; any architect selected by Tenant with the written approval of Landlord (which approval shall not be unreasonably withheld or delayed), with respect to the Tenant Improvements and any other Improvements which Tenant is to design pursuant to this Workletter.

(c) Building Shells: The shells of Building 1 and, if Tenant exercises its option under Section 1.1(c)(ii) or (iii) of the Lease, Building 2, as such shells are more fully defined in Schedule C-1 attached to this Workletter.

(d) Change Order: See definition in Paragraph 2(e)(ii) hereof.

(e) Cost of Improvement: See definition in Paragraph 2(c) hereof.

(f) Final Completion Certificate: See definition in Paragraph 3(b) hereof.

(g) Final Working Drawings: See definition in Paragraph 2(a) hereof.

(h) General Contractor: Concrete Shell Structures, Inc., or any other general contractor selected by Landlord in its sole discretion, with respect to Landlord's Work. The General Contractor with respect to Tenant's Work shall be selected by Tenant, subject to Landlord's approval (not to be unreasonably withheld or delayed), as contemplated in Paragraph 5(a) hereof.

(i) Improvements: The Building Shells, Site Improvements, Tenant Improvements and other improvements shown on the Approved Plans from time to time and to be constructed on the Property pursuant to the Lease and this Workletter.

(j) Landlord Delay: Any of the following types of delay in the completion of construction of the Tenant Improvements:

(i) Any delay resulting from Landlord's failure to furnish, in a timely manner, information requested by Tenant or by the Architect or General Contractor for Tenant's Work in connection with the design or construction of Tenant's Work, or from Landlord's failure to approve in a timely manner any matters requiring approval by Landlord; or

(ii) Any delay of any other kind or nature caused by Landlord (or Landlord's contractors, agents or employees) or resulting from the performance of Landlord's Work.

(k) Landlord's Work: The Building Shells and Site Improvements, and any other Improvements which Landlord is to construct or install pursuant to this Workletter or by mutual agreement of Landlord and Tenant from time to time.

(l) Punch List Work: Minor corrections of construction or decoration details, and minor mechanical adjustments, that are required in order to cause any applicable portion of the Improvements as constructed to conform to the Approved Plans in all material respects and that do not materially interfere with Tenant's use or occupancy of the Buildings and the Property.

(m) Site Improvements: The parking areas, driveways, landscaping and other improvements to the Common Areas of the Property that are depicted on Exhibit B to the Lease (as the same may be modified pursuant to the process of development and approval of the Approved Plans) and more specifically described in Schedule C-1 attached to this Workletter.

(n) Structural Completion Certificate: See definition in Paragraph 3(a) hereof.

(o) Tenant Delay: Any of the following types of delay in the completion of construction of the Building Shells:

(i) Any delay resulting from Tenant's failure to furnish, in a timely manner, information requested by Landlord or by the Architect or General Contractor for Landlord's Work in connection with the design or construction of the Building Shells, or from Tenant's failure to approve in a timely manner any matters requiring approval by Tenant;

(ii) Any delay attributable to any request by Tenant to construct the Building Shells in an "above standard" manner, or to any use of "above standard" Building Shell components that is necessitated by Tenant's particular use requirements or by the contemplated Tenant's Work;

(iii) Any delay resulting from Change Orders, including any delay resulting from the need to revise any drawings or obtain further governmental approvals as a result of any Change Order; or

(iv) Any delay of any other kind or nature caused by Tenant (or Tenant's contractors, agents or employees) or resulting from the performance of Tenant's Work.

(p) Tenant Improvements: The improvements to or within the Buildings, other than improvements constituting part of the Building Shells, shown on the Approved Plans from time to time and to be constructed by Tenant (except as otherwise provided herein) pursuant to the Lease and this Workletter, including (but not limited to) the improvements described on Schedule C-2 attached to this Workletter (except to the extent any such Schedule C-2 improvements constitute part of the Building Shells).

(q) Tenant's Work: All of the Improvements other than those constituting Landlord's Work, and such other materials and improvements as Tenant deems necessary or appropriate for Tenant's use and occupancy of the Buildings.

(r) Unavoidable Delays: Delays due to acts of God, acts of public agencies, labor disputes, strikes, fires, freight embargoes, rainy or stormy weather, inability to obtain supplies, materials, fuels or permits, delays of contractors or subcontractors, or other causes or contingencies beyond the reasonable control of Landlord or Tenant, as applicable.

(s) Work Deadlines: The target dates for performance by the applicable party of the steps listed in the Estimated Construction Schedule attached as Exhibit D to the Lease.

(t) Capitalized terms not otherwise defined in this Workletter shall have the definitions set forth in the Lease.

2. Plans, Cost of Improvements and Construction. Landlord and Tenant shall comply with the procedures set forth in this Paragraph 2 in preparing, delivering and approving matters relating to the Improvements.

(a) Approved Plans and Working Drawings for Landlord's Work. Landlord shall promptly and diligently (and in all events prior to any applicable Work Deadlines, subject to Tenant Delays and Unavoidable Delays) cause to be prepared and delivered to Tenant, for approval, plans and specifications for the Improvements constituting Landlord's Work. Following mutual approval of such plans and specifications, Landlord shall then cause to be prepared and delivered to Tenant, on or before the applicable Work Deadline (assuming timely delivery by Tenant of all information, decisions and drawings required to be furnished or made by Tenant in order to permit complete preparation of plans and drawings), final working drawings and specifications for the Improvements constituting Landlord's Work, including structural, fire protection, life safety, mechanical and electrical working drawings and final architectural drawings (collectively, "Landlord's Final Working Drawings"). Landlord's Final Working Drawings shall substantially conform to the Approved Plans. Landlord's obligation to deliver Landlord's Final Working Drawings to Tenant within the time period set forth above shall be extended for any delay encountered by Landlord as a result of a request by Tenant for changes in accordance with the procedure set forth below, any other Tenant Delays, or any Unavoidable Delays. No later than the applicable Work Deadline (assuming timely delivery of plans and drawings by Landlord), Tenant shall either approve Landlord's Final Working Drawings or set forth in writing with particularity any changes necessary to bring Landlord's Final Working Drawings into substantial conformity with the Approved Plans or into a form which will be acceptable to Tenant. In no event, however, shall Tenant have the right to object to any aspect of the proposed plans and specifications or proposed Landlord's Final Working Drawings for Landlord's Work (including, but not limited to, any change from the Approved Plans) that is necessitated by applicable law, or to any aspect of such proposed plans and specifications or proposed Landlord's Final Working Drawings that relates to the Building Shells or Site Improvements, although Landlord agrees to consult with Tenant and to give reasonable consideration to Tenant's views regarding functional characteristics of the Building Shells and Site Improvements. Failure of Tenant to deliver to Landlord written notice of disapproval and specification of required changes on or before the applicable Work Deadline shall constitute and be deemed to be approval of Landlord's Final Working Drawings. Upon approval, actual or deemed, of Landlord's Final Working Drawings by Landlord and Tenant, Landlord's Final Working Drawings shall be deemed to be incorporated in and considered part of the Approved Plans, superseding (to the extent of any inconsistencies) any inconsistent features of the previously existing Approved Plans.

(b) Approved Plans and Working Drawings for Tenant's Work. Tenant shall promptly and diligently (and in all events prior to any applicable Work Deadlines, subject to Landlord Delays and Unavoidable Delays) cause to be prepared and delivered to Landlord, for approval, plans and specifications for the Improvements constituting Tenant's Work. Following mutual approval of such plans and specifications, Tenant shall then cause to be prepared and delivered to Landlord final working drawings and specifications for the Improvements constituting Tenant's Work, including any applicable life safety, mechanical and electrical working drawings and final architectural drawings (collectively, "Tenant's Final Working Drawings"). Tenant's Final Working Drawings shall substantially conform to the Approved Plans. Landlord shall either approve Tenant's Final Working Drawings or set forth in writing with particularity any changes necessary to bring Tenant's Final Working Drawings into substantial conformity with the Approved Plans or into a form which will be acceptable to Landlord. Upon approval of Tenant's Final Working Drawings by Landlord and Tenant, Tenant's Final Working Drawings shall be deemed to be incorporated in and considered part of the Approved Plans, superseding (to the extent of any inconsistencies) any inconsistent features of the previously existing Approved Plans.

(c) Cost of Improvements. "Cost of Improvement" shall mean, with respect to any item or component for which a cost must be determined in order to allocate such cost, or an increase in such cost, to Landlord and/or Tenant pursuant to this Workletter or pursuant to the Lease, the sum of the following (unless otherwise agreed in writing by Landlord and Tenant with respect to any specific item or component or any category of items or components): (i) all sums paid to contractors or subcontractors for labor and materials furnished in connection with

construction of such item or component; (ii) all costs, expenses, payments, fees and charges (other than fines and penalties) paid or incurred to or at the direction of any city, county or other governmental or quasi-governmental authority or agency which are required to be paid in order to obtain all necessary governmental permits, licenses, inspections and approvals relating to construction of such item or component; (iii) engineering and architectural fees for services rendered in connection with the design and construction of such item or component (including, but not limited to, the applicable Architect for such item or component and an electrical engineer, mechanical engineer and civil engineer); (iv) sales and use taxes; (v) testing and inspection costs; (vi) the cost of power, water and other utility facilities and the cost of collection and removal of debris required in connection with construction of such item or component; and (vii) all other "hard" costs incurred in the construction of such item or component in accordance with the Approved Plans and this Workletter. Cost of Improvement shall not include any project management fee relating to the construction of such item or component.

(d) Construction of Landlord's Work. Promptly following approval of Landlord's Final Working Drawings, Landlord shall apply for and use reasonable efforts to obtain the necessary permits and approvals to allow construction of all Improvements constituting Landlord's Work. Upon receipt of such permits and approvals, Landlord shall, at Landlord's sole expense (except as otherwise provided in the Lease or in this Workletter), diligently construct and complete the Improvements constituting Landlord's Work substantially in accordance with the Approved Plans, subject to Unavoidable Delays and Tenant Delays (if any). Such construction shall be performed in a neat and workmanlike manner and shall conform to all applicable governmental codes, laws and regulations in force at the time such work is completed. Landlord shall have the right, in its sole discretion, to decide whether and to what extent to use union labor on or in connection with Landlord's Work and shall use the General Contractor specified in Paragraph 1(h) to construct all Improvements constituting Landlord's Work.

(e) Changes.

(i) If Landlord determines at any time that changes in Landlord's Final Working Drawings or in any other aspect of the Approved Plans relating to any item of Landlord's Work are required as a result of applicable law or governmental requirements, or at the insistence of any other third party whose approval may be required with respect to the Improvements, or as a result of unanticipated conditions encountered in the course of construction, then Landlord shall promptly (A) advise Tenant of such circumstances and (B) cause revised Approved Plans and/or Landlord's Final Working Drawings, as applicable, reflecting such changes to be prepared by Architect and, to the extent such changes relate to items other than the Building Shells or Site Improvements, submitted to Tenant for approval in accordance with the procedure contemplated in Paragraph 2(a) hereof. Upon final approval of revised drawings by Landlord and Tenant (if applicable), Landlord's Final Working Drawings and/or Approved Plans shall be deemed to be modified accordingly.

(ii) If Tenant at any time desires any changes, alterations or additions to the Approved Plans or Landlord's Final Working Drawings with respect to any of Landlord's Work, Tenant shall submit a detailed written request to Landlord specifying such changes, alterations or additions (a "Change Order"). Upon receipt of any such request, Landlord shall promptly notify Tenant of (A) whether the matters proposed in the Change Order are approved by Landlord (which approval shall not be unreasonably withheld), (B) Landlord's estimate of the number of days of delay, if any, which shall be caused by such Change Order if implemented (including, without limitation, delays due to the need to obtain any revised plans or drawings and any governmental approvals), and (C) Landlord's estimate of the increase, if any, which shall occur in the Cost of Improvement for the items or components affected by such Change Order if such Change Order is implemented (including, but not limited to, any costs of compliance with laws or governmental regulations that become applicable because of the requested Change Order). If Tenant notifies Landlord in writing, within five (5) business days after receipt of such notice from Landlord, of Tenant's approval of the Change Order (including the estimated delays and cost increases, if any, described in Landlord's notice), then Landlord shall cause such Change Order to be implemented and Tenant shall be responsible for all costs or cost increases resulting from or attributable to the Change Order, subject to the provisions of Paragraph 4 hereof. If Tenant fails to notify Landlord in writing of Tenant's approval of such Change Order within said

five (5) business day period, then such Change Order shall be deemed to be withdrawn and shall be of no further effect.

(f) Indemnification. Landlord shall indemnify, defend (with counsel satisfactory to Tenant) and hold Tenant harmless from all suits, claims, actions, losses, costs and expenses (including, but not limited to, claims for workers' compensation, attorneys' fees and costs) based on personal injury or property damage or contract claims (including, but not limited to, claims for breach of warranty) arising from the performance of Landlord's Work; provided, however, that nothing in this Paragraph 2(f) shall be construed to expand the scope of any express warranties made by Landlord in the Lease or in this Workletter, and with respect to any claims for breach of warranty or other contract claims, Tenant's rights under this Paragraph 2(f) shall be subject to any express limitations set forth elsewhere in the Lease or in this Workletter with respect to Landlord's warranties and other contractual obligations. Landlord shall repair or replace (or, at Tenant's election, reimburse Tenant for the cost of repairing or replacing) any portion of the Improvements and/or any of Tenant's personal property or equipment that is damaged, lost or destroyed in the course of or in connection with the performance of Landlord's Work.

3. Completion.

(a) When Landlord receives written certification from Architect that construction of the foundation, structural slab on grade, underslab plumbing work, structural steel framework, decking and concrete on second and third (if applicable) floors, roof structure and installation of main fire sprinkler lines in the applicable Building have been completed in accordance with the Approved Plans, Landlord shall prepare and deliver to Tenant a certificate signed by both Landlord and Architect (the "Structural Completion Certificate") certifying that the construction of such portions of the Building has been substantially completed in accordance with the Approved Plans in all material respects and specifying the date of that completion. The delivery of such Structural Completion Certificate shall commence the running of the 6-month time period until the applicable Rent Commencement Date under Section 2.1 of the Lease.

(b) When Landlord receives written certification from Architect that construction of the remaining Improvements constituting Landlord's Work has been completed in accordance with the Approved Plans (except for Punch List Work), Landlord shall prepare and deliver to Tenant a certificate signed by both Landlord and Architect (the "Final Completion Certificate") certifying that the construction of the remaining Improvements constituting Landlord's Work has been substantially completed in accordance with the Approved Plans in all material respects, subject only to completion of Punch List Work, and specifying the date of that completion. Upon receipt by Tenant of the Final Completion Certificate, the Improvements constituting Landlord's Work will be deemed delivered to Tenant for all purposes of the Lease (subject to Landlord's continuing obligations with respect to the Punch List Work).

(c) Notwithstanding any other provisions of this Workletter or of the Lease, if Landlord is delayed in substantially completing any of Landlord's Work necessary for issuance of the Structural Completion Certificate as a result of any Tenant Delay, then the 6-month period between the delivery of the Structural Completion Certificate and the applicable Rent Commencement Date pursuant to Section 2.1 of the Lease shall be reduced, day for day, by the number of days by which such Tenant Delay delayed completion of the portions of Landlord's Work necessary for issuance of the Structural Completion Certificate, and Tenant shall reimburse Landlord in cash, within fifteen (15) days after written demand by Landlord (accompanied by reasonable documentation of the items claimed), for any increased construction-related costs and expenses incurred by Landlord as a result of the Tenant Delay.

(d) At any time within thirty (30) days after delivery of the Structural Completion Certificate or the Final Completion Certificate, as applicable, Tenant shall be entitled to submit one or more lists to Landlord specifying Punch List Work to be performed on the applicable Improvements constituting Landlord's Work, and upon receipt of such list(s), Landlord shall diligently complete such Punch List Work at Landlord's sole expense. In the event of any dispute as to completion of any item or component of Landlord's Work, the certificate of the applicable Architect shall be conclusive. Promptly after Landlord provides Tenant with the Final

Completion Certificate, Landlord shall cause the recordation of a Notice of Completion (as defined in Section 3093 of the California Civil Code) with respect to Landlord's Work.

4. Payment of Costs.

(a) Landlord's Work. Except as otherwise expressly provided in this Workletter (including, but not limited to, the cost allocations set forth in Schedule C-2 attached hereto) or by mutual written agreement of Landlord and Tenant, the cost of construction of Landlord's Work shall be borne by Landlord at its sole cost and expense, including any costs or cost increases incurred as a result of Unavoidable Delays, governmental requirements or unanticipated conditions; provided, however, that notwithstanding any other provisions of this Paragraph 4(a), to the extent the Cost of Improvement relating to the construction of any item or component of Landlord's Work is increased as a result of any permitted Change Order or any Tenant Delay, or as a result of any "above standard" Building Shell components requested by Tenant or otherwise necessitated by Tenant's particular use requirements or by the contemplated Tenant's Work, or as a result of any other plan changes or compliance costs attributable to Tenant's particular use requirements or to the contemplated Tenant's Work, the amount of the increase in the Cost of Improvement with respect to such item or component shall be reimbursed by Tenant to Landlord in cash or, by mutual agreement of Landlord and Tenant, may be deducted from Landlord's maximum obligation under Paragraph 4(b) with respect to the cost of Tenant's Work.

(b) Tenant's Work. Except as otherwise expressly provided in this Workletter (including, but not limited to, the cost allocations set forth in Schedule C-2 attached hereto) or by mutual written agreement of Landlord and Tenant, the cost of construction of the Tenant Improvements shall be borne eighty-two percent (82%) by Landlord and eighteen percent (18%) by Tenant, up to a maximum Landlord's obligation of $115.00 per square foot of space in the Buildings (measured in accordance with Section 3.1(d) of the Lease), equating to a total Cost of Improvements for the Tenant Improvements of approximately $140.24 per square foot. Tenant shall be responsible, at its sole cost and expense, for payment of eighteen percent (18%) of the first $140.24 per square foot of the Cost of Improvements of the Tenant Improvements, for the entire Cost of Improvements of the Tenant Improvements in excess of $140.24 per square foot (if any such excess occurs) and for the entire cost of any Tenant's Work that is not part of the Tenant Improvements, including (but not limited to), in each case, any costs or cost increases incurred as a result of Unavoidable Delays, governmental requirements or unanticipated conditions. The rental schedule set forth in Section 3.1(a) of the Lease is not subject to adjustment based on the Cost of Improvements of the Tenant Improvements, regardless of whether the final Cost of Improvements for the Tenant Improvements uses the entire tenant improvement allowance of $115.00 per square foot that Landlord has agreed to make available as set forth above or is less than that amount, except to the extent of the limited, temporary adjustment provided under Section 3.1(e) of the Lease in the event Tenant elects to have the Tenant Improvements in Building 2 constructed in two phases. The payment or disbursement of Landlord's and Tenant's respective shares of the cost of the Tenant Improvements (up to the maximum amount specified above, in the case of Landlord's share) shall be made on a prorata basis (in the proportions set forth above) as such costs are actually incurred, subject to such lien releases and other reasonable requirements as Landlord and Tenant, respectively, may reasonably impose. To the extent the Cost of Improvement with respect to the Tenant Improvements exceeds $140.24 per square foot (reduced by 122% of any amounts deducted from Landlord's maximum payment obligation as a result of the final sentence of Paragraph 4(a) hereof), whether as a result of Change Orders, Tenant Delays and/or Unavoidable Delays or otherwise, the amount of such excess shall in all events be Tenant's sole responsibility and expense.

5. Tenant's Work. On or before the applicable Work Deadline (subject to Landlord Delays and Unavoidable Delays, if any), Tenant shall construct and install in the respective Buildings the Tenant's Work, substantially in accordance with the Approved Plans or, with respect to Tenant's Work not shown on the Approved Plans, substantially in accordance with plans and specifications prepared by Tenant and approved in writing by Landlord (which approval shall not be unreasonably withheld or delayed). Tenant's Work shall be performed in accordance with, and shall in all respects be subject to, the terms and conditions of the Lease (to the extent not inconsistent with this Workletter), and shall also be subject to the following conditions:

(a) Contractor Requirements. The contractor engaged by Tenant for Tenant's Work, and any subcontractors, shall be duly licensed in California and shall be subject to Landlord's prior written approval, which approval shall not be unreasonably withheld or delayed. Tenant shall engage only union contractors for the construction of Tenant's Work and for the installation of Tenant's fixtures and equipment in the Buildings, and shall require all such contractors engaged by Tenant, and all of their subcontractors, to use only union labor on or in connection with such work, except to the extent Landlord determines, in its reasonable discretion, that the use of non-union labor would not create a material risk of labor disputes, picketing or work interruptions at the Site, in which event Landlord shall, to that extent, waive such union labor requirement.

(b) Costs and Expenses of Tenant's Work. Subject to Landlord's payment or reimbursement obligations under Paragraph 4(b) hereof with respect to Landlord's share of the Cost of Improvements for the Tenant Improvements, Tenant shall promptly pay all costs and expenses arising out of the performance of Tenant's Work (including the costs of permits) and shall furnish Landlord with evidence of payment on request. Tenant shall provide Landlord with ten (10) days' prior written notice before commencing any Tenant's Work. On completion of Tenant's Work, Tenant shall deliver to Landlord a release and waiver of lien executed by each contractor, subcontractor and materialman involved in the performance of Tenant's Work.

(c) Indemnification. Tenant shall indemnify, defend (with counsel satisfactory to Landlord) and hold Landlord harmless from all suits, claims, actions, losses, costs and expenses (including, but not limited to, claims for workers' compensation, attorneys' fees and costs) based on personal injury or property damage or contract claims (including, but not limited to, claims for breach of warranty) arising from the performance of Tenant's Work. Tenant shall repair or replace (or, at Landlord's election, reimburse Landlord for the cost of repairing or replacing) any portion of the Improvements and/or any of Landlord's real or personal property or equipment that is damaged, lost or destroyed in the course of or in connection with the performance of Tenant's Work.

(d) Insurance. Tenant's contractors shall obtain and provide to Landlord certificates evidencing workers' compensation, public liability and property damage insurance in amounts and forms and with companies satisfactory to Landlord.

(e) Rules and Regulations. Tenant and Tenant's contractors shall comply with any other rules, regulations and requirements that Landlord or General Contractor may reasonably impose with respect to the performance of Tenant's Work. Tenant's agreement with Tenant's contractors shall require each contractor to provide daily cleanup of the construction area to the extent that such cleanup is necessitated by the performance of Tenant's Work.

(f) Early Entry. Landlord shall permit entry of contractors into the Buildings for the purposes of performing Tenant's Work, subject to satisfaction of the conditions set forth in the Lease. This license to enter is expressly conditioned on the contractor(s) retained by Tenant working in harmony with, and not interfering with, the workers, mechanics and contractors of Landlord. If at any time the entry or work by Tenant's contractor(s) causes any material interference with the workers, mechanics or contractors of Landlord, permission to enter may be withdrawn by Landlord immediately on written notice to Tenant.

(g) Risk of Loss. All materials, work, installations and decorations of any nature brought onto or installed in the Buildings, by or at the direction of Tenant or in connection with the performance of Tenant's Work, before the commencement of Tenant's rental payment obligations with respect to the applicable Building shall be at Tenant's risk, and neither Landlord nor any party acting on Landlord's behalf shall be responsible for any damage, loss or destruction thereof, except to the extent caused by Landlord's negligence or willful misconduct.

(h) Condition of Tenant's Work. All work performed by Tenant shall be performed in a good and workmanlike manner, shall be free from defects in design, materials and workmanship, and shall be completed in compliance with the plans approved by Landlord for such Tenant's Work in all material respects and in compliance with all applicable governmental laws, ordinances, codes and regulations in force at the time such work is completed.

6. Phasing of Improvements. The Building Shells, Site Improvements on the respective Properties and Tenant Improvements in the respective Buildings shall be constructed in either two or three separate phases.

(a) The first such phase shall consist of the Building Shell and other Landlord's Work (if any) for Building 1, the Site Improvements on the Phase 1 Property and the Tenant Improvements in Building 1 (collectively, the "Building 1 Improvements"), all of which shall in all events be constructed in a single initial phase under the Lease and this Exhibit C. For purposes of applying the provisions of the Lease and this Exhibit C to such construction, all provisions relating to time periods, development of plans, actual construction and payment of the Cost of Improvements for the Building 1 Improvements shall be interpreted and applied solely to Building 1, the Phase 1 Property and the Building 1 Improvements, and the respective obligations of Landlord and Tenant for payment of such Cost of Improvements shall be based solely on the square footage of Building 1 as it is designed and built.

(b) The second and third such phases shall become applicable only if Tenant exercises its option for Building 2 under Section 1.1(c)(ii) or (iii) of the Lease and, in the case of the third phase, only if Tenant also elects to have the Tenant Improvements in Building 2 constructed in two phases. To the extent applicable, the second and third phases shall consist of the Building Shell and other Landlord's Work (if any) for Building 2, the Site Improvements on the Phase 2 Property and the Tenant Improvements in Building 2 (collectively, the "Building 2 Improvements"), all of which shall be constructed in either one or two separate phases under the Lease and this Exhibit C. The Building Shell and other Landlord's Work (if any) for Building 2 and the Site Improvements on the Phase 2 Property shall in all events be constructed as a single, second phase of improvements under the Lease and this Exhibit C. As provided in Section 5.1(a) of the Lease, however, Tenant in its discretion may elect, by written notice to Landlord at any time prior to Landlord's delivery to Tenant of the Structural Completion Certificate for the Building Shell for Building 2, to have the Tenant Improvements in Building 2 completed in two separate phases, a first phase of no less than 25,000 square feet ("Phase 2A") and a second phase of no more than 20,000 square feet ("Phase 2B"), with the sum of the square footages for such phases to be equal to the total square footage of Building 2 and the construction of the Phase 2B Tenant Improvements to be completed no later than twelve (12) months after the Phase 2 Rent Commencement Date. If Tenant elects such phased completion of the Tenant Improvements in Building 2, then (i) Landlord shall still construct the entire Building Shell for Building 2 and the Site Improvements on the Phase 2 Property in the same manner and within the same time frame as if all of the Building 2 Improvements were to be constructed in a single phase, (ii) Tenant shall be entitled to occupy and use all of Building 2 or any lesser portion thereof (including, at Tenant's election, any portions in which Tenant Improvements have not yet been completed) from and after the completion of the Phase 2A Tenant Improvements, (iii) Tenant shall begin paying rent for all of Building 2 on the Phase 2 Rent Commencement Date, subject to a rental adjustment under Section 3.1(e) of the Lease in accordance with its terms, regardless of how much of Building 2 is actually occupied by Tenant as of that date, and (iv) Tenant shall in all events complete the Phase 2B Tenant Improvements no later than twelve (12) months after the Phase 2 Rent Commencement Date. For purposes of applying the provisions of the Lease and this Exhibit C to the construction of the Building 2 Improvements, all provisions relating to time periods, development of plans, actual construction and payment of the Cost of Improvements for the Building 2 Improvements shall be interpreted and applied solely to Building 2, the Phase 2 Property and the Building 2 Improvements, and the respective obligations of Landlord and Tenant for payment of such Cost of Improvements shall be based solely on the square footage of Building 2 as it is designed and built; moreover, if the Building 2 Tenant Improvements are constructed in two separate phases, then the Cost of Improvements for the Phase 2A Tenant Improvements shall be allocated between Landlord and Tenant based on the aggregate Cost of Improvements for such Phase 2A Tenant Improvements measured against a maximum Landlord's contribution obligation calculated on the entire square footage of Building 2; a temporary, interim rental adjustment shall be made under Section 3.1(e) of the Lease (to the extent applicable); and upon completion of the Phase 2B Tenant Improvements, the entire Cost of Improvements for the Phase 2A Tenant Improvements and the Phase 2B Tenant Improvements shall be aggregated, and again measured against a maximum Landlord's contribution obligation calculated on the entire square footage of Building 2, for purposes of determining how the final aggregate Cost of Improvements for the Building 2 Tenant Improvements is to be allocated between Landlord and Tenant.

7. No Agency. Nothing contained in this Workletter shall make or constitute Tenant as the agent of Landlord.

8. Survival. Without limiting survival provisions which would otherwise be implied or construed under applicable law, the provisions of Paragraphs 2(f) and 5(c) of this Workletter shall survive the termination of the Lease with respect to matters occurring prior to expiration of the Lease.

9. Miscellaneous. All references in this Workletter to a number of days shall be construed to refer to calendar days, unless otherwise specified herein. In all instances where Tenant's approval is required, if no written notice of disapproval is given within the applicable time period, at the end of that period Tenant shall be deemed to have given approval and the next succeeding time period shall commence. If any item requiring approval is disapproved by Tenant in a timely manner, the procedure for preparation of that item and approval shall be repeated.

IN WITNESS WHEREOF, the parties have executed this Workletter concurrently with and as of the date of the Lease.

"Landlord"	"Tenant"
BRITANNIA POINTE GRAND LIMITED PARTNERSHIP, a Delaware limited partnership	EXELIXIS PHARMACEUTICALS, INC., a Delaware corporation
By: BRITANNIA POINTE GRAND, LLC, a California limited liability company, General Partner	By: /s/ George Scangos George A. Scangos Its President and CEO
By: /s/ T. J. Bristow T. J. Bristow Its Manager, President and Chief Financial Officer	By: /s/ William D. Waddill Its: Secretary

Schedule C-1 to Workletter

DEFINITION OF BUILDING SHELL

The "Building Shell" as defined in the Workletter to which this Schedule C-1 is attached shall consist of the following:

A standard shell for a building to be constructed for a biotech company, considering the uses set forth in this Lease, including but not limited to the following elements and improvements:

Building envelope (reinforced grade beam foundation on prestressed concrete piles; ground floor to be 10" thick reinforced concrete slab supported by concrete piles; second and third (if applicable) floors to have metal decking with concrete topping slab; roof structure to be metal deck with concrete for mass dampening in areas to receive mechanical equipment and rigid insulation over the balance (at least R-19 to meet Title 24 calculations); roof membrane to be built-up system, four-ply minimum including mineral fiber cap sheet, with flashing and sealants; building structural framing to consist of steel beams, girders, columns with a non-bearing exterior curtain wall; seismic system utilizing steel braced frames; floor system designed with live load capacity of 100 psf; roof live load to be 20 psf with 50 psf in center bays to receive mechanical loads; floor to floor heights of 17 feet)

Elevator pit

Interior stairs

Roof drains and drain lines

One (1) hour fire protection on columns and beams

Exterior transformer pads

Utilities:

- site lighting and exterior lighting
- electric transformer
- underground electrical to building pull-section
- gas to exterior meter on building
- telephone conduit to building
- site storm drain system
- main sanitary sewer line under ground floor slab (gut line)
- domestic fire and water lines stubbed into building
- automatic fire sprinkler system (for shell, but excluding drops to suspended ceilings)
- utility connection and development fees for systems which are part of shell (but excluding fees based on facilities or elements that are part of Tenant Improvements)

Landscaping and irrigation

Exterior concrete walkways, parking areas, curbing and exterior ADA-mandated ramps

Schedule C-2 to Workletter

DEFINITION OF TENANT IMPROVEMENTS

The "Tenant Improvements" as defined in the Workletter to which this Schedule C-2 is attached shall include, but not necessarily be limited to, the following:

Toilet cores

Elevator(s)

Specialty items, such as skylights

Variable air volume HVAC system

Building exhaust system

Service yard enclosures

Equipment pad (except as specifically shown as part of Building Shell)

Roof top mechanical screen

Utilities:

- All electrical beyond pull section, including electrical main disconnect and distribution panels
- Gas piping beyond main gas meter
- Telephone conduit beyond utility company termination point (inside the building), and PVC conduit for telephone/data connections (wiring or fiber optics) to future buildings
- Sanitary sewer lines to main "gut" line under ground floor
- Laboratory gas piping
- Communications wiring
- Utility connection fees based on items that are part of Tenant Improvements

Air Compressor with Dryer/Tank

Purified Water System with Storage Tank

Emergency Generator

Vacuum Pump

Casework

Fume Hoods, Laminor Flow Hoods

Mechanical, Electrical, Plumbing Infrastructure not included in Building Shell and not otherwise described above

Automatic Gas Manifolds

Process Cooling Water Chiller

Animal Rooms, Epoxy Flooring, Animal Racks

Office Areas, Interior Partitioning, Floor Coverings, Lighting, Interior Finishes

Cold Rooms

Tissue Culture Rooms

Automatic fire sprinkler system drops to suspended ceilings

Roof top greenhouse(s) of approximately 3,000 square feet aggregate area

EXHIBIT D

ESTIMATED CONSTRUCTION SCHEDULE

April 1, 1999	Planning Commission Meeting PUD (2 story)
April 2, 1999	Submit revised 3-story plan for design review
April 20, 1999	Design Review Hearing
May 20, 1999	Planning Commission Hearing
May 24, 1999	Submit for Building Permit (requires underslab plumbing plan)
June 3, 1999	Drive indicator piles
June 21, 1999	Drive production piles/start shell construction *
Sept. 30, 1999	Submit for tenant improvement permit
Oct. 21, 1999	Start tenant improvements **
April 21, 1999	Tenant occupancy

* More detailed schedule for shell construction to be developed and mutually approved by the parties within thirty (30) days after lease execution.

** More detailed schedule for tenant improvement construction to be developed and mutually approved by the parties as design of tenant improvements progresses.

EXHIBIT E

ACKNOWLEDGEMENT OF RENT COMMENCEMENT DATE

This Acknowledgement is executed as of _____, _____, by BRITANNIA POINTE GRAND LIMITED PARTNERSHIP, a Delaware limited partnership ("Landlord"), and EXELIXIS PHARMACEUTICALS, INC., a Delaware corporation ("Tenant"), pursuant to Section 2.4 of the Build-to-Suit Lease dated May ___, 1999 between Landlord and Tenant (the "Lease") covering premises located at ____ Harbor Way, South San Francisco, CA 94080 (the "Property").

Landlord and Tenant hereby acknowledge and agree as follows:

1. The Phase 1 Rent Commencement Date under the Lease is _____, _____.

2. The termination date under the Lease shall be _____, _____, subject to any applicable provisions of the Lease for extension or early termination thereof.

3. The square footage of Building 1, as finally designed and built, measured in accordance with Section 3.1(d) of the Lease, is _____ square feet.

4. Tenant accepts Building 1 and acknowledges the satisfactory completion of all Improvements therein required to be made by Landlord, subject only to (a) any applicable "punch list" or similar procedures specifically provided under the Lease or under the Workletter governing such work, and (b) Landlord's warranties and representations set forth in Section 5.2 of the Lease.

EXECUTED as of the date first set forth above.

"Landlord"	"Tenant"
BRITANNIA POINTE GRAND LIMITED PARTNERSHIP, a Delaware limited partnership	EXELIXIS PHARMACEUTICALS, INC., a Delaware corporation
By: BRITANNIA POINTE GRAND, LLC, a California limited liability company, General Partner	By:_____ George A. Scangos President and CEO
By:_____ T. J. Bristow Its Manager, President and Chief Financial Officer	By:_____ Its:_____

BUILD-TO-SUIT LEASE

Landlord: Britannia Pointe Grand Limited Partnership

Tenant: Exelixis Pharmaceuticals, Inc.

Date: May _____, 1999

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EXHIBIT 10.12

MASTER SERVICES AGREEMENT

This MASTER SERVICES AGREEMENT (the "Agreement") is made as of November 15, 1999, by and between Exelixis Pharmaceuticals, Inc. ("Exelixis"), a Delaware corporation, having its principal place of business at 260 Littlefield Avenue, South San Francisco, CA 94080, and Artemis Pharmaceuticals GmbH ("Artemis"), a corporation organized under the laws of the Federal Republic of Germany, having a place of business at Neurather Ring 1, D-51063, Koln Germany (each a "party," collectively the "parties").

Recitals

Whereas, Exelixis desires to engage Artemis to perform certain research and development services on its behalf; and

Whereas Artemis desires to engage Exelixis to perform certain research and development services on its behalf; and

Whereas, the parties desire to enter into this agreement to set forth certain of the terms under which such research and development services shall be performed.

Now, Therefore, in consideration of the mutual promises and covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE 1

DEFINITIONS

1.1 "Confidential Information" shall mean with respect to a party, any and all information, technical data or know-how of such party related to the R&D Services or the Work Agreements, or any aspect of such party's business or technology including, without limitation, project requirements, Work Product, data, know-how, formulae, designs, drawings, proposals, specifications, the terms of or the existence of this Agreement or any Work Agreement, computer software (source code and object code), test results, testing methods, and any other material beating or incorporating any such information, which is disclosed to or otherwise received by the other party. Such disclosure may be made either directly or indirectly, in writing, orally or by drawings, plans or inspection of products, materials, parts or equipment.

1.2 "Force Majeure Event" shall have the meaning set forth in Paragraph 8.12.

1.3 "R&D Services" shall have the meaning set forth in Paragraph 2.1.

1.4 "Receiving Party" shall have the meaning set forth in Paragraph 4.2.

1.5 "Servant(s)" shall have the meaning set forth in Paragraph 4.1.

1.6 "Work Agreement" shall have the meaning set forth in Paragraph 2.1.

1.7 "Work Product" shall mean reports, data, test results, materials, documentation, gene sequence, genes, vectors, organisms, biological reagents, biological data and other developments, inventions, ideas, discoveries, and technology mutually agreed upon by the parties. Work Product does not include any rights preexisting or obtained during the course of performing the R&D Services owned by the party performing the R&D Services or any third party embodied in any of the foregoing. Work Product does not include technology or know-how used to make Work Product unless mutually agreed upon by the parties.

1.8 "Contracting Party" shall mean the party for whom the R&D Services are performed.

1.9 "Performing Party" shall mean the party performing the R&D services.

ARTICLE 2

SCOPE OF SERVICES

2.1 Engagement. During the term of this Agreement, the parties may, upon mutual agreement, engage one another from time-to-time to perform research and development services (the "R&D Services") on its behalf. Upon and subject to such mutual agreement, in engaging one another to perform particular R&D Services, the parties may enter into one or more written Work Agreements (the "Work Agreements"), specifying the terms (e.g., project description, project fees, costs, expenses, project duration, milestones, deliverables, location of performance, etc.) pursuant to which such particular R&D Services shall be performed. The parties agree that any R&D Services commenced during the term of this Agreement or performed pursuant to a Work Agreement entered into by the parties during the term of this Agreement shall be governed by the terms and conditions of this Agreement, subject to any modifications to the terms hereof with respect to particular R&D Services pursuant to any Work Agreements governing the performance of such R&D Services.

2.2 Best Efforts. The Performing Party shall use its commercially reasonable efforts, and in no event less than those efforts of a skilled, competent, experienced and prudent professional, to perform and complete the R&D Services in accordance with the requirements of the Contracting Party and/or the terms of the Work Agreement governing such R&D Services.

2.3 Accounting. To the extent that Performing Party may bill the Contracting Party for R&D Services on a time and materials basis or for expenses under the terms of any Work Agreement, the Performing Party shall maintain accurate records and books of account showing all charges, disbursements, fees and expenses incurred by the Performing Party. Upon reasonable notice to the Performing Party, and at the Contracting Party's expense, the Contracting Party shall have the right to conduct an audit, either itself or through an independent accounting firm mutually agreed by the parties, of any such charges, disbursements, fees and expenses at any time up to one (1) year after being billed therefor, and to examine the records and books of account of the Performing Party in connection therewith.

2.4 Instruction and Operation. Upon the request of the Contracting Party, the Performing Party shall provide the Contracting Party with such explanations, training, and

instruction as shall be required for the Contracting Party to understand the operation and architecture of any Work Product. Upon the request of the Performing Party, the Contracting Party shall provide the Performing Party with all reasonable explanations, training, and instruction required for it to perform the R&D Services.

ARTICLE 3

INDEPENDENT CONTRACTOR

3.1 Independent Contractor. The Performing Party agrees that it shall be acting as an independent contractor in performing the R&D Services and shall not be considered or deemed to be an agent, employee, joint venturer, or partner of The Contracting Party. The Performing Party shall have no authority to contract for or to bind The Contracting Party in any manner and shall not represent itself as an agent of The Contracting Party or as otherwise authorized to act for or on behalf of The Contracting Party. The Performing Party shall have no status as employee or any right to any benefits that The Contracting Party provides to its employees. The Performing Party shall be responsible for payment of its own taxes arising out of its activities in connection with this Agreement and all Work Agreements, including federal and state taxes, social security taxes, unemployment insurance taxes, and any other taxes or business license fees that may be required.

3.2 No Exclusivity. Nothing herein shall preclude The Contracting Party from retaining the services of other persons or entities undertaking the same or similar services to those of The Performing Party or from independently developing or acquiring materials or services that are similar to or competitive with the services provided under this Agreement or any Work Agreements. Without limiting the obligations of The Performing Party under the ownership, confidentiality and other provision of this Agreement, nothing herein shall preclude The Performing Party from performing services for other persons or entities that are the same or similar to the services performed for The Contracting Party hereunder.

3.3 The Performing Party agrees that each of its employees, consultants, agents and subcontractors ("Servants") will enter into a written agreement granting the Performing Party rights sufficient to support The Performing Party's performances, obligations, and grants of rights to The Contracting Party under this Agreement.

ARTICLE 4

NON-DISCLOSURE

4.1 Confidentiality. Each party shall, during the term of this Agreement and for a period of five (5) years thereafter, maintain in confidence all Confidential Information of the other party and shall not disclose any such Confidential Information to any third party or use any such Confidential Information for any purpose whatsoever except as contemplated by this Agreement and any Work Agreements. In maintaining the confidentiality of such Confidential Information, each party shall exercise the same degree of care that it exercises with its own confidential information, and in no event less than a reasonable degree of care. Each party shall ensure that each of its employees, consultants, agents, and subcontractors ("Servants") holds in

confidence and makes no use of such Confidential Information for any purpose other than those permitted by this Agreement and any Work Agreements.

4.2 Exceptions. The obligation of confidentiality contained in this Agreement shall not apply to the extent that (i) a party is required to disclose information by order or regulation of a governmental agency or a court of competent jurisdiction, provided, however, that such party shall not make any such disclosure without first notifying the other party and allowing the other party a reasonable opportunity to seek injunctive relief from (or a protective order with respect to) the obligation to make such disclosure, or (ii) the party receiving Confidential Information of the other party (the "Receiving Party") can demonstrate that (A) the disclosed information was at the time of disclosure already in the public domain other than as a result of actions of the Receiving Party or its Servants in violation hereof; or (B) the disclosed information was received by the Receiving Party on an unrestricted basis from a source unrelated to the other party and not under a duty of confidentiality to such source. Each party agrees that the fact that it had prior knowledge of a particular item of Confidential Information of the other party prior to the date hereof, or that a particular item of Confidential Information of the other party is or becomes generally known to the public, shall not permit the disclosure thereof to others or use of the same in connection with one or more other items of Confidential Information of the other party unless the particular combination itself, as well as its advantages and operability, were known to the Receiving Party or to the public prior to the date hereof, or became known to the public, generally for the same specific purposes and uses.

4.3 Unauthorized Disclosure. Each party acknowledges and confirms that the Confidential Information of the other party constitutes valuable proprietary information and trade secrets of the other party and that the unauthorized use, loss or outside disclosure of such Confidential Information shall cause irreparable injury to the other party. Each party shall notify the other party immediately upon discovery of any unauthorized use or disclosure of Confidential Information of the other party, and will cooperate with the other party in every reasonable way to help regain possession of such Confidential Information and to prevent its further unauthorized use. Each party acknowledges that monetary damages may not be a sufficient remedy for unauthorized disclosure of Confidential Information of the other party and that the other party shall be entitled, without waiving other rights or remedies, to such injunctive or equitable relief as may be deemed proper by a court of competent jurisdiction. Each party shall be entitled to recover reasonable attorneys' fees for any action arising out of or relating to a disclosure of Confidential Information of such party by the other party.

4.4 Return of Confidential Information. Each party shall, upon the request of the other party, return to the other party all Confidential Information of the other party, including any copies or reproductions thereof, in such party's possession or control.

ARTICLE 5

WORK PRODUCT

5.1 Ownership. The Performing Party agrees that all Work Product and all materials furnished by The Contracting Party to The Performing Party in connection with performing the R&D Services shall be and shall remain the property of The Contracting Party.

5.2 Copyrights. The Performing Party agrees that all works of authorship generated or developed in performing the R&D Services shall be considered works made for hire to the extent permitted by law, and that such works and any copyright in them shall, upon creation, be owned exclusively by The Contracting Party. To the extent that any such works, under applicable law, may not be considered works made for hire, The Performing Party hereby irrevocably and for no additional consideration assigns to The Contracting Party all of its right, title, and interest in and to the copyrights of such works, and any extensions and renewals thereof.

5.3 Inventions, trade secrets, technology, and know-how. The Performing Party hereby assigns to The Contracting Party all of its right, title and interest in and to, any and all Work Product. If and to the extent that The Performing Party may, under applicable law, be entitled to claim any ownership interest in any Work Product, The Performing Party hereby transfers, grants, conveys, assigns and relinquishes exclusively to The Contracting Party all of The Performing Party's right, title, and interest in and to such Work Product, under patent, copyright, trade secret, and trademark law, in perpetuity or for the longest period otherwise permitted by law.

5.4 Further Assurances. The Performing Party shall, at The Contracting Party's expense, perform any reasonable acts that may be deemed necessary or desirable by The Contracting Party to evidence or confirm The Contracting Party's ownership of Work Product under this Agreement, including but not limited to the making of further written assignments in a form determined by The Contracting Party.

5.5 Enumeration of Work Product. The Performing Party agrees to provide a listing to The Contracting Party of any new Work Product, and to assist The Contracting Party in the perfection of any intellectual property rights in and to such Work Product. The Contracting Party shall have the sole discretion as to whether to pursue protection of any intellectual property tight in any Work Product.

5.6 Pre-existing Rights. To the extent that any preexisting tights owned by The Performing Party are embodied or reflected in the Work Product, all such pre-existing tights shall remain the exclusive property of The Performing Party, subject only to the license tights granted to The Contracting Party under this Agreement. To the extent that any preexisting rights owned by The Performing Party or for which The Performing Party has the tight to grant licenses are embodied or reflected in the Work Product, The Performing Party hereby grants to The Contracting Party an irrevocable, perpetual, non-exclusive, worldwide, royalty-free right and license under such preexisting rights including the tight to grant sublicenses, to the extent necessary to make, have made, use, offer for sale, and sell the Work Product. To the extent that The Performing Party owns or has the right to license any intellectual property rights coveting the Work Product or necessary to use or operate the Work Product, The Performing Party hereby grants to The Contracting Party an irrevocable, perpetual, non-exclusive, worldwide, royalty-free right and license under such intellectual property tights, including the tight to grant sublicenses, to make, have made, use, offer for sale, and sell the Work Product.

5.7 Modifications to Definition of Work Product. The definition of Work Product may be amended by mutual agreement of the parties, such agreement to be attached hereto as an

addendum to this Agreement. In the event that the parties are unable to reach agreement on what constitutes Work Product the issue shall be referred to a neutral third party (the "Neutral Party") selected by the Chief Executive Officer, or its equivalent, of each party. Each party will provide the Neutral Party with all information reasonably necessary for the Neutral Party to resolve the issue and will agree to be bound by the decision of the Neutral Party.

ARTICLE 6

REPRESENTATIONS AND WARRANTIES

6.1 Mutual Representations. Each party represents and warrants to the other party as follows:

(a) The execution, delivery and performance of this Agreement by such party have been duly authorized by all necessary action on the part of such party.

(b) This Agreement has been duly executed and delivered by such party and, assuming due authorization, execution and delivery by the other party, constitutes a legal, valid and binding obligation of such party, enforceable against such party in accordance with its terms.

(c) Such party's execution, delivery and performance of this Agreement do not (i) violate, conflict with or result in the breach of any provision of the charter or by-laws (or similar organizational documents) of the party, (ii) conflict with or violate any law or governmental order applicable to the party or any of its respective assets, properties or businesses, or (iii) conflict with, result in any breach of, constitute a default (or event which with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of any note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which it is a party.

6.2 The Performing Party Representations. The Performing Party hereby represents and warrants that (i) it has neither assigned nor otherwise entered into an agreement by which it purports to assign or transfer any right, title, or interest to any intellectual property right that would conflict with its obligations under this Agreement, and (ii)wherever necessary, each of its Servants has granted or will grant to The Performing Party rights sufficient to support The Performing Party's performance, obligations, and grant of rights to The Contracting Party under this Agreement. The Performing Party further represents and warrants that, to its knowledge: (i) no intellectual property rights embodied in the Work Product or required to use or operate the Work Product, infringes upon or conflicts with any intellectual property right of any third party, and (ii) no confidential, proprietary or trade secret information of The Performing Party, its employees, agents or contractors that will be used in performing the R&D Services has been misappropriated from any third party.

6.3 The Contracting Party Indemnification. The Contracting Party shall indemnify and hold harmless The Performing Party, its affiliates, and their respective officers, directors, employees and shareholders from and against any claims, demands, suits, causes of action, losses, damages, judgments, costs and expenses (including reasonable attorneys' fees) arising out

of any breach of The Contracting Party's representations and warranties set forth in Paragraph 6.1 hereof.

6.4 The Performing Party Indemnification. The Performing Party shall indemnify and hold harmless The Contracting Party, its affiliates, and their respective officers, directors, employees, and shareholders from and against any claims, demands, suits, causes of action, losses, damages, judgments, costs and expenses (including reasonable attorneys' fees) arising out of any breach of The Performing Party' representations and warranties set forth in Paragraphs 6.1 and 6.2 hereof.

ARTICLE 7

TERM AND TERMINATION

7.1 Term and Termination. This Agreement shall remain in force unless terminated by either party upon thirty (30) days prior written notice to the other party, provided, however, that (i) termination of this Agreement by The Performing Party shall not be effective with respect to any R&D Services ongoing at the time of termination until the completion of such R&D Services, (ii) termination of this Agreement by The Performing Party shall not be effective with respect to any Work Agreement while such Work Agreement remains in force.

7.2 Following Termination. Upon termination of this Agreement, The Performing Party shall:

(i) deliver all Work Product to The Contracting Party;

(ii) provide The Contracting Party with such explanations as shall be required for The Contracting Party to understand the operation and architecture of the Work Product; and

(iii) provide to The Contracting Party a final invoice and supporting documentation and expense information, as appropriate.

7.3 Survival. The duties and obligations of the parties under Sections 4, 5, 6, 7 and 8 of this Agreement shall survive termination of this Agreement.

ARTICLE 8

MISCELLANEOUS

8.1 Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by telecopy, or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses:

(a) if to Exelixis:

Exelixis Pharmaceuticals, Inc.
260 Littlefield Avenue
South San Francisco, CA 94080
Tel: (650) 825-2200 Fax: (650) 825-2202
Attention: George A. Scangos, Ph.D.

(b) if to Artemis:

Artemis Pharmaceuticals GmbH
Neurather Ring 1, D-51063
Koln, Germany
Tel: 011-49-2129-4717
Fax: 011-49-2129-4721
Attention: Peter Stadler, Ph.D.

8.2 Headings. The descriptive headings contained in this Agreement are for convenience of reference only and shall not affect in any way the meaning or interpretation of the Agreement.

8.3 Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party.

8.4 Assignment. This Agreement shall bind and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Neither shall assign any of its rights or obligations under this Agreement without the prior written consent of the other party. No assignment by Exelixis or Artemis permitted hereunder shall relieve the applicable party of its obligations under this Agreement. Furthermore, any assignment by The Performing Party of any of its rights or obligations hereunder shall be pursuant to a written assignment agreement in which the assignee expressly assumes The Performing Party's rights and obligations hereunder.

8.5 No Third Party Beneficiaries. Nothing in this Agreement, either express or implied, is intended to or shall confer upon any third party any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

8.6 Amendment. This Agreement may not be amended or modified except by an instrument in writing signed by Exelixis and Artemis.

8.7 Governing Law and Arbitration. The parties shall use commercially reasonable efforts to amicably resolve all disputes regarding the performance of either party under this Agreement or any Work Agreements. In the event of any disputes relating to this Agreement or any Work Agreements, the following escalating dispute resolution mechanism shall apply:

(i) The heads of research for each party shall meet and attempt to resolve such dispute;

(ii) If the heads of research of the parties are unable to resolve such dispute, the CEOs of each party shall attempt to resolve such dispute; and

(iii) In the event that the CEOs of each party are unable to resolve such dispute, either party may file a court action for resolution of such dispute.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of California, applicable to contracts executed in and to be performed entirely within that state. The parties hereto unconditionally and irrevocably agree and consent to the exclusive jurisdiction of, and service of process and venue in, the United States District Court for the Northern District of California, or secondarily, to the courts of the State of California located in the County of San Mateo, and waive any objection with respect thereto, and further agree not to commence any such action, suit or proceeding except in such court.

8.8 Counterparts. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

8.9 No Waiver. The failure of either party to enforce at any time for any period the provisions of or any rights deriving from this Agreement shall not be construed to be a waiver of such provisions or rights or the right of such party thereafter to enforce such provisions.

8.10 Compliance with Laws. Each party agrees to comply with all applicable federal, state, county, and local laws, ordinances, regulations, and codes in the performance of its obligations under this Agreement, including laws and executive orders relating to equal opportunity and nondiscrimination in employment. Each party (the "Indemnifying Party") further agrees to indemnify and hold harmless the other party, its affiliates, and their respective officers, directors, employees, and shareholders from and against any claims, demands, suits, causes of action, losses, damages, judgments, costs and expenses (including reasonable attorneys' fees) arising out of failure of the Indemnifying Party, its employees, agents, or subcontractors to comply with any laws, ordinances, regulations, and codes.

8.11 Force Majeure. No party shall be responsible for failure or delay in performance hereunder by reason of fire, flood, riot, strikes, labor disputes, freight embargoes or transportation delays, acts of God or of the public enemy, war or civil disturbances, any future laws, rules, regulations or acts of any government (including any orders, rules or regulations issued by any official or agency or such government) affecting a party that would delay or prohibit performance hereunder, or any cause beyond the reasonable control of such party (a "Force Majeure Event"). Upon the occurrence of a Force Majeure Event, the party whose performance is so affected shall promptly give notice to the other party of the occurrence or circumstance upon which it intends to rely to excuse its performance. Duties and obligations of both parties shall be suspended for the duration of the Force Majeure Event. During the duration of the Force Majeure Event, the party so affected shall use its reasonable best efforts to avoid or

remove such Force Majeure Event and shall take reasonable steps to resume its performance under this Agreement with the least possible delay.

In Witness Whereof, Exelixis and Artemis have caused this to Agreement be executed as of the date first written above by their respective duly authorized officers.

Exelixis Pharmaceuticals, Inc.

/s/ George Scangos — Date

By: George Scangos, Ph.D.

Title: President and Chief Executive Officer

Artemis Pharmaceuticals GmbH

/s/ Peter Stadler — Date December 13, 1999

By: Professor Peter Stadler

Title: President and Chief Executive Officer

CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 406 OF THE SECURITIES ACT OF 1933, AS AMENDED.

EXHIBIT 10.14

COLLABORATION AGREEMENT

This Collaboration Agreement (the "Agreement") is dated as of February 26, 1999 by and between EXELIXIS PHARMACEUTICALS, INC., a Delaware corporation having its principal place of business at 260 Littlefield Avenue, South San Francisco, California, USA 94080 ("Exelixis"), and PHARMACIA & UPJOHN AB, a corporation organized and existing under the laws of Sweden having a place of business at Lindhagensgatan 133, S-112 87 Stockholm, Sweden ("P&U"), to become effective on the date specified in Section 13.1 (the "Effective Date"). Exelixis and P&U are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

Recitals

A. P&U is a multinational health care company that has expertise and capability in developing and marketing human pharmaceuticals and has research and development programs in the areas of, inter alia, metabolic syndrome and Alzheimer's disease.

B. Exelixis is a biotechnology company that has expertise and proprietary technology relating to genetic model systems, genomics and computational biology and is applying such technology to discover and validate targets for drug discovery in a variety of disease areas, including metabolic syndrome and Alzheimer's disease.

C. P&U and Exelixis desire to establish a collaboration to apply such Exelixis technology and expertise to the identification and characterization of biochemical pathways and targets in specific research areas relevant to metabolic syndrome and Alzheimer's disease, and to provide for the development and commercialization of novel prophylactic and therapeutic products based on such research.

D. P&U is making a concomitant investment in Exelixis pursuant to a Stock Purchase Agreement (the "Stock Purchase Agreement") and a Note Purchase Agreement (the "Note Purchase Agreement"), each of which is executed concurrent with the execution of this Agreement.

NOW, THEREFORE, the Parties agree as follows:

1. DEFINITIONS

The following terms shall have the following meanings as used in this Agreement:

1.1 "Abandoned Target" means a Target not being pursued for the reasons set forth in Section 4.4.

1.2 "Affiliate" means, with respect to a particular Party, a person, corporation, partnership, or other entity that controls, is controlled by or is under common control with such Party. For the purposes of the definition in this Section 1.2, the word "control" (including, with correlative meaning, the terms "controlled by" or "under the common control with") means the actual power, either directly or indirectly through one or more intermediaries, to direct or cause the direction of the management and policies of such entity, whether by the ownership of at least fifty percent (50%) of the voting stock of such entity, or by contract or otherwise. The Parties agree that Artemis Pharmaceuticals GmbH is an Affiliate of Exelixis except for purposes of Section 13.14.

1.3 "Alzheimer's Disease" means senile dementia associated with characteristic neuropathology including without limitation amyloid plaques, neurofibrillary tangles, and atrophy.

1.4 "Annual FTE Rate" means the amount to be paid over one year by P&U to Exelixis to support one FTE. The Annual FTE Rate will be [*] per year for calendar year 1999. For each subsequent calendar year, this rate will be [*]

1.5 "Applicable Field" means the Field of the Research Program in which a particular Selected Target was identified.

1.6 "Candidate Target" [*]

1.7 "Central Nervous System Research" means research concerning [*].

1.8 "Collaboration" means all the research-related activities performed by or on behalf of Exelixis or P&U pursuant to the Research Programs under this Agreement.

1.9 "Collaboration Compound" means any molecule that (a) has a molecular weight less than or equal to [*], (b) has the ability to inhibit, activate or otherwise modulate the activity of a Selected Target or its encoded protein and (c) is discovered, identified or synthesized by or on behalf of P&U or its Affiliate or sublicensee.

1.10 "Controlled" means, with respect to any gene, protein, compound, material, Information or intellectual property right, that the Party owns or has a license to such gene, protein, compound, material, Information or intellectual property right and has the ability to grant to the other Party access, a license or a sublicense (as applicable) to such gene, protein, compound, material, Information or intellectual property right as provided for herein without violating the terms of any agreement or other arrangements with any Third Party existing at the time such Party would be first required hereunder to grant the other Party such access, license or sublicense.

1.11 "Diligent Efforts" means the carrying out of obligations or tasks in a sustained manner consistent with the efforts a Party devotes to a product or a research, development or marketing project of similar market potential, profit potential or strategic value resulting from its own research efforts, based on conditions then prevailing. Diligent Efforts requires that the Party: (i) promptly assign responsibility for such obligations to specific employee(s) who are

held accountable for progress and monitor such progress on an on-going basis, (ii) set and consistently seek to achieve specific and meaningful objectives for carrying out such obligations, and (iii) consistently make and implement decisions and allocate resources designed to advance progress with respect to such objectives.

1.12 "Field" means either (a) the Field of Alzheimer's Disease or (b) the Field of Metabolic Syndrome.

1.13 "Field of Alzheimer's Disease" means all areas of research based on a mutually acceptable definition of a clinical indication, biochemical pathway or biological process [*].

1.14 "Field of Metabolic Syndrome" means all areas of research based on a mutually acceptable definition of a clinical indication, biochemical pathway or biological process [*].

1.15 "FTE" means the equivalent of one researcher working full time for or on behalf of Exelixis for one 12-month period.

1.16 "Genetic Assay" means an in vivo system of elucidating, for the purpose of Candidate Target identification, the functions of the Genetic Entry Point and of other genes or gene products in the same or related pathway, such analysis involving: (a) comparing [*] with [*], and (b) using such comparison to determine whether [*].

1.17 "Genetic Entry Point" means the gene or gene product that is the focus of a Genetic Screen or Genetic Assay.

1.18 "Genetic Screen" means a systematic analysis, for the purpose of Candidate Target identification, of the functions of the Genetic Entry Point and of other genes or gene products in the same or related pathway, such analysis involving: [*].

1.19 "Homolog" means a gene or gene product that has [*] homology to a Selected Target.

1.20 "Independent Research" means research that is conducted by Exelixis outside the scope of this Agreement either independently or pursuant to an agreement with a Third Party that (i) is not in conflict with Article 6 or (ii) is permitted by Sections 5.3 and 5.4.

1.21 "Information" means information, results and data of any type whatsoever, in any tangible or intangible form whatsoever, including without limitation, databases, inventions, practices, methods, techniques, specifications, formulations, formulae, knowledge, know-how, skill, experience, test data including pharmacological, biological, chemical, biochemical, toxicological and clinical test data, analytical and quality control data, stability data, studies and procedures, and patent and other legal information or descriptions.

1.22 "Joint Inventions" means any and all inventions, developments, results, know-how and other Information, and all intellectual property relating thereto, made jointly by employees or agents of both Parties pursuant to work conducted in the Research Program.

1.23 "Joint Management Team" or "JMT" means the committee described in Section 2.2.

1.24 "Joint Patent Committee" or "JPC" means the committee described in Section 2.4.

1.25 "Joint Scientific Committee" or "JSC" means one of the committees described in Section 2.3.

1.26 "Major Market" means [*].

1.27 "Net Sales" means the amount billed by P&U or its Affiliate or sublicensee for sales of a Product to a Third Party purchaser, less the following to the extent actually allowed or incurred with respect to such sales: (i) discounts, including cash discounts (including quantity discounts), charge-back payments and rebates granted to managed health care organizations or to federal, state and local governments (or their respective agencies, purchasers and reimbursers) or to trade customers, including but not limited to, wholesalers and chain and pharmacy buying groups (provided that if any such discounts or reductions are based on sales to the customer of multiple products, the amount of such discount or reduction that may be allocated to the Products sold shall be on the basis of a methodology approved by the JMT); (ii) credits or allowances actually granted upon rejections or returns of Products, including for recalls or damaged goods; (iii) freight, postage, shipping and insurance charges actually allowed or paid for delivery of Products, to the extent billed; and (iv) taxes, duties or other governmental charges levied on, absorbed or otherwise imposed on sale of Products, including without limitation value-added taxes, or other governmental charges otherwise measured by the billing amount, when included in billing, as adjusted for rebates and refunds, and specifically excluding taxes based on net income of the seller, and all of the foregoing to the extent calculated in accordance with generally accepted accounting principles consistently applied throughout the party's organization.

1.28 "Patent" means (i) unexpired letters patent (including inventor's certificates) which have not been held invalid or unenforceable by a court of competent jurisdiction from which no appeal can be taken or has been taken within the required time period, including without limitation any substitution, extension, registration, confirmation, reissue, re-examination, renewal or any like filing thereof and (ii) pending applications for letters patent, including without limitation any continuation, division or continuation-in-part thereof and any provisional applications.

1.29 "Pre-existing Technologies" means any and all inventions, developments, results, know-how and other Information, and all intellectual property relating thereto, made, created or invented by a Party, its employees or its agents prior to the Effective Date.

1.30 "Product" means any human therapeutic or prophylactic product that comprises or incorporates a Collaboration Compound, but excluding products where (i) [*] and (ii) [*].

1.31 "Regulatory Approval" means any and all approvals (including supplements, amendments, pre- and post-approvals, pricing and reimbursement approvals), licenses,

registrations or authorizations of any national, supra-national (e.g., the European Commission or the Council of the European Union), regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity, that are necessary for the manufacture, distribution, use or sale of a Product in a regulatory jurisdiction.

1.32 "Research Program" means, with respect to a particular Field, all current or terminated Research Projects relating to such Field.

1.33 "Research Project" means the planning, execution, and analysis of a research project focused on a particular area of research within a Field based on a mutually acceptable definition of a clinical indication, biochemical pathway or biological process or related clinical indications, biochemical pathways or biological processes. A Research Project will typically be defined by [*] and will be initiated with [*].

1.34 "Research Plan" means the plan that sets forth the research work to be performed by Exelixis and P&U in the course of a particular Research Program.

1.35 "Research Term" means the period during which research activities of the Parties under the Collaboration shall be conducted, as set forth in Section 3.2.

1.36 "Selected Target" means a Candidate Target that has been selected as set forth in Section 4.1. As used in this Agreement, rights and obligations of the Parties with respect to a particular Selected Target shall also apply to [*].

1.37 "Sole Inventions" means any and all inventions, developments, results, know-how and other Information, and all intellectual property relating thereto, made, discovered or developed solely by a Party and its employees or agents pursuant to work performed in the Collaboration under the Agreement.

1.38 "Target" means any gene or gene product that is identified in the course of a Research Program and that may include, without limitation, a Candidate Target, Selected Target or Abandoned Target.

1.39 "Third Party" means any entity other than (i) Exelixis, (ii) P&U or (iii) an Affiliate of either of them.

1.40 "Third Party Contract Research" means research conducted for the benefit of the Collaboration, approved and managed by the JMT as set forth in Section 3.9, and funded by P&U as set forth in Section 7.3.

1.41 "Top 20 Pharmaceutical Company" means a Third Party listed in Exhibit A, which the Parties agree to revise in good faith as needed during the term of the Agreement.

2. MANAGEMENT OF THE COLLABORATION

2.1 Overall Management Structure. The Parties agree to establish a multi-level committee structure to manage and direct the Collaboration and the relationship of the Parties in pursuing the research and development goals of this Agreement. The committee structure is intended to facilitate decision making and management of the various Collaboration activities of the Parties, and each Party agrees to use good faith, cooperative efforts to facilitate and assist the

efforts of such committees. The overall management of the Collaboration shall be vested in the Joint Management Team (the "JMT"), with responsibility, as further discussed in Section 2.2, for establishing the strategic direction of the Collaboration and for managing and directing the research efforts of the Parties under the Collaboration. The day-to-day management and direction of each Research Program shall be managed by a Joint Scientific Committee (a "JSC") dedicated to each such Research Program, and the Joint Scientific Committees shall report to and be managed by the JMT. In addition, the Parties shall establish a Joint Patent Committee (the "JPC"), reporting to the JMT, which shall be responsible for managing and directing the securing of appropriate intellectual property protection for the Sole Inventions and Joint Inventions arising from the Collaboration. Each JSC shall cease to exist after its second meeting after the termination of the Research Term, but the JMT and the JPC shall continue to meet throughout the term of the Agreement.

2.2 Joint Management Team.

(a) Membership. The Joint Management Team (the "JMT") shall be composed of six members, three members appointed by each Party. Within 30 days after the Effective Date, each Party shall appoint three representatives from its senior management team to the JMT; at least one representative from each Party shall also be the Party's Head of Research or a mutually agreeable designate. With the exception of the Party's Head of Research, each Party may replace its JMT representatives at any time upon written notice to the other Party. P&U will designate one of its representatives as Chairperson of the JMT. The Chairperson shall be responsible for scheduling meetings, preparing and circulating an agenda in advance of each meeting, and preparing and issuing minutes of each meeting within 30 days thereafter.

(b) Responsibilities. During the term of this Agreement, the JMT shall meet a minimum of two times per year as provided in Section 2.5. The JMT shall operate by [*] and in accordance with the principles set forth in this Article 2. It shall determine the overall strategy for the Collaboration and shall be make all major business and strategic decisions. The JMT shall evaluate the progress of the Research Programs and monitor compliance with the diligence provisions set forth in Section 4.2, and it will make the final decisions regarding: (i) significant modification of a Research Program or Research Plan, (ii) approval of Third Party Contract Research proposed by a JSC; and (iii) approval of expenditures proposed by the JPC regarding the management of Collaboration intellectual property portfolio. To the extent necessary to carry out its responsibilities, the JMT members shall be granted access to the other Party's relevant confidential information. In particular, it is expected that members of the JMT, in assessing modifications to a Research Program, shall be granted access to higher levels of the proprietary or confidential information of the other Party than is provided to the other committees or to the employees of such Party working on the Collaboration. The JMT shall discuss in good faith and agree on the level of such access that is needed to achieve the goals and intent of the Parties.

2.3 Joint Scientific Committees.

(a) Membership. For each Research Program, the Parties shall establish a separate Joint Scientific Committee (a "JSC") composed of four representatives, two members appointed by each of the Parties. One representative from each Party on a JSC shall be the

individual at the Party with primary responsibility for the day-to-day management and execution of the Research Program. Exelixis' other representative shall be its Head of Research or such person's designee; P&U's other representative shall be the person who heads research in the therapeutic area of the Research Program or such person's designee. Each JSC will report directly to the JMT and shall take its direction from the JMT. Each Party may replace its appointed JSC representatives at any time upon written notice to the other Party. Exelixis shall designate one of its representatives as Chairperson of the JSC, and P&U shall designate one of its representatives as Vice-Chairperson. The Chairperson shall be responsible for scheduling meetings and preparing and circulating an agenda in advance of each meeting. The Vice-Chairperson shall be responsible for preparing and issuing minutes of each meeting within 30 days thereafter.

(b) Responsibilities. During the Research Term and for two quarters thereafter, each JSC shall meet on a quarterly basis as provided in Section 2.5. Each JSC shall operate by consensus and in accordance with the principles set forth in this Article 2. It shall be responsible for the planning and execution of the Research Program. At its meetings, the JSC shall review the progress of current Research Projects and consider adopting new Research Projects and modifying or canceling current Research Projects. At the next JMT meeting, the JSC shall summarize for the JMT the progress of the Research Program since the last JMT meeting, bring to the attention of the JMT any overarching issues or significant changes in a Research Program, address any issues raised by the JMT at its previous meeting, and present Third Party Contract Research proposals, if any. The JSC shall also decide whether to select a Candidate Target as a Selected Target pursuant to Section 4.1. Leaders of individual Research Projects will be encouraged to communicate with the JSC as appropriate to facilitate the successful execution of their respective Research Projects. In addition, each JSC will represent the initial forum for conflict resolution regarding the research under the Collaboration as set forth in Section 2.6.

2.4 Joint Patent Committee. The Joint Patent Committee (the "JPC"), in consultation with the JMT, will devise a strategy for the protection of intellectual property arising from the Collaboration. This committee will consist of one member from each Party's senior management team or the Party's designated alternate. The P&U representative will serve as the Chairperson of the JPC. The JPC shall report directly to the JMT. During the term of this Agreement, the JPC will meet at least once per year, as provided in Section 2.5, and may hold additional meetings at the request of either Party.

2.5 Meetings. The Parties shall endeavor to schedule meetings of the JMT, JPC, and the JSCs at least one year in advance. Meetings for the JSCs shall be held on the same day or consecutive days in New Jersey or, with the consent of P&U, in San Francisco. When possible, the meetings of the JMT and JPC should occur at the same location as the JSC meetings, with the JMT meeting occurring after the meetings of the JSCs and the JPC, if applicable. With the consent of the representatives of each Party serving on a particular committee, other representatives of each Party may attend meetings of that committee as nonvoting observers. A meeting of a committee may be held by audio or video teleconference with the consent of each Party, provided that at least half of the minimum number of meetings for that committee shall be held in person. Meetings of a committee shall be effective only if at least one representative of

each Party is present or participating. Each Party shall be responsible for all of its own expenses of participating in the committee meetings.

2.6 Research-Related Dispute Resolution. Any dispute regarding the research under the Collaboration that may arise during the Research Term shall be brought to the attention of the applicable JSC, and the JSC shall attempt in good faith to achieve a resolution. If the JSC is unable to resolve the dispute, it shall present the dispute to the JMT. If the JMT is unable to resolve the dispute despite the good faith efforts of its members, then [*]. This Section 2.6 shall not apply to disputes regarding the allocation of FTEs following P&U's termination of a Research Program pursuant to Section 3.5.

2.7 Obligations of Parties. Exelixis and P&U shall provide the JSCs, JPC and JMT and their authorized representatives with reasonable access during regular business hours to all records, documents, and Information relating to the Collaboration which any such committee may reasonably require in order to perform its obligations hereunder, provided that if such documents are under a bona fide obligation of confidentiality to a Third Party, then Exelixis or P&U, as the case may be, may withhold access thereto to the extent necessary to satisfy such obligation.

2.8 Collaboration Guidelines.

(a) General. In all matters related to the Collaboration, the Parties shall be guided by standards of reasonableness in economic terms and fairness to each of the Parties, striving to balance as best they can the legitimate interests and concerns of the Parties, to further the Research Programs and to realize the economic potential of the Products.

(b) Independence. Subject to the terms of this Agreement, the activities and resources of each Party shall be managed by such Party, acting independently and in its individual capacity. The relationship between Exelixis and P&U is that of independent contractors and neither Party shall have the power to bind or obligate the other Party in any manner, other than as is expressly set forth in this Agreement.

3. RESEARCH PROGRAMS

3.1 Overview. The general goals and intent of the Collaboration are to apply the Exelixis technology to discovering Candidate Targets that may be useful as tools for the discovery and development of drugs useful in the prevention, treatment or cure of Metabolic Syndrome or Alzheimer's Disease. The Collaboration will consist of two Research Programs, one in the Field of Metabolic Syndrome and the other in the Field of Alzheimer's Disease. Each Research Program will involve a number of specific Research Projects, each focused on a [*]. Exelixis hereby covenants that it will apply in its performance of work under the Research Programs: (a) all of its relevant technology now existing or developed during the Collaboration (including Third Party technology as to which Exelixis holds a license permitting its use in the Research Programs) and (b) any data Controlled by Exelixis, including without limitation [*], useful to the Research Programs.

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3.2 Research Term. The Research Term shall commence on the Effective Date and shall continue until terminated as set forth in this Section 3.2 or until the Agreement is terminated pursuant to Section 10.2. The FTE funding commitments of P&U and Exelixis set forth in Section 3.4 and the payment obligations of P&U set forth in Sections 7.3 and 7.4 shall remain in force until the termination of the Research Term. If there are no Selected Targets as of the termination of the Research Term, this Agreement shall then expire pursuant to Section 10.1.

(a) Each Party shall have the right, exercisable no later than [*] after the Effective Date, to terminate the Research Term by providing written notification thereof to the other Party. If a Party decides to terminate the Research Term, such termination shall be effective on the third anniversary of the Effective Date. If neither Party decides to terminate the Research Term, such Research Term shall continue at least until the fifth anniversary of the Effective Date.

(b) If neither Party decides pursuant to Section 3.2(a) to terminate the Research term, each Party shall have the right, exercisable no later than [*] of the Effective Date, to terminate the Research Term by providing written notification thereof to the other Party. If a Party decides to terminate the Research Term, such termination shall be effective on the fifth anniversary of the Effective Date. If neither Party decides to terminate the Research Term, such Research Term shall continue at least until the sixth anniversary of the Effective Date.

(c) Starting with the fifth anniversary of the Effective Date and continuing on each anniversary for so long as neither Party decided on the previous anniversary to terminate the Research Term, each Party shall have the right, exercisable no later than [*] of the Effective Date, to terminate the Research Term by providing written notification thereof to the other Party. If a Party decides to terminate the Research Term, such termination shall be effective on the next anniversary of the Effective Date. If neither Party decides to terminate the Research Term, such Research Term shall continue for at least [*] beyond the anniversary associated with such failure to decide.

(d) If [*] ceases to be employed by Exelixis at any time during the Research Term, Exelixis will use Diligent Efforts to find a replacement acceptable to P&U. If no replacement acceptable to P&U is identified within [*] of the departure of [*], then P&U shall have the right to terminate the Research Term by providing written notification thereof to Exelixis. Such termination shall be effective [*] after such notification is received by Exelixis.

(e) If Third Party technology rights come to the attention of the Parties after the Effective Date [*], then P&U shall have the right to terminate the Research Term on [*] advance notice to Exelixis. If the Third Party technology rights in question [*], then the Parties shall endeavor to substitute a new Research Program under Section 3.5 rather than terminate the Research Term. If the Parties fail to agree upon a new Research Program within [*] of the initiation of such discussions, then P&U shall then have the right to terminate the Research Term on [*] advance notice to Exelixis.

3.3 Research Plans. Initial Research Plans for the Research Programs in the Field of Metabolic Disease and the Field of Alzheimer's Disease have been approved by the Parties concurrent with the execution of this Agreement. Each Research Plan may be amended by the

applicable JSC, during the course of a particular Research Program, based upon the results achieved in the Research Program. Any such amendments shall be reviewed and approved by the JMT, and the amended Research Plan shall thereafter be in effect.

3.4 FTE Commitments.

(a) For the first three years of the Research Term, P&U shall fund research under this Agreement for the number of Exelixis FTEs set forth in Table 1. The Parties anticipate that, in the first year of the Research Term, [*]

[*]

(b) From the third anniversary of the Effective Date until the termination of the Research Term, there shall be no less than [*] FTEs in the Research Program in Alzheimer's Disease and [*] FTEs in the Research Program in Metabolic Syndrome as determined by the JMT. P&U shall fund [*] such FTEs.

(c) At any time during the Research Term, P&U may fund, at the Annual FTE Rate, up to [*] additional FTEs (or more with the consent of Exelixis) for a minimum commitment of one year (but not more than an aggregate of [*] FTEs), such FTEs to be allocated between the Research Programs at the discretion of the JMT. Exelixis shall have a reasonable time in which to locate resources to fill such FTE positions.

3.5 Termination of a Research Program. At any time during the Research Term after [*], P&U may terminate a Research Program by providing written notice thereof to Exelixis, the JMT and the applicable JSC. Termination of the Research Program shall be effective [*] following such notice, and it shall have no effect on the total number of FTEs funded by P&U. The Parties shall mutually agree in writing whether to transfer the FTEs allocated for the terminated Research Program to (i) current or new Research Project(s) in the remaining Research Program, (ii) a new Research Program within the field of Central Nervous System Research or the Field of Metabolic Syndrome or (iii) a new Research Program in another field (such as aspects of [*]) upon such terms as are mutually agreed by the Parties, such agreement not to be unreasonably withheld. In no case shall a new Research Project(s) or a new Research Program be based upon or an extension of Independent Research. If the Parties choose option (i), then the JMT shall amend the applicable Research Plan to include any additional Research Projects. If the Parties choose option (ii), then they shall agree to a new Research Plan and they will in good faith amend the applicable definitions and the other relevant provisions of this Agreement to conform it to such changes in research. If the JMT does not receive written, mutually agreed-upon instructions from the Parties prior to the termination effective date, the JMT will automatically transfer the FTEs allocated for the terminated Research Program to one or more current Research Projects in the remaining Research Program.

3.6 Conduct of Research. The Parties shall use Diligent Efforts to conduct their respective tasks, as assigned under the Research Plans, throughout the Collaboration and shall conduct the Collaboration in good scientific manner, and in compliance in all material respects with the requirements of applicable laws, rules and regulations and all applicable good laboratory practices to attempt to achieve their objectives efficiently and expeditiously.

3.7 Records. Each Party shall maintain complete and accurate records of all work conducted under the Collaboration and all results, data and developments made pursuant to its efforts under the Collaboration. Such records shall be complete and accurate and shall fully and properly reflect all work done and results achieved in the performance of the Collaboration in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes. Each Party shall have the right to review and copy such records of the other Party at reasonable times to the extent necessary for such Party to conduct its research or other obligations under the Agreement.

3.8 Reports. During the Research Term, each Party shall report to the JSCs no less than once per quarter and will periodically submit to the other Party and the relevant JSC a written progress report summarizing the work performed under each Research Program in relation to the Research Plan and goals of the Research Program. The Parties agree that the Information to be delivered by Exelixis to P&U in these reports shall include, without limitation, sequence information and associated annotations about targets, but shall not include the Exelixis Flytag(TM) database or other Exelixis databases generated outside of the Research Programs.

3.9 Third Party Contract Research. At any time during the Research Term, a JSC may formulate a proposal for Third Party Contract Research that would further the goals of the Research Plan for the applicable Field. The JSC shall present such proposal to the JMT at the next meeting of the JMT and the JMT shall decide whether to approve such Third Party Contract Research. P&U will fund such Third Party Contract Research as set forth in Section 7.3. All Third Party Contract Research shall be managed by the JMT and shall occur pursuant to contractual arrangements that are mutually agreeable to the Parties and that allocate intellectual property rights in a manner that is consistent with the allocation of rights provided for under this Agreement with respect to research performed by Exelixis under this Collaboration.

3.10 Use of In-Licensed Technology. Attached hereto as Exhibit B is an identification of all Third Party technology which as of the Effective Date Exelixis expects to use in the course of the Research Programs (excluding general use research tools licensed by Exelixis on a nonexclusive basis and not pertaining specifically to any genes of interest in the Research Programs), together with the identity of the Third Party which to the best knowledge of Exelixis is the owner of such technology. Exelixis represents and warrants to P&U that [*]. Exelixis shall maintain [*] so long as such technology is required for its performance of the Research Programs. If Exelixis desires to apply any additional Third Party technology to its performance of the Research Programs (again excluding general use research tools of the nature described above), it shall give prior written notice to the JMT and shall satisfy the JMT that it holds a valid license thereunder prior to the use of such additional Third Party technology in a Research Program.

4. SELECTION, PURSUIT AND ABANDONMENT OF TARGETS

4.1 Selection of Targets. Exelixis shall present to the applicable JSC at its quarterly meeting the data concerning each Candidate Target identified in the course of a particular Research Program during the previous research period. At its next quarterly meeting, the JSC shall decide whether to select such Candidate Target as a Selected Target. During the period between the meeting at which a Candidate Target is presented by Exelixis and the meeting at

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which the JSC decides whether to select such Candidate Target, P&U may search for mammalian orthologues of such Candidate Target. No other work may be performed by or on behalf of P&U or its sublicensees on the Candidate Target unless and until it is selected by the JSC as a Selected Target. Within [*] of the selection of a Selected Target, P&U shall [*]. With respect to each Selected Target, P&U shall have the rights set forth in Sections 5.1 and 5.4(a) and the obligations set forth in Section 4.2 and Exelixis shall have the rights and obligations set forth in Sections 5.3 and 5.4(a).

4.2 Pursuit of Selected Targets. P&U must use good faith Diligent Efforts to validate Selected Targets, develop assays to assess the activity of Selected Targets, use assays to discover Collaboration Compounds directed at particular Selected Targets, develop and commercialize [*] Product per Selected Target, and pay the applicable royalties set forth in Section 7.5. P&U's diligence obligations under this Section 4.2 for the period prior to the initiation of an active research and development program for a Collaboration Compound active against a particular Selected Target will be deemed satisfied if P&U: (i) develops a screening assay for the activity of a Selected Target and initiates screening for modulators of the activity of the Selected Target within [*] of the date on which the JSC selected such Selected Target, provided that, upon reasonable request by P&U, the JMT shall grant up to an additional [*] and (ii) initiates a program of lead optimization and/or medicinal chemistry around lead compounds active in such assay within [*] of the date on which P&U initiates screening for modulators of the activity of such Selected Target.

4.3 Sharing of Biological Data. P&U shall provide Exelixis with copies of all data generated by or on behalf of P&U or its Affiliate or sublicensee in the course of validating a Selected Target, characterizing the biological function of a Selected Target or identifying other genes or proteins that interact with a Selected Target. Exelixis may use such data for any purpose other than developing for use in the Applicable Field products comprising or incorporating small molecule compounds directed at such Selected Target.

4.4 Target Abandonment.

(a) A Selected Target will become an Abandoned Target if any of the following circumstances arise: (i) such Target is selected by the applicable JSC as a Selected Target but P&U fails to [*]; (ii) P&U designates it for abandonment pursuant to Section 4.4(b); (iii) P&U uses a Selected Target for any purpose other than that permitted in Section 5.1; or (iv) P&U fails to fulfill its obligations set forth in Section 4.2 with respect to such Selected Target. P&U shall lose all rights set forth in this Agreement with respect to each Selected Target that becomes an Abandoned Target hereunder, unless such abandonment is then the subject of an unresolved dispute that is in the process of being resolved under the dispute resolution procedures set forth in Section 13.2.

(b) If there are more than [*] Selected Targets on [*], P&U shall reduce the number of Selected Targets to [*] by designating as Abandoned Targets a number of Selected Targets equal to the number in excess of [*]. If there are more than [*] Selected Targets on [*], P&U shall reduce the number of Selected Targets to [*] by designating as Abandoned Targets a number of Selected Targets equal to the number in excess of [*].

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4.5 Targets Other Than Selected Targets. Exelixis shall retain all rights to any Target that (i) does not fulfill the criteria for a Candidate Target or (ii) is not selected by the applicable JSC as a Selected Target, and such Targets shall not be subject to any terms of this Agreement other than those set forth in Section 5.4(b).

4.6 Records. P&U shall maintain complete and accurate records of all scientific and development work conducted on Selected Targets, Collaboration Compounds and Products and all results, data and developments made pursuant to its research and development efforts under this Agreement. Such records shall be complete and accurate and shall fully and properly reflect all work done and results achieved in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes. Prior to the filing of a New Drug Application for a particular Product, Exelixis shall have the right to review and copy the records regarding that Product at reasonable times to the extent necessary for Exelixis to evaluate P&U's compliance with its diligence obligations set forth in Section 4.2.

4.7 Reports. Every six months during the term of the Agreement, P&U will submit to Exelixis and the JMT a written progress report summarizing the research and development work performed on each Selected Target.

5. LICENSES AND RELATED RIGHTS

5.1 License to P&U. Subject to the terms of this Agreement, Exelixis hereby grants P&U an exclusive, worldwide, royalty-bearing license (with the right to sublicense) under the Pre-existing Technologies and Sole Inventions Controlled by Exelixis and under Exelixis' interest in the Joint Inventions (i) to use each Selected Target to search for Collaboration Compounds directed at such Selected Target for activity within the Applicable Field, (ii) to develop, for use in the Applicable Field, Products comprising or incorporating such Collaboration Compounds, (iii) to develop, following [*], such Product for any human indication, and (iv) to make, have made, use, sell, offer to sell and have sold such Products.

5.2 License Limitations. P&U hereby covenants that it will not use a Selected Target, Collaboration Compound or Product for a purpose other than that permitted in Section 5.1 except the foregoing restriction shall not prevent P&U from being able to perform independent research on Collaboration Compounds for activity against targets other than Selected Targets or Homologs, or to develop, make, have made, use, sell, offer to sell and have sold products comprising or incorporating a Collaboration Compound where (i) the only intended use of such product is due primarily to the activity of such Collaboration Compound against a target discovered by P&U outside the scope of the Agreement and (ii) such activity is not the modulation of activity of a Homolog and does not otherwise directly affect a pathway of the Selected Target against which such Collaboration Compound is also active. For example, but not by way of limitation, P&U covenants that (i) it will not use a Selected Target to search for a Collaboration Compound for incorporation in a Product to be used outside the Applicable Field, and (ii) prior to [*], it will not perform preclinical experiments or conduct clinical trials on that Product for an indication outside the Applicable Field. Exelixis acknowledges that once [*], P&U shall thereafter have the right to develop such Product for any and all indications (including without limitation the pursuit of preclinical research for the purpose of determining potential additional uses).

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5.3 License to Exelixis.

(a) Selected Targets. P&U hereby grants to Exelixis an exclusive, worldwide, royalty-free license (with the right to sublicense) under the Sole Inventions of P&U and under P&U's interest in the Joint Inventions to use each Selected Target to: (i) search for small molecule compounds directed at such Selected Target solely for use outside the Applicable Field; (ii) develop, for use outside the Applicable Field, products comprising or incorporating such small molecule compounds; (iii) make, have made, use, sell, offer to sell, have sold and import such products; (iv) develop, make, have made, use, sell, offer to sell, have sold and import products based on the Selected Target for all agricultural and non-human applications; and (v) develop, make, have made, use, sell, offer to sell, have sold and import, for use in any field, any other products not meeting the definition of a Product, including without limitation therapeutic protein products (including secreted proteins or peptides and therapeutic antibodies), antisense products, vaccine products, gene therapy products or diagnostic products based on the Selected Target.

(b) Abandoned Targets. P&U hereby grants to Exelixis an exclusive, worldwide, royalty-free license (with the right to sublicense) under the Sole Inventions of P&U and under P&U's interest in the Joint Inventions to use each Abandoned Target: (i) to search for small molecule compounds directed at such Abandoned Target and to develop, make, have made, use, sell, offer to sell, have sold and import products comprising or incorporating such small molecule compounds; (ii) to develop, make, have made, use, sell, offer to sell, have sold and import products based on the Abandoned Target for all agricultural and non-human applications; and (iii) to develop, make, have made, use, sell, offer to sell, have sold and import, for use in any field, therapeutic protein products (including secreted proteins or peptides and therapeutic antibodies), antisense products, vaccine products, gene therapy products or diagnostic products based on the Abandoned Target. P&U hereby covenants that it will not develop or commercialize any compounds isolated with respect to an Abandoned Target and grants to Exelixis the right of first negotiation for a license to such compounds. P&U also grants to Exelixis a nonexclusive license to all intellectual property Controlled by P&U related to the use of assays to screen for modifiers of an Abandoned Target.

5.4 P&U's Rights of First Negotiation.

(a) Selected Targets. Prior to offering any Third Party the opportunity to acquire a license to develop and commercialize a [*] identified by Exelixis pursuant to its rights under [*]or a [*], Exelixis shall provide P&U with the opportunity to consider whether it wishes to acquire such a license. P&U shall have [*] following such offer in which to inform Exelixis in writing that it is interested in acquiring such a license. Thereafter, the Parties shall negotiate in good faith for [*] to reach agreement on the terms of a license agreement which shall be set forth in either an executed license agreement or an executed legally binding heads of agreement. If P&U fails to notify Exelixis of its interest or the Parties fail to execute a license agreement within the applicable period, then P&U shall have no rights with respect to such use of said Selected Target and Exelixis shall have unrestricted rights to pursue (without compensation to P&U) these applications of the Selected Target, including, but not limited to, conducting Independent Research on said Selected Target and developing or commercializing products incorporating, based upon or identified using said Selected Target. The foregoing

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rights shall terminate for each Selected Target [*] after the date the JSC selected that Selected Target.

(b) Targets Not Selected. With respect to a Target that is presented to the JSC as a Candidate Target but is not selected by the JSC as a Selected Target, prior to [*] wherein Exelixis [*] would pursue such Target with the intent of developing, for use in the Applicable Field, products incorporating small molecules, Exelixis shall provide P&U with the opportunity to consider whether it wishes to acquire such a license. P&U shall have [*] following such offer in which to inform Exelixis in writing that it is interested in acquiring such a license. Thereafter, the Parties shall negotiate in good faith for [*] to reach agreement on the terms of a license agreement which shall be set forth in either an executed license agreement or an executed legally binding heads of agreement. If P&U fails to notify Exelixis of its interest or the Parties fail to execute a license agreement or a legally binding heads of agreement within the applicable period, then P&U shall have no further rights with respect to said Target and Exelixis shall have unrestricted rights to pursue (without compensation to P&U) the Target, including, but not limited to, conducting Independent Research on said Target and developing or commercializing products incorporating, based upon or identified using said Target. The foregoing rights shall terminate for each Target [*] after the date the JSC decided not to select it as a Selected Target.

5.5 Exelixis Undertaking To Grant Necessary Sublicenses. The licenses granted by Exelixis herein do not include sublicenses under technology licensed to Exelixis by Third Parties. In the event P&U concludes, during the Research Term or within three years thereafter, that it is necessary or desirable for P&U to obtain a sublicense under particular Third Party technology then Controlled by Exelixis in order to search for Collaboration Compounds directed at a Selected Target or to develop, manufacture or sell Products comprising or incorporating such Collaboration Compounds, P&U shall so advise Exelixis and Exelixis shall grant P&U a sublicense under the Third Party technology in question, subject to negotiation of a mutually agreeable sublicense agreement. Such sublicense shall specify the particular targets to be pursued by P&U, shall [*], and shall contain other terms and conditions necessary to constitute the grant of a valid sublicense. The sublicense to P&U shall automatically terminate if P&U ceases its discovery, development or commercialization program within the scope of the sublicense.

6. EXCLUSIVITY

6.1 P&U. Except as provided in this Section 6.1, during the Research Term, P&U will work exclusively with Exelixis for [*]. If Exelixis is not willing to provide such [*] or is not capable of initiating such work within six months of a request by P&U, then P&U may procure such [*] from a Third Party. The exclusivity obligation set forth in this Section 6.1 does not apply to work performed internally by P&U or pursuant to a pre-existing collaboration between P&U and a non-profit research or academic institution.

6.2 Exelixis. Except as otherwise provided in Sections 5.3 and 5.4, during the Research Term Exelixis will not perform Independent Research directed at [*]. Notwithstanding the previous sentence, although Exelixis shall use Diligent Efforts to maintain exclusivity, in view of the nature of the Exelixis technology, it is impossible for Exelixis to

assure exclusivity with respect to the individual elements of data that Exelixis generates, delivers and licenses to P&U hereunder. Two examples of overlapping research are presented below to demonstrate the principles by which Exelixis will resolve such issues:

(a) Exelixis may start Independent Research involving [*], and subsequently discover that the Independent Research involves [*]. Under these circumstances, Exelixis may continue such Independent Research independent of the Collaboration. If such Independent Research is funded by a Third Party, separate experiments would be performed for the Collaboration and the Independent Research, and Exelixis would not share the results of or other Information concerning the Collaboration with any Third Party involved in the Independent Research nor would Exelixis share the results of or other information concerning the Independent Research with P&U or the JMT, JPC or any of the JSCs. In such case, Exelixis would be free to disclose and license the results of such Independent Research to such Third Party, provided, however, that Exelixis would not be entitled to grant any license to a Third Party to use a target that had been first identified in a Research Program, and had not yet been designated as an Abandoned Target, to search for small molecules (i.e., molecular weight of less than or equal to [*]) for use within the Field. Such Third Party license shall not necessarily restrict such Third Party's development of a pharmaceutical product once [*] (i.e., the Third Party license may contain provisions comparable to those set forth in Section 5.2 of this Agreement).

(b) Exelixis may be engaged by a Third Party to identify the target of a compound under an arrangement whereby the identity of the compound is unknown to Exelixis. Exelixis will reveal the identity of the target to the Third Party and the Third Party shall be entitled to use that information for any purpose. If the target is [*], Exelixis will inform the Third Party that, on account of its exclusivity obligations to another party, Exelixis is unable to perform further work on this target.

The exclusivity of the license granted to P&U in Section 5.1 shall be subject to the grant of licenses to Third Parties consistent with paragraphs (a) and (b) of this Section 6.2. Upon request of the JMT, Exelixis shall consult with the JMT from time to time regarding its procedures for seeking to avoid overlapping research activities on behalf of multiple Third Parties.

7. COMPENSATION

7.1 License Fee. P&U shall pay Exelixis a license fee of [*] as follows: [*]. Without limiting the rights of P&U under Section 10.2, any license fee payments made by P&U to Exelixis pursuant to this Section 7.1 shall be noncreditable and nonrefundable.

7.2 Equity and Note Purchase. Pursuant to the separate Stock Purchase Agreement and Note Purchase Agreement entered into concurrent with this Agreement, P&U shall make a $7.5 million equity investment in Exelixis and shall purchase a $7.5 million promissory note which shall convert into Exelixis equity securities upon terms specified therein. The terms of such stock and note purchase shall be governed exclusively by such other agreements and related documents executed pursuant thereto.

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7.3 Research Support. During the Research Term, P&U will make quarterly advance payments to Exelixis equal to one-quarter of the Annual FTE Rate multiplied by the number of P&U-funded FTEs for that quarter as set forth in Table 1 and Section 3.4. During the Research Term, P&U will also fund, on an as-needed basis, up to [*] per year of Third Party Contract Research approved by the JMT pursuant to Section 3.9. Without limiting the rights of P&U under Section 10.2, any research support payments made by P&U to Exelixis hereunder shall be noncreditable and nonrefundable.

7.4 Milestone Payments. Within [*], P&U shall make the applicable milestone payment to Exelixis as set forth below. Without limiting the rights of P&U under Section 10.2, any milestone payments made by P&U to Exelixis hereunder shall be noncreditable and nonrefundable.

(a) For [*] of this Agreement (that is, until [*], P&U shall pay [*] for [*]. No payment shall be required for [*].

(b) Starting with [*] of the Research Term and continuing until [*], P&U's milestone payment obligations shall be as follows:

(i) If [*] and [*], P&U shall pay [*]. Such milestone payments shall continue until [*]. Thereafter, P&U shall pay [*].

(ii) If [*] or [*], P&U shall pay [*] for each Selected Target.

7.5 Royalty Payments. Exelixis shall receive a running royalty on Net Sales of Products at the royalty rates stated below. Except as set forth in Section 7.7, these royalty rates shall not be subject to adjustment or reduction for any reason.

(a) [*] Product. For [*], P&U will pay royalties to Exelixis at the following rates [*]:

Annual Net Sales of Product	Royalty Rate
[*]	[*]
[*]	[*]
[*]	[*]

(b) Other Products. For each Product other than [*], P&U will pay royalties to Exelixis at the following rates:

Annual Net Sales of Product	Royalty Rate
[*]	[*]
[*]	[*]
[*]	[*]

(c) Example. By way of example, if in a particular calendar year, P&U sells two Products, with one Product having [*] and the other Product having [*], then P&U shall make royalty payments to Exelixis during that year totaling [*] with respect to the first Product and [*] with respect to the second Product.

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All royalty payments to Exelixis hereunder shall be noncreditable and nonrefundable. For the purposes of royalty payments, all dosage forms and formulations containing the same Collaboration Compound shall be deemed a single Product. The measure of annual sales set forth in this Section 7.5 shall be the sum of Net Sales of a particular Product in all countries, and the royalty rate indicated shall apply to all Net Sales for that Product during the calendar year.

7.6 Quarterly Payments. All royalties due under Section 7.5 shall be paid quarterly, on a country-by-country basis, within [*] of the end of the relevant quarter. Royalties shall be calculated for each of the first three calendar quarters of a calendar year on the basis of the royalty rate actually earned in the previous calendar year. (For the first calendar year of sales under this Agreement, the royalty rate to be used for purposes of royalty payments for the first three calendar quarters shall be [*].) At the end of the calendar year, P&U shall calculate the royalties due for the year as a whole, using the actual royalty rate applicable based on that year's sales, and shall pay to Exelixis all royalties due for that year, less amounts previously paid in the first three quarterly payments.

7.7 Term of Royalties. Exelixis' right to receive royalties under Section 7.5 shall expire on a country-by-country basis upon the later of (i) [*] from the first commercial sale of such Product in such country, or (ii) expiration of the last to expire Patent in such country [*]. If (ii) occurs prior to (i), then P&U's royalty payments under Section 7.5 shall be [*] for the remainder of such [*] period following the expiration of such last to expire Patent.

7.8 Royalty Payment Reports. All royalty payments under this Agreement shall be made to Exelixis or its designee quarterly within [*] following the end of each calendar quarter for which royalties are due. Each royalty payment shall be accompanied by a statement stating the number, description, and aggregate Net Sales, by country, of each Product sold during the relevant calendar quarter.

7.9 Payment Method. All payments due under this Agreement to Exelixis shall be made by bank wire transfer in immediately available funds to an account designated by Exelixis. All payments hereunder shall be made in U.S. dollars.

7.10 Taxes. Exelixis shall pay any and all taxes levied on account of all payments it receives under this Agreement. If laws or regulations require that taxes be withheld, P&U will (i) deduct those taxes from the remittable payment, (ii) pay the taxes to the proper taxing authority, and (iii) send evidence of the obligation together with proof of tax payment to Exelixis within 60 days following that tax payment.

7.11 Blocked Currency. In each country where the local currency is blocked and cannot be removed from the country, royalties accrued in that country shall be paid to Exelixis in the country in local currency by deposit in a local bank designated by Exelixis, unless the Parties otherwise agree.

7.12 Sublicenses. In the event P&U grants licenses or sublicenses to others to sell Products which are subject to royalties under Section 7.5, such licenses or sublicenses shall include an obligation for the licensee or sublicensee to account for and report its sales of Products on the same basis as if such sales were Net Sales by P&U, and P&U shall pay to

Exelixis, with respect to such sales, royalties as if such sales of the licensee or sublicensee were Net Sales of P&U.

7.13 Foreign Exchange. Conversion of sales recorded in local currencies to U.S. dollars will be performed in a manner consistent with P&U's normal practices used to prepare its audited financial statements for internal and external reporting purposes, which uses a widely accepted source of published exchange rates.

7.14 Records; Inspection. P&U shall keep complete, true and accurate books of account and records for the purpose of determining the payments to be made under this Agreement. Such books and records shall be kept for at least three years following the end of the calendar quarter to which they pertain. Such records will open for inspection during such three year period by independent accountants, solely for the purpose of verifying payment statements hereunder. Such inspections shall be made no more than once each calendar year, at reasonable time and on reasonable notice. Inspections conducted under this Section 7.14 shall be at the expense of Exelixis, unless a variation or error producing an increase exceeding 5% of the royalty amount stated for any period covered by the inspection is established in the course of such inspection, whereupon all costs relating to the inspection for such period and any unpaid amounts (plus interest) that are discovered will be paid promptly by P&U.

8. INTELLECTUAL PROPERTY

8.1 Ownership.

(a) Each Party shall own the entire right, title and interest in and to any and all of its Pre-existing Technologies, and Patents covering such Pre-existing Technologies.

(b) Each Party shall own the entire right, title and interest in and to any and all of its Sole Inventions, and Patents covering such Sole Inventions. P&U and Exelixis shall each own an undivided one-half interest in and to any and all Joint Inventions and Patents and other intellectual property rights claiming or covering or appurtenant to such Joint Inventions (the "Joint Patents"), with inventorship to be determined under the patent laws of the United States. P&U and Exelixis as joint owners each shall have the right to grant licenses under such Joint Patents, but only to the extent as provided for in this Agreement.

8.2 Disclosure. Each Party shall submit a written report to the JPC within 60 days of the end of each quarter describing any Sole Invention or Joint Invention arising during the prior quarter in the course of the Collaboration which it believes may be patentable. The JPC, in consultation with the JMT, shall decide whether to file a patent application for a Joint Invention, as discussed in Section 8.3(b).

8.3 Patent Prosecution and Maintenance; Abandonment.

(a) Pre-existing Technologies. Each Party shall retain control over and bear all expenses associated with the filing, prosecution and maintenance of all Patents claiming its Pre-existing Technologies.

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(b) Sole Inventions and Joint Inventions. The JPC shall establish the patent strategy for all Joint Inventions arising from the Collaboration. Each Party shall direct the filing, prosecution and maintenance of all Patents covering its Sole Inventions consistent with such strategy. The JPC shall supervise and direct the filing, prosecution and maintenance of all Patents covering Joint Inventions. The JPC shall provide each Party with (i) drafts of any new patent application that covers a Joint Invention prior to filing that application, allowing adequate time for review and comment by the Party if possible; provided, however, the JPC shall not be obligated to delay the filing of any patent application; and (ii) copies of all correspondence from any and all patent offices concerning patent applications covering Joint Inventions and an opportunity to comment on any proposed responses, voluntary amendments and submissions of any kind to be made to any and all such patent offices. P&U shall bear the expenses associated with the filing, prosecution (including any interferences, reissue proceedings and reexaminations) and maintenance of Patents covering [*]. P&U may elect not to pay any such costs and expenses with respect to a Patent covering [*], provided that P&U notifies Exelixis not less than two months before any relevant deadline. If Exelixis assumes the expenses associated with the Patent, Exelixis will [*].

8.4 Enforcement of Patent Rights.

(a) Except at set forth in this Section 8.4, each Party shall have the sole right, but not the obligation, to institute, prosecute or control any action or proceeding with respect to infringement by a Third Party of one or more issued Patents covering [*].

(b) At any time during the Research Term, if either Party becomes aware of [*] that is performed by a Third Party commercial entity [*] and that appears to utilize [*], such Party shall inform the other Party in writing within thirty (30) days after having knowledge of such research. Following consultation within thirty (30) days of such notice, the following conditions shall apply:

(i) If the [*] is being performed [*], neither Party shall have any obligation to take any action with respect to such research. If either Party believes it has a basis for a suit against such Third Party arising from such research, it may proceed on its own accord and at its sole expense.

(ii) [*] Exelixis shall retain the right to grant sublicenses [*] under the [*] technology owned or Controlled by it under the following circumstances:

(1) No single sublicensee shall be entitled to have more than [*] persons at any time (measured on an FTE basis) performing [*] within [*];

(2) Each such sublicense shall prohibit the sublicensee from performing [*];

(3) Exelixis shall not initiate any new discussions with any Third Party regarding a sublicense [*] until [*] after the Effective Date;

(4) Exelixis may grant a sublicense [*] to the Third Party with which Exelixis entered negotiations for a sublicense prior to the Effective Date, provided such sublicensee would not thereby be permitted to conduct [*] until at least [*] after the Effective Date; and

(5) Prior to the grant by Exelixis of any sublicense that fulfills the criteria set forth in Section 8.4(b)(ii)(1)-(4), Exelixis shall inform the JMT of its intent to grant such a sublicense, provided that Exelixis shall not be required to identify the intended sublicensee and that the JMT shall not have any right to interfere with the grant of such a sublicense by Exelixis.

Following [*], Exelixis may freely grant sublicenses for [*].

(iii) If the [*] in question is being performed [*], then Exelixis, if requested by P&U, shall [*] use Diligent Efforts to stop the conduct of such [*] including, if necessary, the commencement and prosecution of litigation against [*] in accordance with the applicable Federal Rules of Civil Procedure. Litigation commenced under this Section 8.4(b)(iii) shall be [*], provided that [*]. Any recovery from such litigation shall be applied first to reimburse each Party for its out-of-pocket costs of the litigation, and the balance shall be [*]. Following consultation with P&U, Exelixis may end such litigation at any time but Exelixis shall not consent to a settlement of such dispute in a manner that permits [*], without the consent of P&U, except for the grant of a license permitted under Section 8.4(b)(ii). This Section 8.4(b)(iii) shall expire [*], at which point Exelixis shall have exclusive control over any litigation that previously commenced pursuant to this Section 8.4(b)(iii).

(iv) If the [*] in question is being performed [*], then Exelixis, upon written request by P&U, shall [*], use Diligent Efforts to stop the conduct of such commercial research within the Fields and, if necessary and requested in writing by P&U, shall bring litigation in accordance with the applicable Federal Rules of Civil Procedure against such Third Party to stop the [*]. Such litigation shall be managed by Exelixis using outside counsel approved by P&U. Prior to the initiation of a litigation under this Section 8.4(b)(iv), the Parties must agree to a budget for such litigation that the outside counsel selected as lead counsel deems a reasonable budget. [*] responsible for all expenses incurred during such litigation (including reimbursement of [*] within 30 days after submission of each invoice together with reasonable supporting documentation) not in excess of such budget. If [*] becomes aware at any time that the litigation expenses are likely to exceed such budget, it shall notify [*] and provide [*] with the opportunity to approve an increased budget. [*] shall be responsible for all expenses incurred during such litigation that are in excess of the increased budget or, if no increased budget is approved by [*], the original budget. Any recovery shall be applied first to reimburse each Party for its out-of-pocket costs of the litigation, and the balance shall be [*]. If such recovery is [*], then such recovery shall be [*]. P&U shall also indemnify and hold harmless Exelixis for any costs or losses arising from claims brought against it by the Third Party in the course of litigation commenced under this Section 8.4(b)(iv), except to the extent Exelixis had been aware of a factual basis for counterclaims from the Third Party which it had failed to bring to the attention of P&U prior to the commencement of the suit. Exelixis shall have the right to be represented by counsel of its choice and to control its defense of such claims. If Exelixis continues a litigation initiated under this Section 8.4(b)(iv) despite instructions from P&U to end

such litigation, then, provided the Third Party in such litigation did not refuse to sign a mutual release in which no party to the litigation was required to provide another party with monetary or other compensation, Exelixis shall indemnify and hold harmless P&U for any costs or losses arising from claims brought against it by the defendant(s) in the course of such litigation and any recovery from such litigation shall be for the sole benefit of Exelixis.

(v) As used above, a [*] shall mean a [*]. This Section 8.4(b) shall have no effect with respect to research being conducted by non-commercial entities, or being conducted solely [*], or being conducted [*]. Any litigation to enforce patents Controlled by Exelixis by reason of license agreements shall be subject to the terms and conditions of such license agreements, including without limitation rights of the licensor to conduct or to consent to such litigation.

(c) If any issued Patent covering [*] is infringed by Third Party activity that [*], then Exelixis shall have the primary right, but not the obligation, to institute, prosecute or control any action or proceeding with respect to such infringement by counsel of its own choice and P&U shall have the right to participate in such action and to be represented by counsel of its own choice. If Exelixis fails to bring an action or proceeding within [*] after having knowledge of that infringement, then P&U shall have the right, but not the obligation, to bring and control any such action by counsel of its own choice, and Exelixis shall have the right to participate in such action and to be represented by counsel of its own choice.

(d) If either Party becomes aware of any Third Party activity that infringes an issued Patent covering [*], then that Party shall give prompt written notice to the other Party within thirty (30) days after having knowledge of such infringement. P&U shall have the primary right, but not the obligation, to institute, prosecute or control any action or proceeding with respect to such infringement by counsel of its own choice and Exelixis shall have the right to participate in such action and to be represented by counsel of its own choice. If P&U fails to bring an action or proceeding within a period of [*] after such notice, then Exelixis shall have the right, but not the obligation, to bring and control any such action by counsel of its own choice, and P&U shall have the right to participate in such action and to be represented by counsel of its own choice.

(e) If either Party brings any such action or proceeding hereunder, the other Party agrees to be joined as a party plaintiff and to give the first Party reasonable assistance and authority to control, file and prosecute the suit as necessary. Except [*], each Party shall bear its own costs and expenses for any action or proceeding brought under this Section 8.4. Any damages or other monetary awards recovered shall be applied first to reimburse the reasonable costs and expenses of the Parties in connection with such litigation, and except [*], the balance shall be retained by the Party which controlled the litigation. No settlement or consent judgment or other voluntary final disposition of a suit under Section 8.4(c) or 8.4(d) may be entered into without the [*].

8.5 Defense of Third Party Claims.

(a) If a claim is brought by a Third Party that any activity related to the Collaboration or a Product infringes the intellectual property rights of such Third Party, each

Party will give prompt written notice to the other Party of such claim. If the Third Party claim arises from Exelixis' activities under the Collaboration, Exelixis shall control and bear the expense of its own defense and, except as set forth in Section 8.5(b), Exelixis shall defend, indemnify and hold harmless P&U, which shall include costs or judgments whether for money or equitable relief, and reasonable legal expenses and reasonable attorney's fees. Exelixis shall not enter into a settlement agreement with such Third Party without the written consent of P&U, which shall not be unreasonably withheld. If the Third Party claim arises from P&U's activities under the Agreement or from a Product, P&U shall control and bear the expense of its own defense and P&U shall defend, indemnify and hold harmless Exelixis, which shall include costs or judgments whether for money or equitable relief, and reasonable legal expenses and reasonable attorney's fees. P&U shall not enter into a settlement agreement with such Third Party without the written consent of Exelixis, which shall not be unreasonably withheld.

(b) The indemnity obligation of Exelixis under Section 8.5(a) shall not apply to alleged infringement of Third Party technology rights by Exelixis in the course of performing work under this Agreement where (i) prior to the conduct of such work Exelixis submitted to the JMT a written description of the Third Party technology in question and the work that Exelixis proposed to conduct, (ii) the JMT approved Exelixis' conduct of such work, and (iii) the alleged infringement arose by reason of such work. In such case, each Party shall be responsible for its own defense of such Third Party claims, at its own expense and without indemnification by the other Party. In any event, neither Party shall be required to conduct any work under this Agreement which it believes may infringe Third Party rights. In the event Third Party rights [*], P&U shall have the right to terminate the Research Term pursuant to Section 3.2(e). In the event the Third Party claim arises from the manufacture, sale or use of a Product by P&U or its licensee, the indemnity obligations of P&U under Section 8.5(a) shall apply, and Exelixis shall not have any indemnity obligation to P&U in respect of such claims.

9. CONFIDENTIALITY

9.1 Nondisclosure of Confidential Information. All Information disclosed by one Party to the other Party pursuant to this Agreement shall be "Confidential Information." The Parties agree that during the term of this Agreement, and for a period of five years after this Agreement expires or terminates, a Party receiving Confidential Information of the other Party will (i) maintain in confidence such Confidential Information to the same extent such Party maintains its own proprietary industrial information of similar kind and value (but at a minimum each Party shall use commercially reasonable efforts), (ii) not disclose such Confidential Information to any Third Party without prior written consent of the other Party, except for disclosures made in confidence to any Third Party pursuant to Third Party Contract Research or other arrangements approved by the JMT, and (iii) not use such Confidential Information for any purpose except those permitted by this Agreement.

9.2 Exceptions. The obligations in Section 9.1 shall not apply with respect to any portion of the Confidential Information that the receiving Party can show by competent written proof:

(a) Is publicly disclosed by the disclosing Party, either before or after it is disclosed to the receiving Party hereunder; or

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(b) Was known to the receiving Party, without obligation to keep it confidential, prior to disclosure by the disclosing Party; or

(c) Is subsequently disclosed to the receiving Party by a Third Party lawfully in possession thereof and without obligation to keep it confidential; or

(d) Has been published by a Third Party; or

(e) Has been independently developed by the receiving Party without the aid, application or use of Confidential Information.

9.3 Authorized Disclosure. A Party may disclose the Confidential Information belonging to the other Party to the extent such disclosure is reasonably necessary in the following instances:

(a) Filing or prosecuting Patents relating to Sole Inventions, Joint Inventions or Products;

(b) Regulatory filings;

(c) Prosecuting or defending litigation;

(d) Complying with applicable governmental regulations; and

(e) Disclosure, in connection with the performance of this Agreement, to Affiliates, sublicensees, research collaborators, employees, consultants, or agents, each of whom prior to disclosure must be bound by similar obligations of confidentiality and non-use at least equivalent in scope to those set forth in this Article 9.

The Parties acknowledge that the terms of this Agreement shall be treated as Confidential Information of both Parties. Such terms may be disclosed by a Party to investment bankers, investors, and potential investors, each of whom prior to disclosure must be bound by similar obligations of confidentiality and non-use at least equivalent in scope to those set forth in this Article 9. In addition, a copy of this Agreement may be filed by Exelixis with the Securities and Exchange Commission in connection with any public offering of Exelixis securities. In connection with any such filing, Exelixis shall endeavor to obtain confidential treatment of economic and trade secret information.

In any event, the Parties agree to take all reasonable action to avoid disclosure of Confidential Information except as permitted hereunder.

9.4 Termination of Prior Agreements. This Agreement supersedes the Mutual Nondisclosure Agreement between Exelixis and P&U dated October 8, 1997 and the Mutual Nondisclosure Agreement between Exelixis and Pharmacia & Upjohn, Inc. dated July 15, 1998. All Information exchanged between the Parties under those earlier Agreements shall be deemed Confidential Information and shall be subject to the terms of this Article 9 and shall be included within the definition of Pre-existing Technologies.

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9.5 Publicity. The Parties agree that the public announcement of the execution of this Agreement shall be substantially in the form of the press release attached as Exhibit C. Any other publication, news release or other public announcement relating to this Agreement or to the performance hereunder, shall first be reviewed and approved by both Parties; provided, however, that any disclosure which is required by law as advised by the disclosing Party's counsel may be made without the prior consent of the other Party, although the other Party shall be given prompt notice of any such legally required disclosure and to the extent practicable shall provide the other Party an opportunity to comment on the proposed disclosure.

9.6 Publications. Neither Party shall publish or present the results of studies carried out under this Agreement without the opportunity for prior review by the other Party. Subject to Section 9.3, each Party agrees to provide the other Party the opportunity to review any proposed abstracts, manuscripts or presentations (including verbal presentations) which relate to any Selected Target or Product at least 30 days prior to its intended submission for publication and agrees, upon request, not to submit any such abstract or manuscript for publication until the other Party is given a reasonable period of time to secure patent protection for any material in such publication which it believes to be patentable. Both Parties understand that a reasonable commercial strategy may require delay of publication of information or filing of patent applications. The Parties agree to review and consider delay of publication and filing of patent applications under certain circumstances. The JPC will review such requests and recommend subsequent action. Neither Party shall have the right to publish or present Confidential Information of the other Party which is subject to Section 9.1. Nothing contained in this Section 9.6 shall prohibit the inclusion of information necessary for a patent application, except for Confidential Information of the nonfiling Party, provided the nonfiling Party is given a reasonable opportunity to review the information to be included prior to submission of such patent application. Any disputes between the Parties regarding delaying a publication or presentation to permit the filing of a patent application shall be referred to the JMT.

10. TERM AND TERMINATION

10.1 Term. This Agreement shall become effective on the Effective Date and shall remain in effect until the earlier of: (i) the time, not prior to the expiration of the Research Term, at which there are no Selected Targets and (ii) the expiration of the last royalty payment obligation with respect to any Product, as provided in Section 7.7. Termination of the Research Term shall not constitute termination of this Agreement unless no Selected Targets then exist.

10.2 Termination for Material Breach.

(a) If either Party believes that the other is in material breach of this Agreement (including without limitation any material breach of a representation or warranty made in this Agreement), then the non-breaching Party may deliver notice of such breach to the other Party. In such notice the non-breaching Party shall identify the actions or conduct that such Party would consider to be an acceptable cure of such breach. The allegedly breaching Party shall have [*] to either cure such breach or, if cure cannot be reasonably effected within such [*] period, to deliver to the other Party a plan for curing such breach which is reasonably sufficient to effect a cure. Such a plan shall set forth a program for achieving cure as rapidly as

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practicable. Following delivery of such plan, the breaching Party shall use Diligent Efforts to carry out the plan and cure the breach.

(b) If the Party receiving notice of breach fails to cure such breach within the [*] period, or the Party providing the notice reasonably determines that the proposed corrective plan or the actions being taken to carry it out is not commercially practicable, the Party originally delivering the notice may declare a breach hereunder upon [*] advance written notice.

(c) If a Party gives notice of termination under this Section 10.2 and the other Party disputes whether such notice was proper, then the issue of whether this Agreement has been terminated shall be resolved in accordance with Section 13.2. If as a result of such dispute resolution process it is determined that the notice of termination was proper, then such termination shall be deemed to have been effective [*] following the date of the notice of termination. If as a result of such dispute resolution process it is determined that the notice of termination was improper, then no termination shall have occurred and this Agreement shall have remained in effect.

10.3 Effect of Termination; Survival.

(a) In the event of termination of this Agreement for any reason other than material breach pursuant to Section 10.2, the following provisions of this Agreement shall survive: Article 1, Article 4 (except Section 4.1), Article 5, Article 8, Article 9, Section 11.3, Article 12 and Article 13.

(b) In the event of termination of this Agreement pursuant to Section 10.2, the provisions of this Agreement referenced in Section 10.3(a) shall survive, provided, however, that any licenses granted under this Agreement in favor of the breaching Party shall terminate. In such case, the non-breaching Party shall continue to hold the licenses granted hereunder, subject to the royalties set forth herein.

(c) In any event, termination of this Agreement shall not relieve the Parties of any liability which accrued hereunder prior to the effective date of such termination nor preclude either Party from pursuing all rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement nor prejudice either Party's right to obtain performance of any obligation.

11. REPRESENTATIONS AND COVENANTS

11.1 Mutual Authority. Exelixis and P&U each represents and warrants to the other that (i) it has the authority and right to enter into and perform this Agreement and (ii) its execution, delivery and performance of this Agreement will not conflict in any material fashion with the terms of any other agreement to which it is or becomes a party or by which it is or becomes bound. Exelixis represents and warrants that [*].

11.2 Rights in Technology. As of the Effective Date, each of Exelixis and P&U has sufficient right in and to its Pre-existing Technologies, free and clear of any liens or encumbrances, to grant the rights set forth in this Agreement. During the term of this

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Agreement, each Party will use Diligent Efforts not to diminish the rights under its Pre-existing Technologies, Sole Inventions or Joint Inventions granted to each other herein, including without limitation by not committing or permitting any acts or omissions which would cause the breach of any agreements between itself and Third Parties which provide for intellectual property rights applicable to the development, manufacture, use or sale of Products. Each Party agrees to provide promptly the other Party with notice of any such alleged breach. As of the Effective Date, each Party is in compliance in all material respects with any aforementioned agreements with Third Parties.

11.3 Performance by Affiliates. The Parties recognize that each may perform some or all of its obligations under this Agreement through Affiliates, provided, however, that each Party shall remain responsible and be guarantor of the performance by its Affiliates and shall cause its Affiliates to comply with the provisions of this Agreement in connection with such performance. In particular, if any Affiliate of a Party participates in research under this Agreement or with respect to Collaboration Compounds, (i) the restrictions of this Agreement which apply to the activities of a Party with respect to Selected Targets and Collaboration Compounds shall apply equally to the activities of such Affiliate, and (ii) the Party affiliated with such Affiliate shall assure, and hereby guarantees, that any intellectual property developed by such Affiliate shall be governed by the provisions of this Agreement (and subject to the licenses set forth in Article 5) as if such intellectual property had been developed by the Party. Notwithstanding the foregoing, [*] shall not apply to Artemis Pharmaceuticals GmbH ("Artemis"). Prior to the performance of any work under the Collaboration by Artemis, Exelixis shall enter into a license agreement with Artemis providing for P&U to receive rights under resulting Artemis discoveries consistent with the terms of this Agreement, which license agreement shall be in a form reasonably acceptable to P&U.

11.4 [*]. Except as disclosed to P&U, Exelixis represents and warrants that, [*].

11.5 [*]. Exelixis represents and warrants that, [*].

12. INDEMNIFICATION AND LIMITATION OF LIABILITY

12.1 Indemnification.

(a) P&U hereby agrees to defend and hold harmless Exelixis and its agents and employees from and against any and all suits, claims, actions, demands, liabilities, expenses and/or loss, including reasonable legal expenses and reasonable attorneys' fees ("Losses") resulting directly or indirectly from the manufacture, use, handling, storage, sale or other disposition of chemical agents, Selected Targets, Collaboration Compounds or Products by P&U or its Affiliates, agents or sublicensees except to the extent such Losses result from the negligence or wrongdoing of Exelixis.

(b) In the event that Exelixis is seeking indemnification under Section 12.1(a), it shall inform P&U of a claim as soon as reasonably practicable after it receives notice of the claim, shall permit P&U to assume direction and control of the defense of the claim (including the right to settle the claim solely for monetary consideration), and shall cooperate as requested by P&U (at the expense of P&U) in the defense of the claim.

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12.2 Limitation of Liability. EXCEPT AS SPECIFICALLY PROVIDED IN SECTION 12.1, IN NO EVENT SHALL EITHER PARTY, ITS DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR AFFILIATES BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, INCIDENTAL, SPECIAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES, WHETHER BASED UPON A CLAIM OR ACTION OF CONTRACT, WARRANTY, NEGLIGENCE, STRICT LIABILITY OR OTHER TORT, OR OTHERWISE, ARISING OUT OF THIS AGREEMENT. For clarification, the foregoing sentence shall not be interpreted to limit or to expand the express rights specifically granted in the sections of this Agreement.

13. MISCELLANEOUS

13.1 Effective Date. This Agreement shall become effective upon the closing of the purchase by P&U of (i) 2,500,000 shares of Exelixis Series D Preferred Stock pursuant to the Stock Purchase Agreement and (ii) a $7.5 million promissory note pursuant to the Note Purchase Agreement. The date on which this Agreement becomes effective under this Section 13.1 shall be the "Effective Date." If for any reason such closings do not occur on or before March 1, 1999, then this Agreement shall become automatically null and void, and shall have no further force or effect, without any further action by either Party.

13.2 Dispute Resolution. In the event of any controversy or claim arising out of, relating to or in connection with any provision of this Agreement, other than a dispute addressed in Section 2.6 or Section 13.4, the Parties shall try to settle their differences amicably between themselves first, by referring the disputed matter to the respective heads of research of each Party and, if not resolved by the research heads, by referring the disputed matter to the respective Chief Executive Officers of each Party. Either Party may initiate such informal dispute resolution by sending written notice of the dispute to the other Party, and, within 20 days after such notice, such representatives of the Parties shall meet for attempted resolution by good faith negotiations. If such personnel are unable to resolve such dispute within 30 days of their first meeting of such negotiations, either Party may seek to have such dispute resolved in any United States federal court of competent jurisdiction and appropriate venue. The Parties hereby consent to jurisdiction in the United States federal courts. If, notwithstanding such consent, United States federal courts would not have proper jurisdiction over a dispute, then such dispute may be submitted to any state court in the United States with proper jurisdiction and venue. The Parties agree that, except as provided in Section 13.4, any dispute under this Agreement shall be submitted exclusively to a state or federal court in the United States.

13.3 Governing Law. Resolution of all disputes arising out of or related to this Agreement or the performance, enforcement, breach or termination of this Agreement and any remedies relating thereto, shall be governed by and construed under the substantive laws of the State of Delaware, as applied to agreements executed and performed entirely in the State of Delaware by residents of the State of Delaware, without regard to conflicts of law rules.

13.4 Patents and Trademarks. Any dispute, controversy or claim relating to the scope, validity, enforceability or infringement of any Patent rights covering the manufacture, use or sale of any Product or of any trademark rights related to any Product shall be submitted to a court of competent jurisdiction in the territory in which such Patent or trademark rights were granted or arose.

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13.5 Entire Agreement; Amendment. This Agreement sets forth the complete, final and exclusive agreement and all the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties hereto and supersedes and terminates all prior agreements and understandings between the Parties. There are no covenants, promises, agreements, warranties, representations, conditions or understandings, either oral or written, between the Parties other than as are set forth herein and therein. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the Parties unless reduced to writing and signed by an authorized officer of each Party.

13.6 Export Control. This Agreement is made subject to any restrictions concerning the export of products or technical information from the United States of America or other countries which may be imposed upon or related to Exelixis or P&U from time to time. Each Party agrees that it will not export, directly or indirectly, any technical information acquired from the other Party under this Agreement or any products using such technical information to a location or in a manner that at the time of export requires an export license or other governmental approval, without first obtaining the written consent to do so from the appropriate agency or other governmental entity.

13.7 Bankruptcy.

(a) All rights and licenses granted under or pursuant to this Agreement, including amendments hereto, by each Party to the other Party are, for all purposes of Section 365(n) of Title 11 of the U.S. Code ("Title 11"), licenses of rights to intellectual property as defined in Title 11. Each Party agrees during the term of this Agreement to create and maintain current copies or, if not amenable to copying, detailed descriptions or other appropriate embodiments, to the extent feasible, of all such intellectual property. If a case is commenced by or against either Party (the "Bankrupt Party") under Title 11, then, unless and until this Agreement is rejected as provided in Title 11, the Bankrupt Party (in any capacity, including debtor-in-possession) and its successors and assigns (including, without limitation, a Title 11 Trustee) shall, at the election of the Bankrupt Party made within 60 days after the commencement of the case (or, if no such election is made, immediately upon the request of the non-Bankrupt Party) either (i) perform all of the obligations provided in this Agreement to be performed by the Bankrupt Party including, where applicable and without limitation, providing to the non-Bankrupt Party portions of such intellectual property (including embodiments thereof) held by the Bankrupt Party and such successors and assigns or otherwise available to them or (ii) provide to the non-Bankrupt Party all such intellectual property (including all embodiments thereof) held by the Bankrupt Party and such successors and assigns or otherwise available to them.

(b) If a Title 11 case is commenced by or against the Bankrupt Party and this Agreement is rejected as provided in Title 11 and the non-Bankrupt Party elects to retain its rights hereunder as provided in Title 11, then the Bankrupt Party (in any capacity, including debtor-in-possession) and its successors and assigns (including, without limitations, a Title 11 Trustee) shall provide to the non-Bankrupt Party all such intellectual property (including all embodiments thereof) held by the Bankrupt Party and such successors and assigns or otherwise available to them immediately upon the non-Bankrupt Party's written request therefor. Whenever the Bankrupt Party or any of its successors or assigns provides to the non-Bankrupt

Party any of the intellectual property licensed hereunder (or any embodiment thereof) pursuant to this Section 13.7, the non-Bankrupt Party shall have the right to perform the obligations of the Bankrupt Party hereunder with respect to such intellectual property, but neither such provision nor such performance by the non-Bankrupt Party shall release the Bankrupt Party from any such obligation or liability for failing to perform it.

(c) All rights, powers and remedies of the non-Bankrupt Party provided herein are in addition to and not in substitution for any and all other rights, powers and remedies now or hereafter existing at law or in equity (including, without limitation, Title 11) in the event of the commencement of a Title 11 case by or against the Bankrupt Party. The non-Bankrupt Party, in addition to the rights, power and remedies expressly provided herein, shall be entitled to exercise all other such rights and powers and resort to all other such remedies as may now or hereafter exist at law or in equity (including, without limitation, under Title 11) in such event. The Parties agree that they intend the foregoing non-Bankrupt Party rights to extend to the maximum extent permitted by law and any provisions of applicable contracts with Third Parties, including without limitation for purposes of Title 11, (i) the right of access to any intellectual property (including all embodiments thereof) of the Bankrupt Party or any Third Party with whom the Bankrupt Party contracts to perform an obligation of the Bankrupt Party under this Agreement, and, in the case of the Third Party, which is necessary for the development, registration and manufacture of licensed products and (ii) the right to contract directly with any Third Party described in (i) in this sentence to complete the contracted work. Any intellectual property provided pursuant to the provisions of this Section 13.7 shall be subject to the licenses set forth elsewhere in this Agreement and the payment obligations of this Agreement, which shall be deemed to be royalties for purposes of Title 11.

13.8 Force Majeure. Both Parties shall be excused from the performance of their obligations under this Agreement to the extent that such performance is prevented by force majeure and the nonperforming Party promptly provides notice of the prevention to the other Party. Such excuse shall be continued so long as the condition constituting force majeure continues and the nonperforming Party takes reasonable efforts to remove the condition. For purposes of this Agreement, force majeure shall include conditions beyond the control of the Parties, including without limitation, an act of God, voluntary or involuntary compliance with any regulation, law or order of any government, war, civil commotion, labor strike or lock-out, epidemic, failure or default of public utilities or common carriers, destruction of production facilities or materials by fire, earthquake, storm or like catastrophe; provided, however, the payment of invoices due and owing hereunder shall not be delayed by the payer because of a force majeure affecting the payer.

13.9 Notices. Any notice required or permitted to be given under this Agreement shall be in writing, shall specifically refer to this Agreement and shall be deemed to have been sufficiently given for all purposes if mailed by first class certified or registered mail, postage prepaid, express delivery service or personally delivered. Unless otherwise specified in writing, the mailing addresses of the Parties shall be as described below.

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For Exelixis: Exelixis Pharmaceuticals, Inc.
260 Littlefield Avenue
South San Francisco, CA 94080
Attention: Chief Executive Officer

With a copy to: Cooley Godward LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306
Attention: Robert L. Jones, Esq.

For P&U: Pharmacia & Upjohn
95 Corporate Drive
Bridgewater, NJ 08807
Attention: General Counsel

With a copy to: Pharmacia & Upjohn AB
Lindhagensgatan 133, S-112 87
Stockholm, Sweden
Attention: Associate General Counsel

13.10 Consents Not Unreasonably Withheld or Delayed. Whenever provision is made in this Agreement for either Party to secure the consent or approval of the other, that consent or approval shall not unreasonably be withheld or delayed, and whenever in this Agreement provisions are made for one Party to object to or disapprove a matter, such objection or disapproval shall not unreasonably be exercised.

13.11 Maintenance of Records. Each Party shall keep and maintain all records required by law or regulation with respect to Products and shall make copies of such records available to the other Party upon request.

13.12 United States Dollars. References in this Agreement to "Dollars" or "$" shall mean the legal tender of the United States of America.

13.13 No Strict Construction. This Agreement has been prepared jointly and shall not be strictly construed against either Party.

13.14 Assignment. Neither Party may assign or transfer this Agreement or any rights or obligations hereunder without the prior written consent of the other, except a Party may make such an assignment without the other Party's consent to an Affiliate or to a successor to substantially all of the business of such Party, whether in a merger, sale of stock, sale of assets or other transaction. Any permitted successor or assignee of rights and/or obligations hereunder shall, in a writing to the other Party, expressly assume performance of such rights and/or obligations. Any permitted assignment shall be binding on the successors of the assigning Party. Any assignment or attempted assignment by either Party in violation of the terms of this Section 13.14 shall be null and void and of no legal effect.

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13.15 Hardship. If, during the term of the Agreement, performance of the Agreement should lead to unreasonable hardship for one or other Party taking the interests of both Parties into account both Parties shall endeavor to agree in good faith to amend the Agreement in the light of the change in circumstances.

13.16 Electronic Data Interchange. If both Parties elect to facilitate business activities hereunder by electronically sending and receiving data in agreed formats (also referred to as Electronic Data Interchange or "EDI") in substitution for conventional paper-based documents, the terms and conditions of this Agreement shall apply to such EDI activities.

13.17 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.18 Further Actions. Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

13.19 Severability. If any one or more of the provisions of this Agreement is held to be invalid or unenforceable by any court of competent jurisdiction from which no appeal can be or is taken, the provision shall be considered severed from this Agreement and shall not serve to invalidate any remaining provisions hereof. The Parties shall make a good faith effort to replace any invalid or unenforceable provision with a valid and enforceable one such that the objectives contemplated by the Parties when entering this Agreement may be realized.

13.20 Ambiguities. Ambiguities, if any, in this Agreement shall not be construed against any Party, irrespective of which Party may be deemed to have authored the ambiguous provision.

13.21 Headings. The headings for each article and section in this Agreement have been inserted for convenience of reference only and are not intended to limit or expand on the meaning of the language contained in the particular article or section.

13.22 No Waiver. Any delay in enforcing a Party's rights under this Agreement or any waiver as to a particular default or other matter shall not constitute a waiver of such Party's rights to the future enforcement of its rights under this Agreement, excepting only as to an express written and signed waiver as to a particular matter for a particular period of time.

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IN WITNESS WHEREOF, the Parties have executed this Agreement in duplicate originals by their proper officers as of the date and year first above written.

PHARMACIA & UPJOHN AB	EXELIXIS PHARMACEUTICALS, INC.
By: /s/ Goran A. Ando	By: /s/ George A. Scangos, Ph.D.
Title: [*] [Executive Vice President, Pharmacia & Upjohn, Inc.]	Title: President & CEO
Date: Feb. 23, 1999	Date: Feb. 18, 1999

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EXHIBIT A

TOP 20 PHARMACEUTICAL COMPANIES

Merck & Co., Inc.
Johnson & Johnson
Novartis Group
Bristol-Myers Squibb Co.
American Home Products Corp./Monsanto Co.
Glaxo Wellcome Plc.
SmithKline Beecham Plc.
Pfizer, Inc.
Abbott Laboratories
Roche Holding Ltd.
Hoechst Group
Eli Lilly and Co.
Bayer Group
Schering-Plough Corp.
Pharmacia & Upjohn, Inc.
Warner-Lambert Co.
BASF Group
Baxter International, Inc.
Astra AB
Rhone-Poulenc S.A.

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EXHIBIT B

THIRD PARTY TECHNOLOGY

TECHNOLOGY/1/	LICENSOR	AGREEMENT TITLE	AGREEMENT DATE
[*]	[*]	Letter Agreement	[*]
[*]	[*]	License Agreement	[*]
		Amendment to License Agreement	[*]
[*]	[*]	License Agreement	[*]
		Amendment to License Agreement	[*]
[*]	[*]	Non-Exclusive License Agreement for Internal Research Use Only	[*]
[*]	[*]	License Agreement	[*]
[*]	[*]	License Agreement	[*]
[*]	[*]	License Agreement	[*]
[*]	[*]	License Agreement	[*]

- ---------------------------------
/1/ A general description of the technology licensed by Exelixis. Please see cited license agreement(s) for more detailed information regarding the scope of Exelixis' rights with respect to such technology.
/2/ [*]

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EXHIBIT C

PRESS RELEASE

DRAFT- 2/23/99

EXELIXIS PHARMACEUTICALS AND PHARMACIA & UPJOHN FORM RESEARCH COLLABORATION

Collaborative Research Agreement to Focus on the Identification of Novel Targets in the Areas of Alzheimer's Disease and Metabolic Syndrome.

South San Francisco, CA and Bridgewater, NJ, February 24, 1999 - Exelixis Pharmaceuticals, Inc. and Pharmacia & Upjohn, Inc. announced today the signing of a five-year research collaboration focused on the identification of novel targets for small molecule therapeutics in the areas of Alzheimer's disease and Metabolic Syndrome, including diabetes and obesity.

Exelixis will utilize its proprietary PathFinder(TM) Technology coupled with genomic and computational biology technologies to identify and validate novel targets for drug discovery. It is anticipated that Exelixis' affiliate, Artemis Pharmaceuticals GmbH, will also participate in the collaboration.

"This collaboration with P&U is our first in what we anticipate will be a series of relationships with major pharmaceutical companies," said George Scangos, Ph.D. President and Chief Executive Officer of Exelixis. "Pharmacia & Upjohn's investment in the broad-based technology platform and intellectual capital provided by Exelixis is an endorsement of our ability to focus the power of genetics and genomics towards the acceleration of drug discovery."

Added Geoffrey Duyk, M.D., Ph.D. Chief Scientific Officer at Exelixis: :"Genetic tools offer the most definitive biological test of the therapeutic potential of modulating the activity of a candidate target. Targets selected on this basis will increase the likelihood that compounds directed against the target will result in an effective new therapeutic agent."

"The ability to efficiently and accurately identify controlling genes in disease and physiologic pathways is a critical success factor in drug discovery," said Goran Ando, M.D., Executive Vice President and President of Research and Development at Pharmacia & Upjohn "Exelixis is well qualified to complement Pharmacia & Upjohn drug discovery expertise in this regard."

Under the terms of the agreement, Exelixis will receive substantial committed funding in the form of research support, upfront payment and equity during the initial five-year term. Exelixis also will potentially receive milestone payments, as well as royalties based on the future sales of products arising from the collaboration. A portion of Pharmacia & Upjohn's equity investment in Exelixis will be made after Exelixis' Initial Public Offering. Financial details of the agreement were not disclosed.

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Within the collaboration, and subject to certain rights of P&U, Exelixis has retained the rights to develop small molecule therapeutics outside the field of the sponsored research as well as in the field(s) of research for targets not selected by Pharmacia & Upjohn. In addition, Exelixis retains all rights with respect to agriculture, animal health, and, subject to certain rights of P&U, rights for the development of potential biotherapeutic products arising from the collaboration.

Exelixis Pharmaceuticals, Inc., together with its affiliate, Artemis Pharmaceuticals GmbH, represent the premiere model system genetics biopharmaceutical organization focused on the identification and validation of novel screening targets and proteins for the pharmaceutical, diagnostic, agricultural, and animal health industries. Their PathFinder(TM) Technology utilizes a systematic genetics approach in model organisms including Drosophila, C. elegans, zebrafish and mice to identify critical genes in disease and physiological pathways, determine functional relationships and select optimal targets for intervention. Exelixis' drug discovery programs include the areas of CNS, inflammation, metabolic disease, and oncology. Information about Exelixis including news releases are available on the Company's website at: http//www.exelixis.com.

Pharmacia & Upjohn is a global innovation driven pharmaceutical and health care company. Pharmacia & Upjohn's products, services and employees demonstrate its commitment to improve wellness and quality of life for people around the world.

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EXHIBIT 10.15

FIRST AMENDMENT TO COLLABORATION AGREEMENT

This First Amendment to the Collaboration Agreement (this "Amendment") is entered into as of October __, 1999 by and between EXELIXIS PHARMACEUTICALS, Inc., a Delaware corporation having its principal place of business at 260 Littlefield Avenue, South San Francisco, California, USA 94080 ("Exelixis"), and PHARMACIA & UPJOHN AB, a corporation organized and existing under the laws of Sweden having a place of business at Lindhagensgatan 133, S-112 87 Stockholm, Sweden ("P&U").

Recitals

A. Exelixis and P&U have previously entered into the Collaboration Agreement dated February 26, 1999 (the "Agreement"). All capitalized terms used but not otherwise defined herein shall have the meanings given such terms in the Agreement.

B. In accordance with Section 13.5 of the Agreement, Exelixis and P&U desire to amend the Agreement to expand the Collaboration to include mode of action projects in the Fields and to cover certain investigational materials provided by P&U to Exelixis for use in the Collaboration.

NOW, THEREFORE, Exelixis and P&U agree that the Agreement shall be amended as provided below:

1. The following defined terms shall replace the corresponding, current defined terms in Article 1 of the Agreement (DEFINITIONS) or, as the case may be, be inserted as new defined terms in such Article 1:

"Candidate Target" [*]

""Collaboration Compound" means any molecule, other than a P&U Compound, that (a) has a molecular weight less than or equal to [*], (b) has the ability to inhibit, activate or otherwise modulate the activity of a Mammalian Target or its encoded protein and (c) is discovered, identified or synthesized by or on behalf of P&U or its Affiliate or sublicensee.

"Exclusive Selected Target" means any Candidate Target, other than a Restricted Target, that has been selected as set forth in Section 4.1 of the Agreement.

"Invertebrate Target" is any Target from an invertebrate organism.

"Investigational Materials" means (i) tangible samples of drugs, chemicals, biologicals and the like ("Basic Materials"), (ii) any P&U Compound, (iii) unmodified descendants from Basic Materials, such as virus from virus, cell from cell, or organism from organism ("Progeny"), (iv) substances isolated from Basic Materials or Progeny which constitute an unmodified functional subunit thereof, (v) products expressed by Basic Materials or Progeny (e.g., proteins expressed by DNA/RNA, monoclonal antibodies secreted by a hybridoma cell line, antibiotic substances elicited from organisms, and the like), (vi) substances created by Exelixis which contain/incorporate Basic Materials or Progeny or functional subunits thereof or (vii) substances/chemical entities created by altering any of the foregoing.

"Known Target" means a Mammalian Target which is, at the time P&U provides the applicable P&U Compound to Exelixis, known to be or believed, based on reasonable scientific evidence, to be the target for activity of such P&U Compound.

"Mammalian Target" [*]

"Mode of Action Project(s)" has the meaning assigned to it in Section 3.11.

"Non-Exclusive Selected Target" means any Restricted Target that has been selected as set forth in Section 4.1 of the Agreement.

"Novel Target" means any Mammalian Target that is not a Known Target.

"P&U Compound" means a molecule that P&U reasonably believes has therapeutic potential in the Field of Metabolic Syndrome or in the Field of Alzheimer's Disease and that is provided by P&U to Exelixis for a Mode of Action Project in such Field.

"Product" means any human therapeutic or prophylactic product that comprises or incorporates a Collaboration Compound that inhibits, activates or otherwise modulates the activity of a Novel Target, but excluding products where (i) [*] and (ii) [*].

"Research Project" means the planning, execution, and analysis of a research project, including without limitation, Mode of Action Projects, focused on a particular area of research within a Field based on a mutually acceptable definition of a clinical indication, biochemical pathway or biological process or related clinical indications, biochemical pathways or biological processes. A Research Project will typically be defined by (a) [*] and will be initiated with [*], or (b) in the case of a Mode of Action Project, a P&U Compound.

"Research Results" means the data and other results generated by Exelixis in the course of a Mode of Action Project.

"Restricted Target" means any Candidate Target for which, on account of Exelixis' obligations to a Third Party with respect to such Target: (a) Exelixis cannot grant an exclusive license to P&U for such Target and/or (b) Exelixis cannot perform any further work within the Collaboration on such Target once the identity of such Target becomes known to Exelixis.

"Royalty-Free Product" means any human therapeutic or prophylactic product that (a) comprises or incorporates a Collaboration Compound that inhibits, activates or otherwise modulates the activity of a Known Target and (b) does not comprise or incorporate a Collaboration Compound that inhibits, activates or otherwise modulates the activity of a Novel Target.

"Selected Target" means an Exclusive Selected Target or a Non-Exclusive Selected Target.

"Target" is any gene or gene product identified in the course of the Collaboration or using results generated during the Collaboration, including without limitation, an Invertebrate Target, Candidate Target, Selected Target, Abandoned Target, Mammalian Target, Novel Target or Known Target."

2. The third sentence in Section 3.1 of the Agreement shall be replaced with the following:

"Each Research Program will involve a number of specific Research Projects, each focused on either (a) [*] or (b) in the case of a Mode of Action Project, a particular P&U Compound for conducting experiments to identify genes, proteins and controlling factors involved in a model organism's response to such P&U Compound."

3. A new Section 3.11 shall be inserted in to the Agreement as follows:

"3.11 Mode of Action Projects.

(a) The Parties intend to undertake certain "mode of action" projects ("Mode of Action Projects") to identify Targets related to the action of P&U Compounds for use in discovery and development of small molecule drugs to treat humans. Each JSC shall recommend to the JMT and the JMT shall determine the number of FTEs to be allocated, [*], to the performance of Mode of Action Projects in such Research Program. The total number of FTEs allocated to the performance of Mode of Action Projects under the Collaboration shall not exceed [*] without the approval of the Parties.

(b) For each Mode of Action Project, P&U shall provide to Exelixis a P&U Compound in a coded, "blind" format without any structural information. P&U shall make known to Exelixis the Applicable Field for each P&U Compound at the time of delivery of such P&U Compound.

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(c) P&U shall inform Exelixis prior to the start of any Mode of Action Project if the P&U Compound investigated in such Mode of Action Project has a Mammalian Target that is a Known Target, and P&U shall concurrently file documents in escrow with its Legal Department that set forth the identity of such Known Target. During the Research Term, Exelixis shall not be obliged to work on more than [*] which have Mammalian Targets that are Known Targets.

(d) Exelixis shall initially evaluate the feasibility of identifying Invertebrate Target(s) for each P&U Compound that it receives. Such initial research shall include optimization of the delivery of such P&U Compound to a model system organism and analysis of any phenotype arising in said model system organism as a result of P&U Compound delivery. Exelixis shall report the data arising from such initial research to the JSC.

(e) The JSC shall review the initial data for each P&U Compound, decide whether Exelixis should perform further research on such P&U Compound, and prioritize any such further research relative to the other work to be performed by Exelixis under the Research Program. Exelixis shall proceed in an orderly fashion, based on such prioritization and the number of FTEs then committed to the Mode of Action Projects, to perform research to identify Invertebrate Target(s) of each such P&U Compound selected by the JSC for further work. Such research may include: (i) experiments in which [*]; (ii) experiments in which [*]; and (iii) performance of [*]. Exelixis shall report to the JSC the data arising from such further research and the identity of any Invertebrate Target then known by Exelixis to be a Restricted Target.

(f) The JSC shall review all additional data for each P&U Compound, select no more than [*] Invertebrate Targets (other than Restricted Targets) per P&U Compound for molecular analysis by Exelixis, and prioritize any such molecular research relative to the other work to be performed by Exelixis under the Research Program. Exelixis shall proceed in an orderly fashion, based on the JSC's prioritization and the number of FTEs then committed to the Mode of Action Projects, to: (i) identify the nucleic acid sequence encoding each such Invertebrate Target selected by the JSC (unless such sequence is already publicly available); and (ii) undertake a good faith search of publicly available databases for the mammalian orthologue(s) of such Invertebrate Targets.

(g) Except as set forth in this Section 3.11(g), the Parties' rights and obligations regarding any Target arising from a Mode of Action Project shall be identical to that for any Target arising from a Research Project other than a Mode of Action Project. In the event that Exelixis discovers that a Target identified in a Mode of Action Project is a Restricted Target, Exelixis shall immediately cease all work on such Restricted Target. Any Restricted Target selected pursuant to Section 4.1 shall be deemed a Non-Exclusive Selected Target, and P&U shall have the rights set forth in Sections 5.1(b) and 5.1(c) with respect to such Non-Exclusive Selected Target. Any Target other than a Restricted Target that is selected pursuant to Section 4.1 shall be deemed an Exclusive Selected Target,

and P&U shall have the rights set forth in Sections 5.1(a) and 5.1(b) with respect to such Exclusive Selected Target. The milestone and royalty obligations set forth in Sections 7.4 and 7.5 shall apply equally to Exclusive Selected Targets and Non-Exclusive Selected Targets and all Products arising therefrom."

4. Section 4.2 of the Agreement shall be replaced with the following:

"4.2 Pursuit of Selected Targets. P&U must use good faith Diligent Efforts to validate Exclusive Selected Targets or their Mammalian Targets, develop assays to assess the activity of Exclusive Selected Targets or their Mammalian Targets, use assays to discover Collaboration Compounds directed at particular Exclusive Selected Targets or their Mammalian Targets, develop and commercialize [*] Product per Exclusive Selected Target, and pay the applicable royalties set forth in Section 7.5. P&U's diligence obligations under this Section 4.2 for the period prior to the initiation of an active research and development program for a Collaboration Compound active against a particular Exclusive Selected Target or one of its Mammalian Targets will be deemed satisfied if P&U: (i) develops a screening assay for the activity of an Exclusive Selected Target or one of its Mammalian Targets and initiates screening for modulators of the activity of the Exclusive Selected Target or one of its Mammalian Targets within [*] of the date on which the JSC selected such Exclusive Selected Target, provided that, upon reasonable request by P&U, the JMT shall grant up to an additional [*] and (ii) initiates a program of lead optimization and/or medicinal chemistry around lead compounds active in such assay within [*] of the date on which P&U initiates screening for modulators of the activity of such Exclusive Selected Target or one of its Mammalian Targets."

5. Section 4.3 of the Agreement shall be replaced with the following:

"4.3 Sharing of Biological Data. P&U shall provide Exelixis with copies of all data generated by or on behalf of P&U or its Affiliate or sublicensee in the course of validating a Selected Target or a Mammalian Target, characterizing the biological function of a Selected Target or a Mammalian Target or identifying other genes or proteins that interact with a Selected Target or a Mammalian Target. Exelixis may use such data for any purpose other than developing for use in the Applicable Field products comprising or incorporating small molecule compounds directed at such Selected Target or such Mammalian Target."

6. Section 4.4(a) of the Agreement shall be replaced with the following:

"4.4 Target Abandonment.

(a) [*]"

7. Section 4.5 of the Agreement shall be replaced with the following:

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"4.5 Targets Other Than Selected Targets. Exelixis shall retain all rights to any Target that (i) does not fulfill the criteria for a Candidate Target, (ii) is not selected by the applicable JSC as a Selected Target, and such Targets shall not be subject to any terms of this Agreement other than those set forth in Section 5.4(b), or (iii) is not a Mammalian Target."

8. Section 4.6 of the Agreement shall be amended by inserting "Mammalian Targets," in the first sentence between "Selected Targets," and "Collaboration Compounds".

9. Section 4.7 of the Agreement shall be amended by inserting "Mammalian Target" after "Selected Target".

10. A new Section 4.8 shall be inserted in to the Agreement as follows:

"4.8 Investigational Materials.

(a) The transfer of Investigational Materials from P&U to Exelixis is essential to the success of the Collaboration. The Investigational Materials are and at all times will remain the property of P&U. Nothing in this Agreement or the transfer of the Investigational Materials hereunder shall be construed to grant an express or implied license to the Investigational Materials to Exelixis. Exelixis' rights hereunder shall be limited to the right to use the Investigational Materials solely for the purposes of this Agreement. P&U warrants that [*].

(b) Exelixis agrees, upon the written request by P&U, to accept those Investigational Materials that are P&U Compounds without knowledge of their identity or structures, and not to undertake to determine the identity or structure of any such Investigational Materials.

(c) Exelixis agrees that the Investigational Materials are a part of P&U's Confidential Information and as such are subject to the obligations of confidentiality provided in Article 9 of this Agreement. Exelixis will at all times retain control of the Investigational Materials and will provide the Investigational Materials only to Exelixis employees who are directly involved in providing services under this Agreement. Exelixis shall not transfer or disclose to any Third Party any Investigational Materials without the prior written consent of P&U.

(d) P&U shall provide Exelixis with information in P&U's possession regarding the safe handling of the Investigational Materials and laws and regulations that apply to the use and/or disposal of the Investigational Materials, including without limitation those regarding biological materials such as NIH or equivalent guidelines for work with recombinant DNA.

(e) THE INVESTIGATIONAL MATERIALS ARE EXPERIMENTAL IN NATURE AND ARE PROVIDED WITHOUT ANY WARRANTY AS TO THEIR SAFETY OR FITNESS FOR ANY PARTICULAR PURPOSE OR USE.

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(f) Without limiting the warranty provided by P&U in subsection (a) above, acceptance of the Investigational Materials will constitute Exelixis' acceptance of all liability for any damages or injuries resulting from Exelixis' possession or use of the Investigational Materials in a manner that (i) does not comply with the safe handling information provided by P&U or (ii) is negligent or wrongful.

(g) Exelixis agrees to return or destroy any unused Investigational Materials in accordance with written instructions from P&U."

11. Section 5.1 of the Agreement shall be replaced with the following:

"5.1 License to P&U.

(a) Subject to the terms of this Agreement, Exelixis hereby grants P&U an exclusive, worldwide, royalty-bearing license (with the right to sublicense) under the Pre-existing Technologies and Sole Inventions Controlled by Exelixis and under Exelixis' interest in the Joint Inventions (i) to use each Exclusive Selected Target and its Mammalian Target(s) to search for Collaboration Compounds directed at such Mammalian Target(s) for activity within the Applicable Field, (ii) to develop, for use in the Applicable Field, Products and Royalty-Free Products comprising or incorporating such Collaboration Compounds, (iii) to develop, following [*], such Product or Royalty-Free Product for any human indication, and (iv) to make, have made, use, sell, offer to sell and have sold such Products and Royalty-Free Products.

(b) Subject to the terms of this Agreement, Exelixis hereby grants P&U an exclusive, worldwide, royalty-bearing license (with the right to sublicense) to use the Research Results pertaining to Selected Targets in the Applicable Field.

(c) Subject to the terms of this Agreement, Exelixis hereby grants P&U a nonexclusive, worldwide, royalty-bearing license (with the right to sublicense) under the Pre-existing Technologies and Sole Inventions, in each case to the extent Controlled, at the time of Target selection, by Exelixis, and under Exelixis' interest in the Joint Inventions (i) to use each Non-Exclusive Selected Target and its Mammalian Target(s) to search for Collaboration Compounds directed at such Mammalian Target(s) for activity within the Applicable Field, (ii) to develop, for use in the Applicable Field, Products and Royalty-Free Products comprising or incorporating such Collaboration Compounds, (iii) to develop, following [*], such Product or Royalty-Free Product for any human indication, and (iv) to make, have made, use, sell, offer to sell and have sold such Products and Royalty-Free Products."

12. Section 5.2 of the Agreement shall be amended by (i) inserting "Mammalian Target," after the first occurrence of "Selected Target," in the first sentence, (ii) inserting ", Mammalian Targets" after "Selected Targets" in the first sentence, (iii) replacing the

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second occurrence of "Selected Target" in the first sentence with "Mammalian Target", and (iv) inserting "or Mammalian Target" after "Selected Target in the second sentence.

13. Section 5.3(a) of the Agreement shall be amended by inserting "and/or its Mammalian Target(s)" after each occurrence of "Selected Target".

14. Section 5.4(a) of the Agreement shall be amended by inserting "or Mammalian Target" after each occurrence of "Selected Target" in every sentence but the final sentence. In the final sentence, "and its Mammalian Target(s)" shall be inserted after the first occurrence of "Selected Target".

15. The second sentence of Section 5.5 of the Agreement shall be amended by replacing "Selected Target" by "Mammalian Target".

16. The last paragraph of Section 6.2 of the Agreement shall be replaced with the following:

"The exclusivity of the licenses granted to P&U in Sections 5.1(a) and 5.1(b) shall be subject to the grant of licenses to Third Parties consistent with paragraphs (a) and (b) of this Section 6.2. Upon request of the JMT, Exelixis shall consult with the JMT from time to time regarding its procedures for seeking to avoid overlapping research activities on behalf of multiple Third Parties. The Parties acknowledge and agree that the restrictions set forth in this Section 6.2 shall not apply to any Mode of Action Project."

17. Section 7.4 of the Agreement shall be amended by inserting "[*]" in the first sentence after "Selected Target,".

18. Section 7.5 of the Agreement shall be amended by inserting the following after the last sentence of the last paragraph thereof:

"The royalty payments set forth in this Section 7.5 shall apply to every Product, regardless of whether it arose from an Exclusive Selected Target or a Non-Exclusive Selected Target. The Parties agree that P&U shall not be obliged to make royalty payments to Exelixis for Royalty-Free Products."

19. The second sentence of Section 9.6 of the Agreement shall be amended by inserting ", Mammalian Target" between "Selected Target" and "or Product".

20. The second sentence of Section 11.3 of the Agreement shall be amended by inserting ", Mammalian Targets" between "Selected Targets" and "and Collaboration Compounds".

21. Section 12.1(a) of the Agreement shall be replaced with the following:

"12.1 Indemnification.

(a) P&U hereby agrees to defend and hold harmless Exelixis and its agents and employees from and against any and all suits, claims, actions,

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demands, liabilities, expenses and/or loss, including reasonable legal expenses and reasonable attorneys' fees ("Losses") resulting directly or indirectly from (i) the manufacture, use, handling, storage, sale or other disposition of chemical agents, Selected Targets, Mammalian Targets, Collaboration Compounds or Products by P&U or its Affiliates, agents or sublicensees except to the extent such Losses result from the negligence or wrongdoing of Exelixis, (ii) Exelixis' infringement of an intellectual property right of a Third Party through Exelixis' use of the Investigational Materials, or (iii) Exelixis' possession, use or disposal of the Investigational Materials in compliance with the safe handling information provided by P&U, except to the extent such Losses result from the negligence or wrongdoing of Exelixis."

The parties agree that this Amendment shall take effect retroactively as of the Effective Date of the Agreement (as defined in Section 13.1 of the Agreement).

Except as amended hereby, the Agreement shall remain in full force and effect.

EXELIXIS PHARMACEUTICALS, INC.	PHARMACIA & UPJOHN AB
By: /s/ George A. Scangos, Ph.D.	By: /s/ Goran A. Ando
Name: George A. Scangos, Ph.D.	Name: Goran A. Ando
Title: President & CEO	Title: [*] [Executive Vice President, Pharmacia & Upjohn, Inc.]

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EXHIBIT 10.16

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ASSET PURCHASE AGREEMENT

among:

Exelixis Pharmaceuticals, Inc.
a Delaware corporation;

MetaXen LLC
a Delaware limited liability company;

And

Xenova Group plc
a corporation organized under the laws of England.

Dated as of July 11, 1999

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EXHIBITS

Exhibit A: Employees

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Exhibit E: Form of Opinion (Xenova's Counsel)

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement is entered into as of July 11, 1999 (the "Effective Date"), by and between Exelixis Pharmaceuticals, Inc., a Delaware corporation ("Purchaser"), Xenova Group plc, a corporation organized under the laws of England ("Xenova") and MetaXen LLC, a Delaware limited liability company and majority-owned subsidiary of Xenova ("Seller"). Certain capitalized terms used in this Agreement are defined in Exhibit B.

Recitals

A. Seller is engaged and has been engaged in the business of providing customized scientific research services in connection with the design and synthesis of pharmaceuticals (Seller's activities and operations being herein referred to as the "Business").

B. Seller, together with its parent company, Xenova, have been engaged in performing collaborative research pursuant to an agreement with Eli Lilly & Co. (the "Lilly Contract" as hereinafter defined).

C. Seller and Xenova desire to sell and assign to Purchaser certain of the assets used in Seller's business, to have Purchaser assume certain of Seller's liabilities from such business, and to have Purchaser perform certain services on Seller's behalf under the Lilly Contract.

D. Purchaser desires to purchase such assets and assume such from Seller, and perform certain responsibilities on a subcontractor basis for Seller under Seller's agreement with Lilly, on the terms set forth herein.

Agreement

Purchaser, Seller and Xenova, intending to be legally bound, agree as follows:

1. Purchase and Sale of Assets; Assumption of Liabilities; Related Agreements

1.1 Assets to be Transferred. Upon the terms and subject to the conditions of this Agreement, on the Closing Date (as hereinafter defined), Seller shall, and Xenova shall cause Seller to, sell, transfer, convey, assign, grant and deliver to Purchaser, and Purchaser shall purchase, acquire and receive, the following properties, rights, claims and assets used in the Business:

(a) Equipment. All equipment and other assets subject to (i) the Loan and Security Agreement between MMC/GATX Partnership No.1 and Seller dated July 31, 1997 (the "MMC Agreement"), which equipment and other assets are identified in Part 1.1(a)(i) of the Disclosure Schedule, (ii) the Master Lease Agreement between Comdisco and Seller dated July 24, 1997 (the "Comdisco Agreement"), which equipment and other assets are identified in Part 1.1(a)(ii) of the Disclosure Schedule (the "Equipment") and such additional equipment and other assets owned by Seller as are identified on Part 1.1(a)(iii) of the Disclosure Schedule.

(b) Contracts. All of Seller's rights under the Seller Contracts listed in Part 1.1(b) of the Disclosure Schedule (the "Assumed Contracts").

(c) Inventory. All research supplies and such other assets used in the conduct of Seller's research and development activities (other than the Equipment) as are listed on Part 1.1(c) of the Disclosure Schedule (the "Inventory").

(d) Prepaid Expenses. All of Seller's rights under purchase orders or contracts for the prepaid items and services listed on Part 1.1(d) of the Disclosure Schedule (the "Prepaid Expenses").

All of the foregoing assets are hereinafter collectively referred to as the "Purchased Assets."

All other assets of Seller including, without limitation, proprietary rights of Seller, Xenova and any third party; accounts receivable; equipment; and other tangible and intangible personal property, remain the property of Seller and are not subject to this Agreement. The parties agree that the removal of such of assets from the premises described in Section 1.6, including without limitation, proprietary software, data, databases, and other proprietary or otherwise confidential information, shall be the responsibility of Seller. Without limiting the foregoing, certain files, records, data or other assets which are required for Purchaser to perform its obligations under any subcontract it may enter into with respect to the Lilly Contract as provided in Section 1.5 ("Lilly-Related Materials") shall not be removed from Purchaser's premises until the end of Purchaser's transitional responsibilities, if any, under any such subcontract. During Purchaser's transitional responsibilities under any such subcontract, Purchaser shall cooperate with Seller to use commercially reasonable efforts to segregate or otherwise limit access to any Lilly-Related Materials as necessary to meet any confidentiality and nondisclosure obligations that Seller may have under or relating to the Lilly Contract.

1.2 MetaXen Employees. On or promptly following the Effective Date, in connection with Purchaser's acquisition of the Purchased Assets pursuant to this Agreement, Purchaser shall extend employment offers to all Seller employees set forth on Exhibit A (the "Employees"). Such offers shall be for employment "at-will" on terms and conditions to be negotiated between Purchaser and such employees, including without limitation appropriate equity and cash compensation and benefits packages that when taken as a whole are no less favorable to such employees than those provided by Seller to such employees. Xenova and Seller shall use their Best Efforts to avoid the loss of any employees during the PreClosing Period. If the Closing is delayed until after July 30, 1999 pursuant to Section 1.11 then Xenova and Seller will use Best Efforts to transfer Employees not involved in the performance of research and development activities pursuant to the Lilly Contract to Purchaser during the Pre-Closing Period, and shall take all actions necessary to enable the transfer of any such Employees that are performing research and development activities under the Lilly Contract to Purchaser promptly after the first to occur of (i) the execution of a subcontract agreement between Seller and Purchaser as set forth in Section 1.5 and the concurrence therein by Lilly, and (ii) the completion of each such Employee's research and development obligations under the Lilly Contract (with the transfer of all Employees accepting Purchaser's offer of employment to occur

no later than September 30, 1999). The parties shall cooperate to achieve a smooth transition for such employees to Purchaser after the Closing Date.

1.3 Know-How License Grant. The parties acknowledge that in the course of conducting lead discovery work for Seller, the Employees learned certain skills that may be covered by Seller's intellectual property rights and that such Employees are likely to retain such skills. Seller hereby grants to Purchaser a perpetual, nonexclusive, royalty-free, sublicensable license under Seller's know-how to continue to practice methods of utilizing equipment, running tests or performing assays. Subject to Sections 1.4 and 1.5, such license shall specifically exclude (i) any rights to practice any patents or to use any software owned by Seller and (ii) any rights to Seller's proprietary software, data, databases, or Seller's proprietary equipment, tests or assays related to ADME, plasminogen activator inhibitor, multidrug resistance, the performance of the Lilly Contract or other of Seller's and Xenova's proprietary assays, and (iii) any of Seller's and Xenova's proprietary predictive modeling technologies. ("Retained IP") However, Purchaser may obtain rights under Retained IP relating to (i) software, (ii) proprietary equipment, tests or assays related to ADME, and (iii) predictive modeling technologies ("Licensable IP") by exercising its right of negotiation provided in Section 1.4 and, to the extent the parties satisfactorily negotiate same, entering into a separate agreement with Seller governing such a license.

1.4 Right of Negotiation. If at any time within one hundred eighty (180) days after the Closing, Purchaser desires to obtain a nonexclusive license under Seller's Licensable IP, then it shall so notify Seller in writing. The parties shall during the sixty (60) day period following Seller's receipt of such notice from Purchaser discuss in good faith the terms and conditions under which Seller shall grant such a license to Purchaser, which terms and conditions shall be no less favorable than the terms and conditions granted by Seller to any other third party licensee.

1.5 Lilly Contract. As additional consideration for the Purchased Assets and the proposed employment of the Employees, Purchaser agrees to enter into an agreement with Seller and Xenova whereunder Purchaser shall agree act as a subcontractor to Seller to perform Seller's obligations under the research program being conducted pursuant to the Research and License Agreement between Seller, Xenova and Eli Lilly and Company ("Lilly") dated February 16, 1998 (the "Lilly Contract") until October 1, 1999, or such earlier date as the parties and Lilly may agree. Such agreement shall provide for Purchaser to use all commercially reasonable efforts to perform Seller's obligations under the Lilly Contract, including, without limitation, the application of all assets, equipment and employees of Seller which have previously been applied to such tasks. Such agreement shall also provide for (i) Seller to grant to Purchaser any intellectual property licenses necessary to perform such activities under the Lilly Contract solely for the purpose of conducting such activities for Lilly, (ii) Seller to pay to Purchaser a portion of all research support payments due to Seller pursuant to Section 1.2 from Lilly for Purchaser's performance of research and development work under the Lilly Contract on a subcontract basis (with Seller reimbursing Purchaser on an FTE basis for such work), (iii) Xenova to guarantee Seller's obligations to Purchaser under the agreement, and (iv) Seller and Xenova to indemnify and hold harmless Purchaser from and against any claims, liabilities, damages, or suits arising out of or relating to Purchaser's performance of research and development thereunder, except to

the extent arising out of Purchaser's gross negligence, recklessness or willful misconduct. Any delegation of duties and pass through of research support payments by Seller to Purchaser under the Lilly Contract shall be subject to Lilly's consent. In the event Lilly's consent thereto cannot be obtained despite the good faith efforts of the parties, then the parties shall delay the Closing until Seller completes its obligations to Lilly under the Lilly Contract, which shall in no event occur after September 30, 1999. Seller and Xenova shall use Best Efforts to obtain Lilly's consent to the foregoing agreement between Seller and Purchaser, and if despite using such efforts Lilly does not agree to such subcontracting arrangement, Seller and Xenova shall use their Best Efforts to wind down Seller's research and development obligations under the Lilly Contract as rapidly as practicable in accordance with Seller's obligations under the Lilly Contract. If Seller, Xenova and Purchaser enter into an agreement as described in this Section 1.5, Xenova shall retain all rights under the Lilly Contract, including those with respect to the receipt of milestone payments, research and development payments for activities performed by Xenova employees thereunder, and royalties, without any obligation to share such payments or rights with Purchaser.

1.6 Assignment and Assumption Agreement and Consent between and among Purchaser, Seller; Refund of Deposits Under Subleases. At the Closing, Purchaser, Seller and Xenova shall enter into the Assignment and Assumption Agreement and Consent in substantially the form attached hereto as Exhibit C relating to the Build to Suit Lease with Britannia Pointe Grand Limited Partnership ("Britannia") dated May 27, 1997, as amended (the "Britannia Agreement"). Purchaser shall assume the Britannia Agreement subject to the Sublease Agreement between Seller, Britannia and Cytokinetics, Inc. dated May 1, 1998, as amended (the "Cytokinetics Sublease"). Additionally, at the closing, Seller shall transfer to Purchaser, or credit against amounts due by Purchaser to Seller pursuant to Section 1.9, the $104,500 security deposit paid by Cytokinetics, Inc. to Seller pursuant to Section 4(b) of the Cytokinetics Sublease, and in connection with the foregoing Assignment and Assumption Agreement and Consent and the Sublease Agreement between Seller, Purchaser and Britannia dated March 1, 1999, at the Closing Seller shall refund to Purchaser or credit against amounts due to Seller hereunder the $50,944 security deposit paid by Purchaser to Seller pursuant to Section 5 of such agreement.

1.7 Liabilities to be Assumed. Upon the terms and subject to the conditions of this Agreement, as supplemented by the terms and conditions of the Assignment and Assumption Agreement and Consent to be entered into pursuant to Section 1.6, on the Closing Date, Purchaser shall assume and agree to perform and discharge Seller's Liability arising on and after the Closing Date (i) with respect to the Purchased Assets and (ii) under and pursuant to the Assumed Contracts (together, the "Assumed Liabilities").

1.8 Liabilities Not to be Assumed. Except as, and to the extent specifically set forth in Section 1.7 with respect to the Assumed Liabilities, Purchaser is not assuming any other Seller Liabilities (the "Excluded Liabilities") or Contracts of Seller and all such Excluded Liabilities and Contracts shall be and remain the responsibility of Seller.

1.9 Cash Payments and Adjustments at Closing. At the Closing (as defined in Section 1.11), Purchaser will pay Seller (by check or wire transfer) an amount equal to the book value of the Equipment, the Inventory and Prepaid Expenses included in the Purchased

Assets as of the Closing Date, plus any amounts to be reimbursed or credited to Seller pursuant to Section 1.6 or this Section 1.9, less any amounts to be reimbursed or credited to Purchaser pursuant to Section 1.6. As of June 30, 1999, the parties have determined that the book value of the Equipment is $553,570, the book value of the Inventory is $70,000, and the book value of the Prepaid Expenses is $76,802. In determining amounts due to Seller pursuant to this Section 1.9, on and as of the Closing Date, the Purchaser and the Seller shall pro rate all payments made by Seller under the Assumed Contracts in advance of the Closing Date with respect to payments applicable to the month in which the Closing Date occurs. In addition, the deposit made by Seller under the Britannia Agreement shall be remitted to Seller, or in lieu of such remittance, the amount of such deposits shall be added to the Purchase Price and paid to the Seller by the Purchaser. On the Closing Date, or as soon as practicable thereafter, the Seller and Purchaser shall develop in good faith a statement of adjustments setting forth the various allocations described in this Section 1.9. Any party owing funds to the other party shall remit such amounts as soon as practicable, but in any event within 30 days after demand therefor.

1.10 Further Action. If, at any time after the Closing, any further action shall be necessary on the part of any party hereto to effect the intentions of the parties as expressed in this Agreement, each such party shall take all such further action as may reasonably be necessary to effectuate such intentions.

1.11 Closing. The consummation of the transactions contemplated by this Agreement (the "Closing") shall take place at the offices of Cooley Godward LLP, 3000 El Camino Real, Palo Alto, California on July 30, 1999 (or at such other place as Purchaser and Seller shall designate), at 9:00 a.m. (California time). In the event the Closing is delayed pursuant to Section 1.5, then the Closing shall occur within five (5) business days following (a) notice from Seller that it desires to proceed with the Closing or (b) completion of Seller's research and development obligations under the Lilly Contract; but in any case not later than September 30, 1999. For purposes of this Agreement, "Closing Date" shall mean to the time and date as of which the Closing actually takes place. Each party shall receive such other documents as it may reasonably request for the purpose of evidencing or effecting the transactions contemplated by this Agreement, each of which shall be in full force and effect.

2. Representations and Warranties of Seller and Xenova

Seller and Xenova jointly and severally represent and warrant as follows:

2.1 Due Organization.

(a) Seller is a limited liability company duly organized under the laws of the State of Delaware, and has all necessary power and authority:

(i) to conduct its business in the manner in which the Business is currently being conducted; and

(ii) to own and use its assets in the manner in which its assets are currently owned and used.

(b) Neither Seller nor Xenova has ever approved, or commenced any proceeding or made any election contemplating, the winding up or cessation of Seller's business or affairs.

2.2 Title to Assets. Except as set forth in Part 2.2 of the Disclosure Schedule, Seller owns, and has good, valid and marketable title to, all Purchased Assets (it being understood that title to all assets acquired under the Assumed Contracts which are "leased assets" thereunder shall be subject only to the terms of such Assumed Contracts. Except as set forth in Part 2.2 of the Disclosure Schedule, all of the Purchased Assets are owned by Seller free and clear of any Encumbrance.

2.3 Contracts.

(a) Part 1.1(b) of the Disclosure Schedule identifies the Assumed Contracts. Seller has made available to Purchaser an accurate and complete copy of the Assumed Contracts identified in Part 1.1(b) of the Disclosure Schedule, including all amendments thereto, and has disclosed to Purchaser the amounts owed thereunder.

(b) The Assumed Contracts are valid and in full force and effect, and each is enforceable by the Seller in accordance with its terms, subject to (i) laws of general application relating to bankruptcy, insolvency and the relief of debtors and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies.

(c) Except as set forth in Part 2.3(c) of the Disclosure Schedule:

(i) Seller has not, and to the best of the Knowledge of Seller, no other Person has, violated or otherwise Breached, or declared or committed any default under, or termination of, any Assumed Contract;

(ii) To the best of the Knowledge of Seller and Xenova, no event has occurred, and no circumstance or condition exists, that might (with or without notice or lapse of time) (A) result in a violation or other Breach of any of the provisions of the Assumed Contracts, (B) give any Person the right to declare a default or exercise any remedy under the Assumed Contracts, (C) give any Person the right to accelerate the maturity or performance of the Assumed Contracts or (D) give any Person the right to cancel, terminate or modify the Assumed Contracts;

(iii) Seller has not received any notice or other communication (in writing or otherwise) regarding any actual, alleged, possible or potential violation or Breach of, or default under, any of the Assumed Contracts; and

(iv) Seller has not waived any of its rights under any of the Assumed Contracts.

(d) The performance of the Assumed Contracts will not result in any violation of or failure to comply with any Legal Requirement.

2.4 Proceedings; Orders.

(a) Except as set forth in Part 2.4(a) of the Disclosure Schedule, there is no pending Proceeding, and to the best of the Knowledge of Seller and Xenova, no Person has threatened to commence any Proceeding:

(i) that involves Seller or that otherwise relates to or might affect the Purchased Assets, the Transactional Agreements or the ability of Seller or Xenova to perform the Transactions; or

(ii) that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, any of the Transactions.

Except as set forth in Part 2.4(a) of the Disclosure Schedule, to the best of the Knowledge of Seller and Xenova, no event has occurred, and no claim, dispute or other condition or circumstance exists, that might directly or indirectly give rise to or serve as a basis for the commencement of any such Proceeding. Seller has delivered to Purchaser accurate and complete copies of all pleadings, correspondence and other written materials to which Seller has access that relate to the Proceedings identified in Part 2.4(a) of the Disclosure Schedule.

(b) There is no Order to which Seller, or any of the assets owned or used by Seller, is subject; and Xenova is not subject to any Order that relates to the Business or to any of the assets owned or used by Seller.

2.5 Authority; Binding Nature of Agreements.

(a) Seller has the right, power and authority to enter into and to perform its obligations under this Agreement.

(b) The execution, delivery and performance by Seller of this Agreement have been duly authorized by all necessary action on the part of Seller and its members.

(c) This Agreement constitutes the legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, subject to (i) laws of general application relating to bankruptcy, insolvency and the relief of debtors and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies.

2.6 Non-Contravention; Consents. Except as set forth in Part 2.6 of the Disclosure Schedule, neither the execution and delivery of any of the Transactional Agreements, nor the consummation or performance of any of the Transactions, will directly or indirectly (with or without notice or lapse of time):

(a) contravene, conflict with or result in a violation of (i) any of the provisions of Seller's operating agreement or (ii) any resolution adopted by Seller's members;

(b) contravene, conflict with or result in a violation of, or give any Governmental Body or other Person the right to challenge any of the Transactions or to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which Seller, or any of the assets owned or used by Seller, is subject;

(c) contravene, conflict with or result in a violation or Breach of, or result in a default under, any provision of any Assumed Contract;

(d) give any Person the right to (i) declare a default or exercise any remedy under any Seller Contract, (ii) accelerate the maturity or performance of any Seller Contract or (iii) cancel, terminate or modify any Assumed Contract; or

(e) result in the imposition or creation of any Encumbrance upon or with respect to the Purchased Assets.

Except as set forth in Part 2.6 of the Disclosure Schedule, Seller was not, is not or will not be required to make any filing with or give any notice to, or to obtain any Consent from, any Person in connection with the execution and delivery of any of the Transactional Agreements or the consummation or performance of any of the Transactions.

2.7 Brokers. Neither Seller nor Xenova has agreed or become obligated to pay, or has taken any action that might result in any Person claiming to be entitled to receive, any brokerage commission, finder's fee or similar commission or fee in connection with any of the Transactions.

2.8 Creditors. Part 2.8 of the Disclosure Schedule provides an accurate and complete list of all creditors of Seller to which Seller owes $5,000 or more (whether or not such amounts have accrued). Seller is not in default of any of its obligations to its creditors.

2.9 Tax Returns and Payments. Seller has filed all Tax returns and reports as required by law. Seller has paid all Taxes and other assessments due and has made adequate provision for Taxes due or accrued as of the date hereof. Seller has not been advised of any Tax deficiency proposed or assessed against it and has not executed any waiver of any statute of limitations on the assessment or collection of any tax or governmental charge. Seller has not been advised that any of its federal income tax returns or state income or franchise tax or sales or use tax returns have been audited by governmental authorities. Seller has withheld or collected from each payment made to each of its employees the amount of all Taxes required to be withheld or collected therefrom, and has paid the same to the proper tax receiving officers or authorized depositaries.

2.10 Ability. Seller has not, at any time, (A) made a general assignment for the benefit of creditors, (B) filed or had filed against it any bankruptcy petition or similar filing, (C) suffered the attachment or other judicial seizure of all or a substantial portion of Seller's assets, (D) admitted in writing Seller's inability to pay Seller's debts as they become due, (E) been convicted of, or pleaded guilty to, any felony or (F) taken or been the subject of any action that

may have an adverse effect on Seller's ability to comply with or perform any of its covenants or obligations under any of the Transactional Agreements.

2.11 Full Disclosure.

(a) This Agreement does not (i) contain any representation, warranty or information of or with respect to Seller or Xenova that is false or misleading with respect to any material fact, or (ii) omit to state any material fact necessary in order to make the representations, warranties and information of or with respect to Seller or Xenova contained and to be contained herein and therein (in the light of circumstances under which such representations, warranties and information were or will be made or provided) not false or misleading.

(b) All of the information set forth in the Disclosure Schedule is accurate and complete in all respects.

2.12 Environmental Waste. Seller is in compliance in all material respects with applicable Environmental Laws, including without limitation those relating to maintenance, use or disposal of hazardous materials. There is no Proceeding, notice of violation, or demand letter pending or threatened against the Seller relating in any way to the Environmental Laws.

2.13 Discrimination Claims. There are no discrimination charges relating to sex, sexual harassment, age, race, national origin, mental or physical disability, or other protected category, pending, or to the best of Seller's knowledge, threatened against Seller, or involving Seller or its employees, before any federal, state, county or local court, agency, board, commission, authority or other subdivision thereof.

2.14 Labor Relations. There is no unfair labor practice complaint, or any Proceeding under the National Labor Relations Board, pending against the Seller, or to the best of Seller's knowledge, threatened against the Seller. There is no labor strike or similar dispute pending or to the best of Seller's knowledge threatened against or involving Seller. Seller is not a party to or bound by any collective bargaining agreement with any employees of Seller, and no collective bargaining agreement is currently being negotiated by Seller with respect to its employees.

3. Representations and Warranties of Xenova

Xenova represents and warrants as follows:

3.1 Authority of Xenova; Binding Nature of Agreements. Xenova has the right, power and capacity to enter into and to perform Xenova's obligations under each of the Transactional Agreements to which Xenova is or may become a party. This Agreement constitutes the legal, valid and binding obligation of Xenova, enforceable against Xenova in accordance with its terms, subject to (i) laws of general application relating to bankruptcy, insolvency and the relief of debtor, and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies. Upon the execution of each of the other Transactional Agreements at the Closing, each of such other Transactional Agreements to which

Xenova becomes a party will constitute the legal, valid and binding obligation of Xenova, and will be enforceable against Xenova in accordance with its terms, subject to (i) laws of general application relating to bankruptcy, insolvency and the relief of debtor, and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies.

3.2 Non-Contravention; Consents. Except as set forth in Part 3.2 of the Disclosure Schedule, neither the execution and delivery of any of the Transactional Agreements, nor the consummation or performance of any of the Transactions, will directly or indirectly (with or without notice or lapse of time):

(a) contravene, conflict with or result in a violation of, or give any Governmental Body or other Person the right to challenge any of the Transactions or to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which Xenova is subject; or

(b) contravene, conflict with or result in a violation or Breach of or a default under any provision of, or give any Person the right to declare a default under, any Contract to which Xenova is a party or by which Xenova is bound.

3.3 Ability.

(a) Xenova:

(i) has not, at any time, (A) made a general assignment for the benefit of creditors, (B) filed, or had filed against Xenova, any bankruptcy petition or similar filing, (C) suffered the attachment or other judicial seizure of all or a substantial portion of Xenova's assets, (D) admitted in writing Xenova's inability to pay Xenova's debts as they become due, (E) been convicted of, or pleaded guilty to, any felony, or (F) taken or been the subject of any action that may have an adverse effect on Xenova's ability to comply with or perform any of Xenova's covenants or obligations under any of the Transactional Agreements; and

(ii) is not subject to any Order that may have an adverse effect on Xenova's ability to comply with or perform any of Xenova's covenants or obligations under any of the Transactional Agreements.

(b) There is no Proceeding pending, and, to Xenova's Knowledge, no Person has threatened to commence any Proceeding, that may have an adverse effect on the ability of Xenova to comply with or perform any of Xenova's covenants or obligations under any of the Transactional Agreements. To Xenova's knowledge, no event has occurred, and no claim, dispute or other condition or circumstance exists, that might directly or indirectly give rise to or serve as a basis for the commencement of any such Proceeding.

4. Representations and Warranties of Purchaser

Purchaser represents and warrants as follows:

4.1 Due Organization. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

4.2 Authority; Binding Nature of Agreement.

(a) Purchaser has the right, power and authority to enter into and perform its obligations under this Agreement.

(b) The execution, delivery and performance of this Agreement by Purchaser have been duly authorized by all necessary action on the part of Purchaser and its Board of Directors.

(c) This Agreement constitutes the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, subject to (i) laws of general application relating to bankruptcy, insolvency and the relief of debtor, and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies.

4.3 Non-Contravention; Consents. Neither the execution and delivery of any of the Transactional Agreements, nor the consummation or performance of any of the Transactions, will directly or indirectly (with or without notice or lapse of time):

(a) contravene, conflict with or result in a violation of (i) any of the provisions of Purchaser's Certificate of Incorporation or bylaws or (ii) any resolution adopted by Purchaser's stockholders or Purchaser's Board of Directors; or

(b) contravene, conflict with or result in a violation of, or give any Governmental Body or other Person the right to challenge any of the Transactions or to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which Purchaser or any of the assets owned or used by Purchaser is subject.

(c) contravene, conflict with or result in a violation of, or give any third party the right to challenge any of the Transactions or to exercise any remedy under any material agreement of Purchaser.

(d) Purchaser was not, is not and will not be required to make any filing with or give any notice to, or to obtain any Consent from, any Person in connection with the execution and delivery of any of the Transactional Agreements or the consummation or performance of any of the Transactions.

(e) Purchaser has the financial wherewithall to assume and perform the Assumed Liabilities.

5. Additional Covenants of the Parties

5.1 Further Assurances.

(a) If, at any time after Closing, any further action is determined by any party to this Agreement to be reasonably necessary or desirable to carry out the purposes of this Agreement, Purchaser, Seller and Xenova each agree to take such action.

(b) To the extent that the Assumed Contracts (other than the MMC Agreement, the Comdisco Agreement and the Britannia Agreement, the assumption of which shall be a condition to Closing) for which assignment to Purchaser is provided pursuant to Section 1.1(a) are not assignable without the Consent of another Person, this Agreement shall not constitute an assignment or an attempted assignment thereof if such assignment or attempted assignment would constitute a breach thereof. Xenova, Seller and Purchaser agree to use commercially reasonable Best Efforts (without any requirement on the part of Purchaser to pay any money or agree to any change in the terms of such Contract) to obtain the Consent of such other Person to the assignment of such Assumed Contracts to Purchaser in all cases in which such Consent is or may be required for such assignment. If any such Consent shall not be obtained, Xenova and Seller agree to cooperate with Purchaser in any reasonable arrangement mutually satisfactory to all parties designed to provide for Purchaser the benefits intended to be assigned to Purchaser under the Assumed Contracts, including enforcement at the cost of Seller and for the account of Purchaser of any and all rights of Seller against the other party thereto arising out of the breach or cancellation thereof by such other party or otherwise. If, and to the extent that, such arrangement cannot be made, Purchaser, upon notice to Seller, shall have no obligation pursuant to this Agreement with respect to such Assumed Contracts (other than the MMC Agreement, the Comdisco Agreement and the Britannia Agreement, the assumption of which shall be a condition to Closing) and such Assumed Contracts shall not be deemed to be a Purchased Asset. In such event, the parties shall negotiate in good faith an adjustment to the consideration paid by Purchaser for the Purchased Assets to reflect the Assumed Contracts not transferred to Purchaser and the fees, costs and expenses (including reasonable attorneys' fees) incurred by Purchaser in connection with the parties' efforts to assign the Assumed Contracts to Purchaser.

6. Pre-Closing Covenants of the Seller.

6.1 Access And Investigation. Xenova and the Seller shall ensure that, at all times during the Pre-Closing Period: (a) the Seller and its Representatives provide the Purchaser and its Representatives with such reasonable access to the Seller's Representatives, personnel and assets and to all existing books, records, Tax Returns, work papers and other documents and information relating to the Purchased Assets and the Transactions as necessary to permit Purchaser to complete its reasonable due diligence obligations with respect thereto; (b) the Seller and its Representatives provide the Purchaser and its Representatives with such copies of existing books, records, Tax Returns, work papers and other documents and information relating to the Purchased Assets and Assumed Liabilities as the Purchaser may reasonably request in good faith; and (c) the Seller and its Representatives compile and provide the Purchaser and its

Representatives with such additional financial, operating and other data and information relating to the Purchased Assets and Assumed Liabilities as the Purchaser may request in good faith.

6.2 Operation Of Business. Xenova and the Seller shall ensure that, during the Pre-Closing Period:

(a) the Seller conducts its operations relating to the Purchased Assets or otherwise to the Transactions exclusively in the Ordinary Course of Business and in the same manner as such operations have been conducted prior to the date of this Agreement;

(b) the Seller, to the extent related to the Purchased Assets and the Transactions, uses commercially reasonable Best Efforts to (i) preserve intact its current business organization, (ii) keep available the services of its current officers and employees, (iii) maintain its relations and good will with all landlords, creditors, licensors, licensees, employees, independent contractors and other Persons having business relationships with the Seller and (iv) promptly repair, restore or replace any Purchased Assets that are destroyed or damaged;

(c) the officers of the Seller confer regularly with the Purchaser concerning operational matters and otherwise report regularly to the Purchaser concerning the status of the Seller's assets, liabilities, and operations to the extent related to the Purchased Assets and the Transactions;

(d) the Seller does not take any actions that may increase the amounts due by Seller under the MMC Agreement or the Comdisco Agreement;

(e) the Seller does not effect or become a party to any Acquisition Transaction;

(f) the Seller does not enter into or permit any of the Purchased Assets to become bound by any Contract (except the Lilly Contract or as expressly provided for in Section 1);

(g) the Seller does not commence or settle any Proceeding relating to the Purchased Assets or the Transactions;

(h) the Seller does not enter into any transaction or take any other action outside the Ordinary Course of Business with respect to the Purchased Assets or the Transactions;

(i) the Seller does not enter into any transaction or take any other action that might cause or constitute a Breach of any representation or warranty made by Xenova or the Seller in this Agreement;

(j) Seller will not discourage Employees from accepting Purchaser's offer of employment or take any action that would interfere with the Employees' ability or willingness to accept Purchaser's offer of employment; and

(k) the Seller does not agree, commit or offer (in writing or otherwise) to take any of the actions described in clauses "(d)" through "(j)" of this Section 6.2.

6.3 Filings and Consents. Xenova and Seller shall ensure that: (a) all filings, notices and Consents required to be made, given and obtained in order to consummate the Transactions are made, given and obtained on a timely basis; and (b) during the Pre-Closing Period, Xenova and Seller shall each cooperate with the other and with each others' Representatives, and prepare and make available such documents and take such other actions as the others may request in good faith, in connection with any filing, notice or Consent that such party is required or elects to make, give or obtain.

6.4 Compliance with Environmental Laws. Seller shall operate its Business during the Pre-Closing Period in compliance in all material respects with all limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables provided in the Environmental Laws, including without limitation those relating to maintenance or disposal of hazardous materials and shall provide Purchaser with documentation regarding same. Without limitation, during the Pre-Closing Period, Seller shall dispose of all hazardous material waste that is located on the premises to be leased to Purchaser pursuant to the Britannia Agreement and the Assignment and Assumption and Consent Agreement to be entered into pursuant to Section 1.6 in accordance with applicable Environmental Laws, at Seller's sole expense.

6.5 Notification; Updates to Disclosure Schedule. During the Pre-Closing Period, Xenova and the Seller shall promptly notify the Purchaser in writing of: (a) the discovery by Xenova or the Seller of any event, condition, fact or circumstance that occurred or existed on or prior to the date of this Agreement and that caused or constitutes a Breach of any representation or warranty made by Xenova or the Seller in this Agreement; (b) any event, condition, fact or circumstance that occurs, arises or exists after the date of this Agreement and that would cause or constitute a Breach of any representation or warranty made by Xenova or the Seller in this Agreement if (i) such representation or warranty had been made as of the time of the occurrence, existence or discovery of such event, condition, fact or circumstance, or (ii) such event, condition, fact or circumstance had occurred, arisen or existed on or prior to the date of this Agreement; (c) any Breach of any covenant or obligation of Xenova or the Seller; and (d) any event, condition, fact or circumstance that may make the timely satisfaction of any of the conditions set forth in Section 8 impossible or unlikely. If any event, condition, fact or circumstance that is required to be disclosed pursuant to this Section 6.5 requires any change in the Disclosure Schedule, or if any such event, condition, fact or circumstance would require such a change assuming the Disclosure Schedule were dated as of the date of the occurrence, existence or discovery of such event, condition, fact or circumstance, then Xenova and the Seller shall promptly deliver to the Purchaser an update to the Disclosure Schedule specifying such change. No such update shall be deemed to supplement or amend the Disclosure Schedule for the purpose of determining whether any of the conditions set forth in Section 8 has been satisfied. In the event any such change in the Disclosure Schedule results in a material change in the Seller's ability to make the representations and warranties made herein, then Purchaser shall be entitled not to conduct the Closing in view of such update or may request that Xenova and Seller agree in writing to negotiate with Purchaser in good faith an appropriate modification to

the Purchase Price to take into account any such supplemental information, which request shall not be unreasonably denied.

6.6 No Negotiation. Xenova and the Seller shall ensure that, during the Pre-Closing Period, neither Xenova nor the Seller, nor any Representatives of Xenova or Seller, directly or indirectly: (a) solicits or encourages the initiation of any inquiry, proposal or offer from any Person (other than the Purchaser) relating to any Acquisition Transaction; (b) participates in any discussions or negotiations with, or provides any non-public information to, any Person (other than the Purchaser) relating to any proposed Acquisition Transaction; or (c) considers the merits of any unsolicited inquiry, proposal or offer from any Person (other than the Purchaser) relating to any Acquisition Transaction.

6.7 Best Efforts. During the Pre-Closing Period, Xenova and Seller shall use their commercially reasonable Best Efforts to cause the conditions set forth in Section 8 to be satisfied on a timely basis.

6.8 Confidentiality. Except as provided in Section 11.6, Xenova and Seller shall ensure that, during the Pre-Closing Period, neither Seller nor Xenova, nor any of their Representatives, issues or disseminates any press release or other publicity or otherwise makes any disclosure of any nature to any other Person regarding any of the Transactions or the existence or terms of this Agreement, except to the extent that Xenova or Seller is required by law to make any such disclosure. Xenova or Seller shall provide to Purchaser a draft of any disclosure to be made pursuant to this Section 6.8 for review and comment by Purchaser at least one (1) business day in advance of the date upon which such release shall be made.

7. Pre-Closing Covenants of the Purchaser.

7.1 Best Efforts. During the Pre-Closing Period, the Purchaser shall use its commercially reasonable Best Efforts to cause the conditions set forth in Section 9 to be satisfied.

7.2 Employment Offers. Purchaser shall extend offers of employment to the individuals listed on Exhibit A on the terms and conditions set forth in Section 1.2 hereof, such employment to become effective as of the Closing.

7.3 Interference With Seller's Business. Purchaser shall not take any action between signing and closing to interfere with Seller's conduct of its business in the ordinary course. Without limiting the foregoing, during the Pre-Closing Period Purchaser shall not extend offers of employment to any individuals listed on Exhibit A other than on the terms and conditions set forth in Section 1.2 hereof and only in connection with the occurrence of the Closing hereunder. Should such Closing not occur due to the material breach of this Agreement by Purchaser, then Purchaser shall withdraw any such employment offers and shall not further pursue the employment of any Seller employee except as consented in writing by Seller. Should such Closing not occur for any other reason (other than material breach by Seller or Xenova), then Purchaser shall not extend any employment offers to or take any other action to employ the individuals listed on Exhibit A then employed by Seller and involved in research and

development under the Lilly Contract for employment by Purchaser to commence prior to the earlier to occur of (i) Seller's completion of its research and development obligations under the Lilly Contract, and (ii) September 30, 1999.

7.4 Confidentiality. Except as provided in Section 11.6, Purchaser shall ensure that, during the Pre-Closing Period: neither it, nor any of its Representatives, issues or disseminates any press release or other publicity or otherwise makes any disclosure of any nature to any other Person regarding any of the Transactions or the existence or terms of this Agreement, except to the extent that Purchaser is required by law to make any such disclosure. Purchaser shall provide to the other parties a draft of any disclosure to be made pursuant to this Section 7.4 for review and comment by the other parties at least one (1) business day in advance of the date upon which such release shall be made.

7.5 Filings and Consents. Purchaser shall ensure that: (a) all filings, notices and Consents required to be made, given and obtained in order to consummate the Transactions are made, given and obtained on a timely basis; and (b) during the Pre-Closing Period, Purchaser shall cooperate with the other and with its Representatives, and prepare and make available such documents and take such other actions as the others may request in good faith, in connection with any filing, notice or Consent that Purchaser is required or elects to make, give or obtain.

8. Conditions Precedent to the Purchaser's Obligation to Close.

The Purchaser's obligation to purchase the Assets and to take the other actions required to be taken by the Purchaser at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by the Purchaser, in whole or in part, in writing):

8.1 Accuracy Of Representations. All of the representations and warranties made by Xenova and the Seller in this Agreement (considered collectively), and each of said representations and warranties (considered individually), shall have been accurate in all material respects as of the date of this Agreement, and shall be accurate in all material respects as of the Closing Date as if made at the Closing Date, without giving effect to any update to the Disclosure Schedule.

8.2 Performance Of Obligations.

(a) The Assignment and Assumption Agreement and Consent described in Section 1.6 relating to the Britannia Agreement shall have been executed by each of the parties thereto and delivered to the Purchaser.

(b) Assignment and Assumption Agreements with respect to the MMC/GATX Loan and Security Agreement and the Comdisco Master Lease Agreement, each as described in Section 1.1(a), shall have been executed by the Purchaser and the respective lenders.

(c) All of the covenants and obligations that Xenova and the Seller are required to comply with or to perform at or prior to the Closing (considered collectively), and each of said covenants and obligations (considered individually), shall have been duly complied with and performed in all material respects.

8.3 Consents. Each of the Consents identified in Part 8.3 of the Disclosure Schedule shall have been obtained and shall be in full force and effect.

8.4 No Material Adverse Change. There shall have been no material adverse change in the business, condition, assets, liabilities, operations, financial performance, net income or prospects of the Seller relating to the Purchased Assets or the Transactions since the date of this Agreement, and no event shall have occurred and no condition or circumstance shall exist that could be expected to give rise to any such material adverse change.

8.5 Additional Documents. Purchaser shall have received the following documents:

(a) an opinion letter from Wilson, Sonsini, Goodrich & Rosati, counsel to the Seller, dated the Closing Date, in the form of Exhibit D, and an opinion letter from Xenova's counsel, dated the Closing Date, in the form of Exhibit E; and

(b) such other documents as the Purchaser may request in good faith for the purpose of (i) evidencing the accuracy of any representation or warranty made by Xenova or the Seller, (ii) evidencing the compliance by Xenova or the Seller with, or the performance by Xenova or the Seller of, any covenant or obligation set forth in this Agreement, (iii) evidencing the satisfaction of any condition set forth in this Article 8 or (iv) otherwise facilitating the consummation or performance of any of the Transactions.

8.6 No Proceedings. Since the date of this Agreement, there shall not have been commenced or threatened against the Purchaser, or against any Person affiliated with the Purchaser, any Proceeding (a) involving any material challenge to, or seeking material damages or other material relief in connection with, any of the Transactions, or (b) that may have the effect of preventing, delaying, making illegal or otherwise interfering with any of the Transactions.

8.7 No Prohibition. Neither the consummation nor the performance of any the Transactions will, directly or indirectly (with or without notice or lapse of time), contravene or conflict with or result in a violation of, or cause the Purchaser or any Person affiliated with the Purchaser to suffer any adverse consequence under, any applicable Legal Requirement or Order.

9. Conditions Precedent to the Seller's Obligation to Close.

The Seller's obligation to sell the Purchased Assets and to take the other actions required to be taken by the Seller and Xenova at the Closing is subject to the satisfaction, at or prior to the Closing, of each of the following conditions (any of which may be waived by Xenova's Representative, in whole or in part, in writing):

9.1 Accuracy Of Representations. All of the representations and warranties made by the Purchaser in this Agreement (considered collectively), and each of said representations and warranties (considered individually), shall have been accurate in all material respects as of the date of this Agreement and shall be accurate in all material respects as of the Closing Date as if made at the Closing Date.

9.2 Purchaser's Performance.

(a) The Purchaser shall have executed and delivered (i) the assignment and Assumption Agreement and Consent described in Section 1.6; (ii) the Assignment and Assumption Agreement with Comdisco; (iii) the Assignment and Assumption Agreement with MMC/GATX; and (iv) the employment offer letters on the terms and conditions set forth in Section 1.2 to the Employees; and shall have made the payment and assume the obligations contemplated by Section 1.9.

(b) All of the other covenants and obligations that the Purchaser is required to comply with or to perform pursuant to this Agreement at or prior to the Closing (considered collectively), and each of said covenants and obligations (considered individually), shall have been complied with and performed in all material respects.

10. Indemnification, Etc.

10.1 Survival of Representations and Covenants.

(a) The representations and warranties made by Seller and Xenova in this Agreement (including without limitation the representations and warranties set forth in Sections 2 and 3), shall survive the Closing and shall expire either one (1) year after the Closing Date, for the representations in Sections 2 and 3 other than those contained in Sections 2.9 and 2.12 through 2.14, or three (3) years after the Closing Date for the representations contained in Sections 2.9 and 2.12 through 2.14 (the "Expiration Date"); provided, however, that if, at any time prior to the Expiration Date for a specific representation, any Indemnitee (acting in good faith) delivers to Seller a written notice alleging the existence of an inaccuracy in or other Breach of any of such representation and warranty and asserting a claim for recovery under Section 10.2 based on such alleged inaccuracy or other Breach, then the claim asserted in such notice shall survive the Expiration Date for such representation until such time as such claim is fully and finally resolved. All representations and warranties made by Purchaser shall terminate and expire as of the Closing, and any liability of Purchaser with respect to such representations and warranties shall thereupon cease.

(b) The representations, warranties, covenants and obligations of Seller and Xenova, and the rights and remedies that may be exercised by the Indemnitees, shall not be limited or otherwise affected by or as a result of any information furnished to, or any investigation made by or Knowledge of, any of the Indemnitees or any of their Representatives.

(c) For purposes of this Agreement, each statement or other item of information set forth in the Disclosure Schedule or in any update to the Disclosure Schedule shall be deemed to be a representation and warranty made by Seller and Xenova in this Agreement.

10.2 Indemnification by Xenova.

(a) Subject to Section 10.3, from and after the Closing Date, Xenova shall hold harmless and indemnify each of the Indemnitees from and against, and shall compensate and reimburse each of the Indemnitees for, any Damages which are directly or indirectly suffered or incurred by any of the Indemnitees or to which any of the Indemnitees may otherwise become subject at any time (regardless of whether or not such Damages relate to any third-party claim) and which arise directly or indirectly from or as a direct or indirect result of, or are directly or indirectly connected with:

(i) any material inaccuracy in or other Breach of any representation or warranty made by Seller or Xenova in this Agreement;

(ii) any material inaccuracy in or Breach of any representation, warranty, statement, information or provision contained in the Disclosure Schedule or any supplement to the Disclosure Schedule;

(iii) the failure of any conveyance instrument or document delivered by Seller or Xenova in connection with the Closing of the Transactions to effect its intended conveyance;

(iv) Seller's use of the Purchased Assets;

(v) Purchaser's performance of research under the Lilly Contract pursuant to any agreement that may be entered into between Seller, Xenova and Purchaser relating to the delegation of duties and payment of research funding to Purchaser (other than arising out of Purchaser's negligence, recklessness or willful misconduct), as described in Section 1.5;

(vi) Seller's employment of the Employees prior to the Closing Date, and Seller's employment of employees other than Employees who become employed by Purchaser on the Closing Date;

(vii) Seller's Breach of its obligations under Section 6.4;

(viii) any Seller Liabilities other than those which are Assumed Liabilities or which arise out of Purchased Assets or Assumed Contracts after the Closing which arise out of or directly relate to events occurring prior to the Closing Date; or

(ix) any Proceeding relating to any Breach, alleged Breach, Liability or event described in clauses (i) to (viii) above (including any Proceeding commenced by any Indemnitee for the purpose of enforcing any of its rights under this Section 10.2).

(b) Nonexclusivity of Indemnification Remedies. The indemnification remedies and other remedies provided in this Section 10.2 shall not be deemed to be exclusive. Accordingly, the exercise by any Person of any of its rights under this Section 10.2 shall not be deemed to be an election of remedies and shall not be deemed to prejudice, or to constitute or operate as a waiver of, any other right or remedy that such Person may be entitled to exercise (whether under this Agreement, under any other Contract, under any statute, rule or other Legal Requirement, at common law, in equity or otherwise).

10.3 Indemnification Procedures; Defense of Third Party Claims. In the event of the assertion or commencement by any Person of any claim or Proceeding (whether against Purchaser, against any other Indemnitee or against any other Person) with respect to which Xenova may become obligated to indemnify, hold harmless, compensate or reimburse any Indemnitee pursuant to Section 10.2, Purchaser shall have the right, at its election, to designate Xenova to assume the defense of such claim or Proceeding at the sole expense of Xenova. If Purchaser so elects to designate Xenova to assume the defense of any such claim or Proceeding:

(a) Xenova shall proceed to defend such claim or Proceeding in a diligent manner with counsel reasonably satisfactory to Purchaser;

(b) Purchaser shall make available to Xenova any non-privileged documents and materials in the possession of Purchaser that may be necessary to the defense of such claim or Proceeding;

(c) Xenova shall keep Purchaser informed of all material developments and events relating to such claim or Proceeding;

(d) Purchaser shall have the right to participate in the defense of such claim or Proceeding at Purchaser's expense;

(e) Xenova shall not settle, adjust or compromise such claim or Proceeding without the prior written consent of Purchaser, which consent shall not be unreasonably withheld; and

(f) Purchaser may at any time (notwithstanding the prior designation of Seller to assume the defense of such claim or Proceeding) assume the defense of such claim or Proceeding.

If Purchaser does not elect to designate Xenova to assume the defense of any such claim or Proceeding (or if, after initially designating Xenova to assume such defense, Purchaser elects to assume such defense), Purchaser may proceed with the defense of such claim or Proceeding on its own. If Purchaser so proceeds with the defense of any such claim or Proceeding on its own:

(i) all reasonable expenses relating to the defense of such claim or Proceeding (whether or not incurred by Purchaser) shall be borne and paid exclusively by Xenova;

(ii) Xenova shall make available to Purchaser any documents and materials in the possession or control of Xenova that may be necessary to the defense of such claim or Proceeding; and

(iii) Purchaser shall have the right to settle, adjust or compromise such claim or Proceeding with the consent of Xenova; provided, however, that Xenova shall not unreasonably withhold such consent.

10.4 Exercise of Remedies by Indemnitees Other Than Purchaser. No Indemnitee (other than Purchaser or any successor thereto or assign thereof) shall be permitted to assert any indemnification claim or exercise any other remedy under this Agreement unless Purchaser (or any successor thereto or assign thereof) shall have consented to the assertion of such indemnification claim or the exercise of such other remedy.

10.5 Indemnification by Purchaser.

(a) Subject to Section 10.6, from and after the Closing Date, Purchaser shall hold harmless and indemnify each of the Xenova and Seller Indemnitees from and against, and shall compensate and reimburse each of the Xenova and Seller Indemnitees for, any Damages which are directly or indirectly suffered or incurred by any of Xenova and Seller Indemnitees or to which any of Xenova and Seller Indemnitees may otherwise become subject at any time (regardless of whether or not such Damages relate to any third-party claim) and which arise directly or indirectly from or as a direct or indirect result of, or are directly or indirectly connected with:

(i) any material inaccuracy in or other Breach of any representation or warranty made by Purchaser in this Agreement;

(ii) Purchaser's use of the Purchased Assets and employment of the individuals set forth on Exhibit A after the Closing Date;

(iii) any Assumed Liabilities; or

(iv) any Proceeding relating to any Breach, alleged Breach, Liability or event described in clauses (i) to (iii) above (including any Proceeding commenced by any Indemnitee for the purpose of enforcing any of its rights under this Section 10.2).

Purchaser's obligations to indemnify and hold Seller and Xenova harmless from Liabilities arising from the Britannia Agreement are set forth in the Assignment and Assumption Agreement and Consent to be executed by the Parties and Britannia pursuant to Section 1.6.

(b) Nonexclusivity of Indemnification Remedies. The indemnification remedies and other remedies provided in this Section 10.5 shall not be deemed to be exclusive. Accordingly, the exercise by any Person of any of its rights under this Section 10.5 shall not be deemed to be an election of remedies and shall not be deemed to prejudice, or to constitute or operate as a waiver of, any other right or remedy that such Person may be entitled

to exercise (whether under this Agreement, under any other Contract, under any statute, rule or other Legal Requirement, at common law, in equity or otherwise).

10.6 Indemnification Procedures; Defense of Third Party Claims. In the event of the assertion or commencement by any Person of any claim or Proceeding (whether against Xenova and Seller, against any other Indemnitee or against any other Person) with respect to which Purchaser may become obligated to indemnify, hold harmless, compensate or reimburse any Xenova or Seller Indemnitee pursuant to Section 10.6, Purchaser shall have the right, at its election, to assume the defense of such claim or Proceeding at the sole expense of Purchaser. If Purchaser so elects to assume the defense of any such claim or Proceeding:

(a) Purchaser shall proceed to defend such claim or Proceeding in a diligent manner with counsel reasonably satisfactory to Xenova and Seller;

(b) Xenova and Seller shall make available to Purchaser a any non-privileged documents and materials in the possession of Xenova and Seller that may be necessary to the defense of such claim or Proceeding;

(c) Purchaser shall keep Xenova and Seller informed of all material developments and events relating to such claim or Proceeding;

(d) Xenova and Seller shall have the right to participate in the defense of such claim or Proceeding at their own expense; and

(e) Purchaser shall not settle, adjust or compromise such claim or Proceeding without the prior written consent of Xenova and Seller, which consent shall not be unreasonably withheld.

If Purchaser does not elect to assume the defense of any such claim or Proceeding, Xenova and Seller may proceed with the defense of such claim or Proceeding on their own. If Xenova and Seller so proceeds with the defense of any such claim or Proceeding on their own:

(i) all reasonable expenses relating to the defense of such claim or Proceeding (whether or not incurred by Xenova and Seller) shall be borne and paid exclusively by Purchaser;

(ii) Purchaser shall make available to Xenova and Seller any documents and materials in the possession or control of Purchaser that may be necessary to the defense of such claim or Proceeding; and

(iii) Xenova and Seller shall have the right to settle, adjust or compromise such claim or Proceeding with the consent of Purchaser; provided, however, that Purchaser shall not unreasonably withhold such consent.

11. Miscellaneous Provisions

11.1 Further Assurances. Each party hereto shall execute and/or cause to be delivered to each other party hereto such instruments and other documents, and shall take such other actions, as such other party may reasonably request (prior to, at or after the Closing) for the purpose of carrying out or evidencing any of the Transactions.

11.2 Payment of all Federal and State Taxes due on Sale of Assets by Seller. Seller shall pay in a timely manner all Taxes resulting from the sale of the Purchased Assets pursuant to this Agreement. Seller shall not make a distribution of any of the proceeds of the sale to its members until Seller shall have determined its tax liability resulting from the sale and shall have either paid or provided adequate reserve for payment of such Tax. Notwithstanding, Purchaser shall within thirty (30) days after receiving and invoice therefor from Seller reimburse to Seller one-half (1/2) of sales taxes due on the sale of Purchased Assets pursuant to this Agreement.

11.3 Fees and Expenses. Subject to Section 6, each party to this Agreement shall bear and pay all fees, costs and expenses (including legal fees and accounting fees) that have been incurred or that are incurred in the future by such party in connection with the transactions contemplated by this Agreement, including all fees, costs and expenses incurred by such party in connection with or by virtue of:

(a) the negotiation, preparation and review of this Agreement (including the Disclosure Schedule), the other Transactional Agreements and all certificates, opinions and other instruments and documents delivered or to be delivered in connection with the Transactions; and

(b) the consummation and performance of the Transactions.

11.4 Attorneys' Fees. If any legal action or other legal proceeding relating to any of the Transactional Agreements or the enforcement of any provision of any of the Transactional Agreements is brought against any party hereto, the prevailing party shall be entitled to recover reasonable attorneys' fees, costs and disbursements (in addition to any other relief to which the prevailing party may be entitled).

11.5 Notices. Any notice or other communication required or permitted to be delivered to any party under this Agreement shall be in writing and shall be deemed properly delivered, given and received when delivered (by hand, by registered mail, by courier or express delivery service or by telecopier) to the address or telecopier number set forth beneath the name of such party below (or to such other address or telecopier number as such party shall have specified in a written notice given to the other parties hereto):

if to Seller:

MetaXen LLC
280 East Grand Avenue
South San Francisco, CA 94080
Attention: Michael Ross, Ph.D.
Facsimile: (650) 553-8101

with a copy to:

Wilson, Sonsini, Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 94306
Attention: Michael J. O'Donnell, Esq.
Facsimile: (650) 493-6811

if to Purchaser:

Exelixis Pharmaceuticals, Inc.
260 Littlefield Avenue
South San Francisco, CA 94080
Attention: George Scangos
Facsimile: (650) 825-2205

with a copy to:

Cooley Godward LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306
Attention: Deborah A Marshall, Esq.
Facsimile: (650) 857-0663

if to Xenova:

Xenova Group plc
240 Bath Road
Slough
Berkshire SL1 4EF
England
Attention: Daniel Abrams
Facsimile: 44 1753 706638

with a copy to:

Brobeck, Phleger and Harrison, LLP
Two Embarcadero Place
2200 Geng Road
Palo Alto, CA 94303
Attention: Stephan Dolezalek, Esq.
Facsimile: (650) 496-2885

11.6 Publicity.

(a) Purchaser acknowledges that Xenova intends to issue a press release relating to the Transactions promptly after the Effective Date to comply with its reporting obligations as a publicly held company, and Xenova agrees that Purchaser may also issue a press release relating to the Transactions concurrently with or promptly following any such press release by Xenova. Any such press release may describe the general nature of the Transactions but shall not specify in detail the terms of this Agreement. Additionally, Purchaser may release publicly a statement regarding its actual or intended acquisition of the Purchased Assets and its employment of the Employees in connection with any statements Purchaser publicly discloses relating to corporate partnerships involving combinatorial chemistry technology.

(b) On and at all times after the Closing Date, except as otherwise provided in this Section 11.6, no press release or other publicity concerning any of the Transactions shall be issued or otherwise disseminated by or on behalf of Xenova and Seller or any of Seller's members, and Xenova and Seller shall continue to keep the existence and terms of this Agreement and the other Transactional Agreements strictly confidential; and Seller and Xenova shall keep strictly confidential, and shall not use or disclose to any other Person, any non-public document or other information in Seller's or Xenova's possession that relates directly or indirectly to the Transactions, Purchaser or any affiliate of Purchaser.

(c) Xenova and Purchaser shall provide to each other a draft of any press release permitted to be made pursuant to this Section 11.6 for review and comment by the other party at least one (1) business day in advance of the date upon which such release shall be made.

11.7 Time of the Essence. Time is of the essence of this Agreement.

11.8 Headings. The headings contained in this Agreement are for convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

11.9 Counterparts. This Agreement may be executed in several counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement.

11.10 Governing Law; Dispute Resolution.

(a) This Agreement shall be construed in accordance with, and governed in all respects by, the internal laws of the State of California (without giving effect to principles of conflicts of laws).

(b) Any legal action or other legal proceeding relating to this Agreement or the enforcement of any provision of this Agreement may be brought or otherwise commenced in any state or federal court located in the County of San Mateo, California. Each party to this Agreement:

(i) expressly and irrevocably consents and submits to the jurisdiction of each state and federal court located in the County of San Mateo, California (and each appellate court located in the State of California) in connection with any such legal proceeding;

(ii) agrees that each state and federal court located in the County of San Mateo, California shall be deemed to be a convenient forum; and

(iii) agrees not to assert (by way of motion, as a defense or otherwise), in any such legal proceeding commenced in any state or federal court located in the County of San Mateo, California, any claim that such party is not subject personally to the jurisdiction of such court, that such legal proceeding has been brought in an inconvenient forum, that the venue of such proceeding is improper or that this Agreement or the subject matter of this Agreement may not be enforced in or by such court.

(c) Xenova and the Seller agree that, if any Proceeding is commenced against any Indemnitee by any Person in or before any court or other tribunal anywhere in the world, then such Indemnitee may proceed against Xenova and the Seller in or before such court or other tribunal with respect to any indemnification claim or other claim arising directly or indirectly from or relating directly or indirectly to such Proceeding or any of the matters alleged therein or any of the circumstances giving rise thereto.

(d) Xenova irrevocably constitutes and appoints Brobeck, Phleger & Harrison, LLP (attn: J. Stephan Dolezalek) as ("Xenova's Representative") as its agent to receive service of process in connection with any legal proceeding relating to this Agreement or the enforcement of any provision of this Agreement.

11.11 Successors and Assigns; Assignment. This Agreement shall be binding upon: Seller and Purchaser and their respective successors and permitted assigns (if any) and Xenova and their respective personal representatives, executors, administrators, estates, heirs, successors and permitted assigns (if any). This Agreement shall inure to the benefit of: Seller; Xenova and their respective personal representatives, executors, administrators, estates and heirs;

Purchaser; the other Indemnitees and the respective successors and permitted assigns (if any) of the foregoing. Purchaser may freely assign any or all of its rights under this Agreement (including its indemnification rights under Section 10), in whole or in part, to any other Person.

11.12 Waiver.

(a) No failure on the part of any Person to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any Person in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy.

(b) No Person shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such Person; and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

11.13 Amendments. This Agreement may not be amended, modified, altered or supplemented other than by means of a written instrument duly executed and delivered on behalf of Purchaser and the Agent.

11.14 Severability. In the event that any provision of this Agreement, or the application of any such provision to any Person or set of circumstances, shall be determined to be invalid, unlawful, void or unenforceable to any extent, the remainder of this Agreement, and the application of such provision to Persons or circumstances other than those as to which it is determined to be invalid, unlawful, void or unenforceable, shall not be impaired or otherwise affected and shall continue to be valid and enforceable to the fullest extent permitted by law.

11.15 Parties in Interest. Except for the provisions of Section 10 hereof, none of the provisions of this Agreement is intended to provide any rights or remedies to any Person other than the parties hereto and their respective successors and assigns (if any).

11.16 Entire Agreement. The Transactional Agreements (including all schedules and exhibits attached thereto) set forth the entire understanding of the parties relating to the subject matter thereof and supersede all prior agreements and understandings among or between any of the parties relating to the subject matter hereof.

11.17 Construction.

(a) For purposes of this Agreement, whenever the context requires: the singular number shall include the plural, and vice versa; the masculine gender shall include the feminine and neuter genders; the feminine gender shall include the masculine and neuter genders; and the neuter gender shall include the masculine and feminine genders.

(b) The parties hereto agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in the construction or interpretation of this Agreement.

(c) As used in this Agreement, the words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words "without limitation."

(d) Except as otherwise indicated, all references in this Agreement to "Sections" and "Exhibits" are intended to refer to Sections of this Agreement and Exhibits to this Agreement.

The parties hereto have caused this Agreement to be executed and delivered as of July 11, 1999.

"Purchaser": Exelixis Pharmaceuticals, Inc.

By: /s/ George Scangos
_____
Name: George Scangos
Title: Chief Executive Officer

"Seller": MetaXen LLC

By: /s/ David Oxlade
_____
Name: David Oxlade
Title: Interim President

"Xenova": Xenova Group plc

/s/ Daniel Abrams

Name: Daniel Abrams
Title: Chief Financial Officer

Exhibit A

Employees

Aftab, Dana
Brown, S. David
Brzezinski, Linda
Buckley, Douglas
Canne, Lynne
Chan, Jocelyn
Epshteyn, Sergey
Ewing, Todd
Galan, Adam
Graham, Hugh
Hammonds, R. Glenn
Hanel, Art
Kearney, Patrick
Leahy, James
Matthews, David
Phife, David
Prisbylla, Michael
Ricafort, Lourdes
Sage, Carleton
Singh, Rahul
Stout, Thomas
Tesfai, Zerom
Trainor, Michael
Wu, Pengguang

Exhibit B

CERTAIN DEFINITIONS

For purposes of the Agreement (including this Exhibit B):

Affiliate. "Affiliate" shall mean and include:

(a) any member of Seller;

(b) any record or beneficial holder of outstanding securities of Xenova or Seller;

(c) any sibling, uncle, aunt, niece or nephew of any Person described in clause (a) or (b);

(d) any ancestor or lineal descendant of any person described in clauses (a), (b) or (c);

(e) any current or former spouse of any person described in clauses, (a), (b), (c) or (d) or any person who is a member of the same household of the person described in clauses (a), (b), (c) or (d) or who has resided with such person for more than 10 days in any calendar year;

(f) any ancestor or lineal descendant of any person described in clauses (a), (b), (c), (d) or (e); or

(g) any Person in which any of the foregoing have a direct or indirect interest.

Agreement. "Agreement" shall mean the Asset Purchase Agreement to which this Exhibit B is attached (including without limitation the Disclosure Schedule and any other exhibits, schedules or attachments thereto), as it may be amended from time to time.

Assumed Contract. "Assumed Contract" shall have the meaning set forth in Section 1.1(b) to the Agreement.

Assumed Liability. "Assumed Liability" shall have the meaning set forth in Section 1.7 to the Agreement.

Best Efforts. "Best Efforts" shall mean the efforts that a prudent Person desiring to achieve a particular result would use in order to ensure that such result is achieved as expeditiously as possible.

Breach. There shall be deemed to be a "Breach" of a representation, warranty, covenant, obligation or other provision if there is or has been (a) any inaccuracy in or Breach of, or any

failure to comply with or perform, such representation, warranty, covenant, obligation or other provision, or (b) any claim (by any Person) or other circumstance that is inconsistent with such representation, warranty, covenant, obligation or other provision; and the term "Breach" shall be deemed to refer to any such inaccuracy, Breach, failure, claim or circumstance.

Business. "Business" shall have the meaning specified in Section A of the Recitals to the Agreement.

Claims. "Claims" shall mean and include all past, present and future disputes, claims, controversies, demands, rights, obligations, liabilities, actions and causes of action of every kind and nature, including: (i) any unknown, unsuspected or undisclosed claim; (ii) any claim or right that may be asserted or exercised by a member in such member's capacity as a member or employee of Seller or in any other capacity; and (iii) any claim, right or claim of action based upon any breach of any express, implied, oral or written contract or agreement.

Closing. "Closing" shall have the meaning specified in Section 1.11 of the Agreement.

Closing Date. "Closing Date" shall have the meaning specified in Section 1.11 of the Agreement.

Consent. "Consent" shall mean any approval, consent, ratification, permission, waiver or authorization (including any Governmental Authorization).

Contract. "Contract" shall mean any written, oral, implied or other agreement, contract, understanding, arrangement, instrument, note, guaranty, indemnity, representation, warranty, deed, assignment, power of attorney, certificate, purchase order, sales order, work order, insurance policy, benefit plan, commitment, covenant, assurance or undertaking of any nature.

Damages. "Damages" shall include any loss, damage, injury, lost opportunity, Liability, claim, demand, settlement, judgment, award, fine, penalty, Tax, fee (including any legal fee, expert fee, accounting fee or advisory fee), charge, cost (including any cost of investigation) or expense of any nature.

Disclosure Schedule. "Disclosure Schedule" shall mean the schedule (dated as of the date of the Agreement) delivered to Purchaser on behalf of Seller and Xenova, a copy of which is attached to the Agreement and incorporated in the Agreement by reference.

Encumbrance. "Encumbrance" shall mean any lien, pledge, hypothecation, charge, mortgage, security interest, encumbrance, equity, trust, equitable interest, claim, preference, right of possession, lease, tenancy, license, encroachment, covenant, infringement, interference, Order, proxy, option, right of first refusal, preemptive right, community property interest, legend, defect, impediment, exception, reservation, limitation, impairment, imperfection of title, condition or restriction of any nature (including any restriction on the voting of any security, any restriction on the transfer of any security or other asset, any restriction on the receipt of any income derived from any asset, any restriction on the use of any asset and any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset).

Entity. "Entity" means any corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any limited liability company or joint stock company), firm or other enterprise, association, organization or entity.

Environmental Laws. "Environmental Laws" means all applicable federal, state and local laws relating to pollution, storage, releases or threatened releases of pollutants, contaminants, radioactive substances, chemicals or industrial, toxic, hazardous or petroleum-based substances or wastes ("Waste") into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Waste including, without limitation, the Clean Water Act, the Clean Air Act, the Resource Conservation and Recovery Act, the Toxic Substances Control Act and the Comprehensive Environmental Response Compensation Liability Act ("CERCLA"), as amended, and their state and local counterparts.

Expiration Date. "Expiration Date" shall have the meaning set forth in Section 10.1(a) to the Agreement.

Governmental Authorization. "Governmental Authorization" shall mean any:

(h) permit, license, certificate, franchise, concession, approval, consent, ratification, permission, clearance, confirmation, endorsement, waiver, certification, designation, rating, registration, qualification or authorization that is, has been or may in the future be issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement; or

(i) right under any Contract with any Governmental Body.

Governmental Body. "Governmental Body" shall mean any:

(j) nation, principality, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature;

(k) federal, state, local, municipal, foreign or other government;

(l) governmental or quasi-governmental authority of any nature (including any governmental division, subdivision, department, agency, bureau, branch, office, commission, council, board, instrumentality, officer, official, representative, organization, unit, body or Entity and any court or other tribunal);

(m) multi-national organization or body; or

(n) individual, Entity or body exercising, or entitled to exercise, any executive, legislative, judicial, administrative, regulatory, police, military or taxing authority or power of any nature.

Indemnitees. "Indemnitees" shall mean the following Persons:

(o) Purchaser;

(p) Purchaser's current and future affiliates;

(q) The respective Representatives of the Persons referred to in clauses "(a)" and "(b)" above; and

(r) The respective successors and assigns of the Persons referred to in clauses "(a)", "(b)" and "(c)" above.

Knowledge. An individual shall be deemed to have "Knowledge" of a particular fact or other matter if:

(s) Such individual is actually aware of such fact or other matter; or

(t) A prudent individual could be expected to discover or otherwise become aware of such fact or other matter in the course of conducting a diligent and comprehensive investigation concerning the truth or existence of such fact or other matter.

An Entity shall be deemed to have "Knowledge" of a particular fact or other matter if any officer, employee or other Representative of such Entity has Knowledge of such fact or other matter.

Legal Requirement. "Legal Requirement" shall mean any federal, state, local, municipal, foreign or other law, statute, legislation, constitution, principle of common law, resolution, ordinance, code, edict, decree, proclamation, treaty, convention, rule, regulation, ruling, directive, pronouncement, requirement, specification, determination, decision, opinion or interpretation that is, has been or may in the future be issued, enacted, adopted, passed, approved, promulgated, made, implemented or otherwise put into effect by or under the authority of any Governmental Body.

Liability. "Liability" shall mean any debt, obligation, duty or liability of any nature (including any unknown, undisclosed, unmatured, unaccrued, unasserted, contingent, indirect, conditional, implied, vicarious, derivative, joint, several or secondary liability), regardless of whether such debt, obligation, duty or liability would be required to be disclosed on a balance sheet prepared in accordance with GAAP and regardless of whether such debt, obligation, duty or liability is immediately due and payable.

Order. "Order" shall mean any:

(u) order, judgment, injunction, edict, decree, ruling, pronouncement, determination, decision, opinion, verdict, sentence, subpoena, writ or award that is, has been or may in the future be issued, made, entered, rendered or otherwise put into effect by or under the

authority of any court, administrative agency or other Governmental Body or any arbitrator or arbitration panel; or

(v) Contract with any Governmental Body that is, has been or may in the future be entered into in connection with any Proceeding.

Ordinary Course of Business. An action taken by or on behalf of an Entity shall not be deemed to have been taken in the "Ordinary Course of Business" unless:

(w) such action is recurring in nature, is consistent with an Entity's past practices and is taken in the ordinary course of such Entity's normal day-to-day operations;

(x) such action is taken in accordance with sound and prudent business practices; and

(y) such action is not required by applicable law or governing documents to be authorized by an Entity's stockholders, members, board of directors or similar body, or committee of such Entity's board of directors or similar body and does not require any other separate or special authorization of any nature.

Person. "Person" shall mean any individual, Entity or Governmental Body.

Pre-Closing Period. shall mean the period from the date of the Agreement through the Closing Date.

Proceeding. "Proceeding" shall mean any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding and any informal proceeding), prosecution, contest, hearing, inquiry, inquest, audit, examination or investigation that is, has been or may in the future be commenced, brought, conducted or heard by or before, or that otherwise has involved or may involve, any Governmental Body or any arbitrator or arbitration panel.

Proprietary Asset. "Proprietary Asset" shall mean any (a) patent, patent application, trademark (whether registered or unregistered and whether or not relating to a published work), trademark application, trade name, fictitious business name, service mark (whether registered or unregistered), service mark application, trade secret, know-how, franchise, system, computer software, invention, design, blueprint, proprietary product, technology, proprietary right or other intellectual property right or intangible asset; or (b) right to use or exploit any of the foregoing.

Purchased Asset. "Purchased Asset" shall have the meaning set forth in Section 1.1 to the Agreement.

Purchaser. "Purchaser" shall have the meaning set forth in the introductory paragraph to the Agreement.

Representatives. "Representatives" shall mean officers, directors, employees, agents,

attorneys, accountants, advisors and representatives. Xenova and all other Related Parties shall be deemed to be "Representatives" of Seller.

Seller. "Seller" shall have the meaning specified in the introductory paragraph of the Agreement.

Seller Contract. "Seller Contract" shall mean any Contract:

(z) to which Seller is a party;

(aa) by which Seller or any of its assets are or may become bound or under which Seller has, or may become subject to, any obligation; or

(bb) under which Seller has or is likely to acquire any right or interest.

Xenova. "Xenova" shall have the meaning specified in the introductory paragraph of the Agreement.

Tax. "Tax" shall mean any tax (including any income tax, franchise tax, capital gains tax, estimated tax, gross receipts tax, value-added tax, surtax, excise tax, ad valorem tax, transfer tax, stamp tax, sales tax, use tax, property tax, business tax, occupation tax, inventory tax, occupancy tax, withholding tax or payroll tax), levy, assessment, tariff, impost, imposition, toll, duty (including any customs duty), deficiency or fee, and any related charge or amount (including any fine, penalty or interest), that is, has been or may in the future be (a) imposed, assessed or collected by or under the authority of any Governmental Body, or (b) payable pursuant to any tax-sharing agreement or similar Contract.

Tax Return. "Tax Return" shall mean any return (including any information return), report, statement, declaration, estimate, schedule, notice, notification, form, election, certificate or other document or information that is, has been or may in the future be filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation or enforcement of or compliance with any Legal Requirement relating to any Tax.

Transactional Agreements. "Transactional Agreements" shall mean the Agreement and all other documents or agreements contemplated by Section 1.

Transactions. "Transactions" shall mean (a) the execution and delivery of the respective Transactional Agreements and (b) all of the transactions contemplated by the respective Transactional Agreements.

EXHIBIT 10.17

Exelixis Pharmaceuticals, Inc.
One Kendall Square, Building 600
Cambridge, Massachusetts 02139

September 13, 1996

George Scangos, Ph.D.
1015 Whitwell Road
Hillsborough, CA 94010

Dear Dr. Scangos:

This letter is to confirm our understanding with respect to your employment by Exelixis Pharmaceuticals, Inc. (the "Company") (the terms and conditions agreed to in this letter shall hereinafter be referred to as the "Agreement"). In consideration of the mutual promises and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, we have agreed as follows:

1. Employment

(a) Position. The Company will employ you, and you agree to be employed by the Company, to serve as its President and Chief Executive Officer and to perform such services and discharge such duties and responsibilities as may be prescribed by the Board of Directors (the "Board") of the Company from time to time. In addition, the Company will recommend to the shareholders of the Company that you be elected as a Director of the Company during the term of this Agreement. You shall devote your full time and best efforts to the performance of the foregoing services.

(b) Relocation of the Company. At your initiative, the Company agrees that it will relocate to the San Francisco Bay Area as soon as is reasonably practicable, and in any case not later than six (6) months after the Commencement Date. Prior to the relocation, you will render services at the Company's office in Cambridge, Massachusetts, and the Company will pay for weekly, round-trip coach class air fare between Boston and San Francisco, and will reimburse you for reasonable living expenses while in Boston. It is agreed that substantial travel may be involved in your activities for the Company.

2. Term of Employment.

(a) Term; Termination. Your employment hereunder shall commence no later than November, 1996 ("Commencement Date") and shall continue until October 31, 1998 (the "Initial Term"). The term of your employment shall renew automatically for any number of renewal terms of one year's duration each, unless either party to this Agreement provides written notice of its intention not to renew the Agreement at least sixty (60) days prior to the then effective expiration date. Notwithstanding the foregoing, your employment hereunder shall be terminated upon the first to occur of the following:

(i) immediately upon your death; or

(ii) by the Company:

(A) upon notice following your failure, due to illness, accident or any other physical or mental incapacity, to perform the services provided for hereunder for an aggregate of ninety (90) business days within any twelve-month period during the term hereof;

(B) upon notice for Cause, as defined herein, and as set forth below;

(C) subject to Section 3 hereof, without Cause, upon thirty (30) days' prior written notice to you of its intent to terminate your employment.

The right of the Company to terminate your employment hereunder without Cause, to which you hereby agree, shall be exercisable by written notice sent to you by the Company.

(b) Definition of "Cause". The Company may, immediately and unilaterally, terminate your employment hereunder for Cause at any time upon ten (10) days' advance written notice to you. Termination of your employment by the Company shall constitute a termination for Cause if such termination is for one or more of the following reasons: (i) your continuing failure to render services to the Company in accordance with your assigned duties consistent with Section 1 of this Agreement and such failure of performance continues for a period of more than sixty (60) days after notice thereof has been provided to you by the Board of Directors; (ii) your willful misconduct or gross negligence; (iii) you are convicted of a felony, either in connection with the performance of your obligations to the Company or which conviction materially adversely affects your ability to perform such obligations or materially adversely affects the business activities, reputation, goodwill or image of the Company; and, (iv) willful disloyalty, deliberate dishonesty, material breach of fiduciary duty or material breach of the terms of this Agreement.

In making any determination under this Section, the Board shall act fairly and in utmost good faith and shall give you an opportunity to appear and be heard at a meeting of the Board or any committee thereof and present evidence on your behalf. For purposes of this Section, no act, or failure to act, on your part shall be considered "willful" unless done, or admitted to be done, by you in bad faith and without reasonable belief that such action or omission was in the best interest of the Company.

In the event you are terminated for Cause, you shall be entitled to no severance or other termination benefits, or any other benefits (except for any health insurance benefits required by applicable law).

3. Compensation.

(a) Salary. The Company shall pay you as your base compensation for your services and agreements hereunder during the Initial Term a base salary at the rate of Three Hundred and Twenty-Five Thousand Dollars ($325,000) per year (the "Base Salary"), payable at such intervals as may be agreed upon by the Company and you, less any amounts required to be withheld under applicable law. Such compensation will be reduced by any disability payments which you receive, after taking into account the tax benefits (if any) of such payments.

(b) Bonus. In addition to your Base Salary, you will be entitled to bonuses as follows:

(i) You will receive a bonus of $100,000 on the Commencement Date. You agree to have completed all transition work for Bayer by December 15, 1996

(ii) A bonus of at least $50,000 at each six-month anniversary of the Commencement Date if you remain employed by the Company on that date.

(iii) An additional bonus of at least $75,000 at the twelve-month anniversary of the Commencement Date and a bonus of at least $100,000 at each twelve- month anniversary thereafter, in each case, if you remain employed by the Company on that date and you and the Company achieve specified milestones agreed upon in writing. Milestones for the first year will be agreed upon within thirty days after the Commencement Date and for subsequent years within thirty days after each twelve-month anniversary.

(c) Stock Options. The Company will grant to you incentive stock options as follows:

(i) Options to purchase up to One Million Five Hundred Thousand (1,500,000) shares of the Company's Common Stock, at an exercise price of $.10 per share (which the Board of Directors has determined to be the fair market value of the Company's Common Stock at the Commencement Date), such options to vest quarterly over four (4) years at a rate of 93,750 shares per quarter.

(ii) Options to purchase at least Five Hundred Thousand (500,000) shares of the Company's Common Stock, to be granted from time to time upon achievement of mutually agreed upon milestones, exercisable at a purchase price equal to the fair market value of the Company's Common Stock at the date of grant, such options to vest quarterly over four years from the grant date. Milestones will be determined on an annual basis, within sixty days after the beginning of the Company's new fiscal year.

(iii) The options granted pursuant to this Section 3(c) will be evidenced by option agreements in the customary form under the Company's stock option plan; provided, however, that each such option agreement will contain a provision requiring automatic acceleration of the vesting of any unvested portion of the option upon the occurrence of a merger or sale of greater than 50% of the assets of the Company.

(d) Termination without Cause. In the event your employment shall be terminated by the Company without Cause during the term of this Agreement, the Company shall continue to pay you your Base Salary and bonus and provide you the benefits described in Section 4(b) for a period equal to the lesser of: (i) six (6) months subsequent to such termination or (ii) the period ending on the date of commencement of employment with another employer, provided, however, that if your annual salary with your new employer is less than your Base Salary under this Agreement, the Company shall pay you the difference between your Base Salary and the annual salary from your new employer for the balance of the six-month period following the date of your termination by the Company. All payments made under this Section 3(d) shall be made at the times and at the rate specified in Section 3(a) hereof. Notwithstanding

any termination of your employment, you shall continue to be bound by the provisions of this Agreement (other than Section 1 hereof).

(e) Other Terminations. In the event your employment shall be terminated by the Company with Cause, no further compensation or benefits of any kind shall be payable to you hereunder; provided, however, that you shall continue to be bound by the terms and conditions of this Agreement (other than Section 1 hereof).

4. Benefits and Reimbursement of Expenses.

(a) Vacation and Holidays. You shall be entitled to four weeks of vacation leave and holidays in each year at a time or times (either consecutively or not consecutively) mutually agreeable to the Company and you, in accordance with the Company's vacation and holiday policy in effect from time to time.

(b) Employee Benefit Plans. You shall also be entitled to participate in any employee benefit plans which the Company provides or may establish for the benefit of its executive employees generally (including, without limitation, group life, medical, dental and other insurance, retirement, pension, profit-sharing and similar plans), but only if and to the extent provided in such employee benefit plans.

(c) Reimbursement of Expenses. You shall be entitled to reimbursement for all ordinary and reasonable out-of-pocket business expenses which are reasonably incurred by you in furtherance of the Company's business in accordance with reasonable policies adopted from time to time by the Company.

(d) Key Man Life Insurance. The Company shall have the right to maintain a "key man" life insurance policy on your life naming the Company as beneficiary in the amount of Three Million Dollars ($3,000,000), for as long as you are employed by the Company pursuant to this Agreement.

5. Prohibited Competition.

(a) Certain Acknowledgements and Agreements.

(i) We have discussed, and you recognize and acknowledge the confidential and proprietary aspects of the business of the Company.

(ii) You further acknowledge and agree that, during the course of your performing services for the Company, the Company will furnish, disclose or make available to you confidential and proprietary information related to the Company's business and that the Company may provide you with unique and specialized training. You also acknowledge that such confidential information and such training have been developed and will be developed by the Company through the expenditure by the Company of substantial time, effort and money and that all such confidential information and training could be used by you to compete with the Company.

(b) Anti-Solicitation and Raiding Covenants. During the period in which you perform services for or at the request of the Company (the "Term") and for a period of twelve (12) months following the expiration or termination of the Term, whether such termination is voluntary or involuntary, you shall not, without the prior written consent of the Company:

(i) either individually or on behalf of or through any third party, interfere with, damage, impair or disrupt the Company's business or its contractual relationships by soliciting, diverting or appropriating, or attempting to solicit, divert or appropriate, any actual or prospective joint venture or collaborative research partners, customers or patrons of the Company (or of any present or future parent, subsidiary or affiliate of the Company); or

(ii) either individually or on behalf of or through any third party, interfere with, damage, impair or disrupt the Company's business or its relationships with its employees or consultants, by directly or indirectly soliciting, enticing or persuading, or attempting to solicit, entice or persuade, any other employees of or consultants to the Company (or any present or future parent, subsidiary or affiliate of the Company) to leave the services of the Company (or any such parent, subsidiary or affiliate) for any reason.

(c) Reasonableness of Restrictions. You further recognize and acknowledge that the types of restrictions to which you have agreed pursuant to this Section 5 are narrow, reasonable legitimate and fair in light of the Company's need to enter into joint ventures and collaborations, maintain a stable work force and avoid unfair interferences with its contractual relationships.

(d) Survival of Acknowledgements and Agreements. Your acknowledgements and agreements set forth in this Section 5 shall survive the expiration or termination of this Agreement and the termination of your employment with the Company for any reason.

6. Protected Information. Upon execution of this Agreement, you shall execute and deliver a Confidentiality Agreement in the form attached hereto as Annex A (the "Confidentiality Agreement").

7. Disclosure to Future Employers. You agree that you will provide, and that the Company may similarly provide in its discretion, a copy of the covenants contained in Section 5 of this Agreement and the covenants contained in the Confidentiality Agreement to any business or enterprise which you may directly, or indirectly, own, manage, operate, finance, join, control or in which you participate in the ownership, management, operation, financing, or control, or with which you may be connected as an officer, director, employee, partner, principal, agent, representative, consultant or otherwise.

8. Records. Upon termination of your relationship with the Company, you shall deliver to the Company any property of the Company which may be in your possession including products, materials, memoranda, notes, records, reports, or other documents or photocopies of the same.

9. No Conflicting Agreements. You hereby represent and warrant that you have no commitments or obligations inconsistent with this Agreement and you hereby agree to indemnify and hold the Company harmless against loss, damage, liability or expense arising from any claim based upon circumstances alleged to be inconsistent with such representation and warranty.

10. General.

(a) Notices. All notices, requests, consents and other communications hereunder shall be in writing, shall be addressed to the receiving party's address set forth below or to such other address as a party may designate by notice hereunder, and shall be either (i) delivered by hand, (ii) made by telex, telecopy or facsimile transmission, (iii) sent by overnight courier, or (iv) sent by registered mail, return receipt requested, postage prepaid.

If to the Company: Exelixis Pharmaceuticals, Inc.
One Kendall Square, Building 600
Cambridge, MA 02139
Attention: Chief Operating Officer

With a copy to: Jeffrey M. Wiesen, Esquire
Mintz, Levin, Cohn, Ferris Glovsky and Popeo, P.C.
One Financial Center
Boston, MA 02111

If to you: George Scangos, Ph.D.
1015 Whitwell Road
Hillsborough, CA 94010

All notices, requests, consents and other communications hereunder shall be deemed to have been given either (i) if by hand, at the time of the delivery thereof to the receiving party at the address of such party set forth above, (ii) if made by telex, telecopy or facsimile transmission, at the time that receipt thereof has been acknowledged by electronic confirmation or otherwise, (iii) if sent by overnight courier, on the next business day following the day such notice is delivered to the courier service, or (iv) if sent by registered mail, on the fifth business day following the day such mailing is made.

(b) Entire Agreement. This Agreement embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement of any kind not expressly set forth in this Agreement shall affect, or be used to interpret, change or restrict, the express terms and provisions of this Agreement.

(c) Modifications and Amendments. The terms and provisions of this Agreement may be modified or amended only by written agreement executed by the parties hereto.

(d) Waivers and Consents. The terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

(e) Assignment. The Company may assign its rights and obligations hereunder to any person or entity who succeeds to all or substantially all of the Company's business or that aspect of the Company's business in which you are principally involved. Your rights and obligations under this Agreement may not be assigned by you without the prior written consent of the Company.

(f) Benefit. All statements, representations, warranties, covenants and agreements in this Agreement shall be binding on the parties hereto and shall inure to the benefit of the respective successors and permitted assigns of each party hereto. Nothing in this Agreement shall be construed to create any rights or obligations except among the parties hereto, and no person or entity shall be regarded as a third-party beneficiary of this Agreement.

(g) Governing Law. This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the law of the State of California without giving effect to the conflict of law principles thereof, notwithstanding any relocation of the Company to another jurisdiction.

(h) Jurisdiction and Service of Process. Any legal action or proceeding with respect to this Agreement shall be brought in the courts of the State of California or in the United States District Court located closest to the headquarters of the Company in the State of California, unless otherwise consented to by the non-initiating party to such legal action, which consent shall not be unreasonably withheld. By execution and delivery of this Agreement, each of the parties hereto accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of the aforesaid courts. Each of the parties hereto irrevocably consents to the service of process of any of the aforementioned courts in any such action or proceeding by the mailing of copies thereof by certified mail, postage prepaid, to the party at its address set forth in Section 10(a) hereof.

(i) Severability. The parties intend this Agreement to be enforced as written. However, (i) if any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a duly authorized court having jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law; and (ii) if any provision, or part thereof, is held to be unenforceable because of the duration of such provision or the geographic area covered thereby, the Company and you agree that the court making such determination shall have the power to reduce the duration and/or geographic area of such provision, and/or to delete specific words and phrases ("blue-pencilling"), and in its reduced or blue-pencilled form such provision shall then be enforceable and shall be enforced.

(j) Headings and Captions. The headings and captions of the various subdivisions of this Agreement are for convenience of reference only and shall in no way modify, or affect the meaning or construction of any of the terms or provisions hereof.

(k) Injunctive Relief. You hereby expressly acknowledge that any breach or threatened breach of any of the terms and/or conditions set forth in Section 5 of this Agreement may result in substantial, continuing and irreparable injury to the Company. Therefore, you hereby agree that, in addition to any other remedy that may be available to the Company, the Company may be entitled to injunctive or other equitable relief by a court of appropriate jurisdiction in the event of any breach or threatened breach of the terms of Section 5 of this Agreement.

(l) No Waiver of Rights, Powers and Remedies. No failure or delay by a party hereto in exercising any right, power or remedy under this Agreement, and no course of dealing between the parties hereto, shall operate as a waiver of any such right, power or remedy of the party. No single or partial exercise of any right, power or remedy under this Agreement by a party hereto, nor any abandonment or discontinuance of steps to enforce any such right, power or remedy, shall preclude such party from any other or further exercise thereof or the exercise of any other right, power or remedy hereunder. The election of any remedy by a party hereto shall not constitute a waiver of the right of such party to pursue other available remedies. No notice to or demand on a party not expressly required under this Agreement shall entitle the party receiving such notice or demand to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the party giving such notice or demand to any other or further action in any circumstances without such notice or demand.

(m) Expenses. Should any party breach this Agreement, in addition to all other remedies available at law or in equity, such party shall pay all of any other party's costs and expenses resulting therefrom and/or incurred in enforcing this Agreement, including legal fees and expenses.

(n) Counterparts. This Agreement may be executed in one or more counterparts, and by different parties hereto on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

If the foregoing accurately sets forth our agreement, please so indicate by signing and returning to us the enclosed copy of this letter.

Very truly yours,

Exelixis Pharmaceuticals, Inc.

By: /s/ Jean-Francois Formela/KB

Accepted and Approved:

/s/ George Scangos
- ---
George Scangos, Ph.D.

EXHIBIT 10.18

Exelixis Pharmaceuticals, Inc.
One Kendall Square, Building 600
Cambridge, Massachusetts 02139

April 14, 1997

Geoffrey Duyk, M.D., Ph.D.
354 Woodland Road
Chestnut Hill, MA 02167

Dear Geoff:

This letter is to confirm our understanding with respect to your employment by Exelixis Pharmaceuticals, Inc. (the "Company") (the terms and conditions agreed to in this letter shall hereinafter be referred to as the "Agreement"). In consideration of the mutual promises and covenants contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, we have agreed as follows:

1. Employment. The Company will employ you, and you agree to be employed by the Company, to serve as the Chief Scientific Officer and Senior Vice President of Research and Development, reporting to the Company's President and Chief Executive Officer, and to perform such services and discharge such duties and responsibilities as may be prescribed by the Board of Directors (the "Board") of the company from time to time. The primary location at which you shall perform such services shall be the Company's facility located in Oakland, California. You shall devote your full time and best efforts in the performance of the foregoing services. You will be entitled to attend meetings of the Board as a non-voting observer. If the Company forms a management committee or similar committee charged with overseeing the operations of the company, you will serve on that committee.

2. Term of Employment.

(a) Term: Termination. Your employment hereunder shall commence on April 14, 1997 and shall continue until April 14, 1999 (the "Initial Term"). The term of your employment shall renew automatically for any number of renewal terms of one year's duration each, unless either party to this Agreement provides written notice of its intention not to renew the Agreement at least sixty (60) days prior to the then effective expiration date. The giving of a notice of non-renewal by the Company as of the end of the Initial Term or any subsequent renewal term will be treated as a termination by the Company without Cause (as defined in Section 2(b) of this Agreement). Notwithstanding the foregoing, your employment hereunder shall be terminated upon the first to occur of the following:

(i) Immediately upon your death; or

(ii) By the Company:

(A) Upon notice following your failure, due to illness, accident or any other physical or mental incapacity, to perform the services provided for hereunder for

ninety (90) consecutive business days or an aggregate of one hundred fifty (150) business days within any one year period during the term hereof ("Disability");

(B) Upon notice for Cause, as defined herein, and as set forth below;

(C) Without Cause, upon thirty (30) days' prior written notice to you of its intent to terminate your employment; or

(iii) By you, upon notice to the Company, provided, that if you do not give at least thirty (30) days' prior written notice of your intention to terminate your employment hereunder, you will forfeit all prepaid benefits, any accrued but unpaid incentive compensation and any stock options which have not yet vested as of the date such notice is given.

The right of the company to terminate your employment hereunder without Cause, to which you hereby agree, shall be exercisable by written notice sent to you by the Company.

(b) Definition of "Cause." The company may, immediately and unilaterally, terminate your employment hereunder for Cause at any time upon ten (10) days' advance written notice to you. Termination of your employment by the Company shall constitute a termination for Cause if such termination is for one or more of (i) your continuing material failure to perform your assigned duties consistent with Section 1 of this Agreement, which failure of performance continues for a period of more than sixty (60) days after notice thereof has been provided to you by the Board of Directors, such notice to set forth in reasonable detail the nature of such failure, (ii) your willful misconduct or gross negligence, (iii) you are convicted of a felony, either in connection with the performance of your obligations to the Company or which conviction materially adversely affects the business activities, reputation, goodwill or image of the Company, or (iv) willful disloyalty, deliberate dishonesty, material uncured breach of fiduciary duty or material uncured breach of the terms of this Agreement or the Confidentiality Agreement (as defined in Section 6 of this Agreement).

In making any determination under this Section, the Board shall act fairly and in utmost good faith and shall give you an opportunity to appear and be heard at a meeting of the Board or any committee thereof and present evidence on your behalf. For purposes of this Section, no act, or failure to act, on your part shall be considered "willful" unless done, or admitted to be done, by you in bad faith and without reasonable belief that such action or omission was in the best interest of the Company.

3. Compensation.

(a) Salary. The Company shall pay you as the base compensation for your services and agreements hereunder during the Initial Term a base salary at the rate of Two Hundred and Fifty Thousand Dollars ($250,000) per year (the "Base Salary"), payable at such intervals as may be agreed upon by the Company and you, less any amounts required to be withheld under applicable law. Such compensation will be reduced by any disability payments which you receive, after taking into account the tax benefits (if any) of such payments. Your Base Salary will be reviewed annually by the Company's Board of Directors.

(b) Bonus. In addition to your Base Salary, you may be entitled to bonuses (including a cash component of up to 35% of your Base Salary as in effect from time to time) as are determined from time to time by the Board in its discretion, taking into account, among other factors, your performance and the Company's performance.

(c) Stock Options.

(i) Contemporaneously with the execution of this Agreement, subject to the approval of the Board, the Company will grant you a stock option to purchase up to 900,000 shares of the common stock, par value $.001 per share, of the Company (the "Option") pursuant to the Company's 1994 Employee, Director and Consultant Stock Plan (the "Plan"). The exercise price for the shares covered by the Option will be $0.10 per share. For so long as you remain employed by the Company, the shares covered by the Option will vest as to 56,250 shares on the date that it is three months after the date of execution of this Agreement and as to additional 56,250 shares at the end of each period of three months thereafter until fully vested, provided that in the event of a Change of Control of the Company (as hereinafter defined) while you remain employed by the Company, all shares covered by the Option which have not previously vested will become fully vested. For the purposes of this Agreement, a "Change of Control" shall mean a consolidation or merger of the Company where the shareholders of the Company immediately prior to such consolidation or merger would not, immediately after such consolidation or merger, beneficially own, directly or indirectly, shares representing in the aggregate more than 50% of the combined voting power of all outstanding securities of the corporation issuing cash or securities in the consolidation or merger (or of its ultimate parent corporation, if any).

(ii) You may be eligible to receive additional stock options to the Plan in such amounts and pursuant to vesting schedules as may be determined from time to time by the Board in its discretion, taking into account, among other factors, your performance and the Company's performance.

(d) Termination.

(i) In the event of the termination of your employment by the Company without Cause (including by reason of the Company giving a notice of non-renewal pursuant to Subsection 2(a)), the Company will continue to pay you your Base Salary for a period after the date of such termination equal to the lesser of (1) six (6) months and (2) the period until you obtain alternative employment, payable as provided in Subsection 3(a). In addition, you will be entitled to receive the amount of any declared but unpaid bonus as at the date of such termination and the Company shall continue to make available to you such fringe benefits as are required by law.

(ii) In the event of the termination of your employment by you for any reason (including by reason of your giving a notice of non-renewal pursuant to Subsection 2(a)), by the Company for Cause or as a result of your death or Disability, you shall be entitled to no severance, termination benefits, or other benefits, except that the Company shall continue to make available to you such fringe benefits as are required by law, and shall pay to you the pro rata amount of your Base Salary earned up to the date of said termination, said payment to be

made on the same date as said salary payment would have been made had there been no termination.

Notwithstanding any termination of your employment, you shall continue to be bound by the provisions of this Agreement (other than Section 1 hereof).

(e) Loans.

(i) The Company agrees that upon the execution of this Agreement, it will advance you the sum of $50,000 (the "Loan"). The Loan will be evidenced by a Note and will bear interest at the lowest applicable federal rate. Provided that you are employed by the Company on such anniversary dates, one-third of the principal balance of the Loan will be forgiven by the Company on each of the first, second and third anniversaries of the date of this Agreement. In the event that you leave the employment of the Company prior to the third anniversary of the date of this Agreement, any outstanding principal and interest will be due on the date of such termination of employment.

(ii) If reasonably necessary to assist you in purchasing a primary residence in the San Francisco area, upon written request by you, the Company agrees to loan you an amount of up to one million three hundred thousand dollars ($1,300,000) for a period of up to ninety (90) days for such purpose (the "Home Loan"). The Home Loan will bear interest at the lowest applicable federal rate and will be secured by a pledge by you to the Company of registered and freely tradable shares of the common stock of Millennium Pharmaceuticals, Inc. ("Millennium") beneficially owned by you, provided that such a pledge does not violate applicable securities law or any agreement between you and the Millennium which would prevent or restrict such pledge or limit the Company's ability to exercise its rights under such pledge.

4. Benefits and Reimbursement of Expenses.

(a) Vacation and Holidays. You shall be entitled to three weeks of paid vacation plus paid holidays in each year at a time or times (either consecutively or not consecutively) mutually agreeable to the company and you, in accordance with the Company's vacation and holiday policy in effect from time to time.

(b) Employee Benefit Plans. You shall also be entitled to participate in the same manner as other executive employees of the Company in any employee benefit plans which the Company provides or may establish for the benefit of its executive employees generally (including, without limitation, group life, medical, dental and other insurance, retirement, pension, 401k, profit-sharing and similar plans). If available at normal commercially reasonable cost, the Company will provide you (as part of a group policy or otherwise) with disability insurance covering sixty percent (60%) of your Base Salary.

(c) Reimbursement of Expenses. You shall be entitled to reimbursement for all ordinary and reasonable out-of-pocket business expenses which are reasonably incurred by you in furtherance of the Company's business in accordance with reasonable policies adopted from time to time by the Company.

(d) Relocation Expenses. The Company shall pay or reimburse you for the following out-of-pocket costs relating to your relocation from Boston, Massachusetts to the San Francisco area upon your reasonable substantiation of an itemized account for such expenses paid or incurred by you: (i) temporary living expenses for you in an amount not to exceed Three Hundred Dollars ($300) per day for a reasonable length of time; (ii) household goods insurance when in transit or storage, if required; (iii) packing and unpacking costs; (iv) transportation of household goods; (v) storage and delivery of household goods out of storage; (vi) an amount equal to one month of your initial Base Salary for incidental expenses in connection with such relocation; (vii) your current monthly mortgage payments (including any amounts for escrow of property taxes, insurance, etc.) in respect of your current residence in Chestnut Hill, Massachusetts for the period from July 1, 1997 to September 30, 1997 unless such residence is sold prior to September 30, 1997; and (vii) reasonable closing costs in connection with the sale of such residence.

5. Prohibited Solicitation.

(a) During the period in which you are employed by the Company and for a period of one (1) year following the expiration or termination of your employment, whether such termination is voluntary or involuntary, you agree that you shall not, without the prior written consent of the Company either individually or on behalf of or through any third party, directly or indirectly, solicit, entice or persuade or attempt to solicit, entice or persuade any other employees of or consultants to the Company or any present or future parent, subsidiary or affiliate of the Company to leave the services of the Company or any such parent, subsidiary or affiliate for any reason.

(b) Survival of Agreement. Your agreement set forth in this Section 5 shall survive the expiration or termination of this Agreement and the termination of your employment with the Company for any reason.

6. Protected Information. Upon execution of this Agreement, you agree to execute and deliver a Confidentiality Agreement in the form attached hereto as Exhibit 6 (the "Confidentiality Agreement").

_____

7. Disclosure to Future Employers. You agree that you will provide, and that the Company may similarly provide in its discretion, a copy of the covenants contained in Section 5 of this Agreement and the covenants contained in the Confidentiality Agreement to any business or enterprise which you may directly, or indirectly, own, manage, operate, finance, join, control or in which you participate in the ownership, management, operation, financing, or control, or with which you may be connected as an officer, director, employee, partner, principal, agent, representative, consultant or otherwise. Except as set forth in the preceding sentence, and except for disclosure to lenders or prospective investors at their request, and except as required by law or judicial process, the Company will keep the terms of this Agreement confidential.

8. Records. Upon termination of your relationship with the Company, you agree to deliver to the Company any property of the Company which may be in your possession including products, materials, memoranda, notes, records, reports, or other documents or photocopies of the same.

9. Prior Agreements. You have previously provided to the Company copies of all documents related to your past employment, including any such documents relating to your confidentiality, non-competition or non-disclosure obligations (the "Documents"). In the event that either (i) your ability to perform the services for the Company contemplated by this Agreement is materially restricted as a result of the enforcement by any court of competent jurisdiction or arbitrator of any provision of the Documents, or (ii) the Company, in its sole discretion, determines that your ability to perform the services for the Company contemplated by this Agreement is materially restricted by the Documents, during the period while your performance of services hereunder is so restricted, the Company will be obligated only to pay you your Base Salary as set forth in Subsection 3(a) and to provide you with the Employee Benefit Plans as set forth in Subsection 4(b), provided that any options which you have been granted pursuant to Subsection 3(c) shall continue to vest as set forth in the respective option agreements.

10. General.

(a) Notices. All notices, requests, consents and other communications hereunder shall be in writing, shall be addressed to the receiving party's address set forth below or to such other address as a party may designate by notice hereunder and shall be either (i) delivered by hand, (ii) made by telex, telecopy or facsimile transmission, (iii) sent by overnight courier, or (iv) sent by registered mail, return receipt requested, postage prepaid.

If to the Company: Exelixis Pharmaceuticals, Inc.
One Kendall Square, Building 600
Cambridge, MA 02139
Attention: President

With a copy to: Jeffrey M. Wiesen, Esquire
Mintz, Levin, Cohn, Ferris
Glovsky and Popeo, PC
One Financial Center
Boston, MA 02111

If to you: Geoffrey Duyk, M.D., Ph.D.
354 Woodland Road
Chestnut Hill, MA 02167

All notices, requests, consents and other communications hereunder shall be deemed to have been given either (i) if by hand, at the time of the delivery thereof to the receiving party at the address of such party set forth above, (ii) if made by telex, telecopy or facsimile transmission, at the time that receipt thereof has been acknowledged by electronic confirmation or otherwise, (iii) if sent by overnight courier, on the next business day following the day such notice is delivered to the courier service, or (iv) if sent by registered mail, on the fifth business day following the day such mailing is made.

(b) Entire Agreement. This Agreement embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes

all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement of any kind not expressly set forth in this Agreement shall affect, or be used to interpret, change or restrict, the express terms and provisions of this Agreement.

(c) Modifications and Amendments. The terms and provisions of this Agreement may be modified or amended only by written agreement executed by the parties hereto.

(d) Waivers and Consents. The terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

(e) Assignment. The Company may assign its rights and obligations hereunder to any person or entity who succeeds to all or substantially all of the Company's business. Your rights and obligations under this Agreement may not be assigned by you without the prior written consent of the Company.

(f) Benefit. All statements, representations, warranties, covenants and agreements in this Agreement shall be binding on the parties hereto and shall inure to the benefit of the respective successors and permitted assigns of each party hereto. Nothing in this Agreement shall be construed to create any rights or obligations except among the parties hereto, and no person or entity shall be regarded as a third-party beneficiary of this Agreement.

(g) Governing Law. This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and governed by the law of the State of California, without giving effect to the conflict of law principles thereof.

(h) Arbitration. Except with respect to the provisions of Section 5 hereof, any controversy, dispute or claim arising out of or in connection with this Agreement, or the breach, termination or validity hereof, shall be settled by final and binding arbitration to be conducted by an arbitration tribunal pursuant to the rules of the American Arbitration Association. The arbitration tribunal shall consist of three arbitrators. The party initiating arbitration shall nominate one arbitrator in the request for arbitration and the other party shall nominate a second in the answer thereto within thirty (30) days of receipt of the request. The two arbitrators so named will then jointly appoint the third arbitrator. If the answering party fails to nominate its arbitrator within the thirty (30) day period, or if the arbitrators named by the parties fail to agree on the third arbitrator within sixty (60) days, the American Arbitration Association shall make the necessary appointments of such arbitrator(s). The decision or award of the arbitration tribunal (by a majority determination, or if there is no majority, then by the determination of the third arbitrator, if any) shall be final, and judgment upon such decision or award may be entered in any competent court or application may be made to any competent court for judicial acceptance of such decision or award and an order of enforcement.

(i) Severability. The parties intend this Agreement to be enforced as written. However, (i) if any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a duly authorized court having jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law and (ii) if any provision, or part thereof, is held to be unenforceable because of the duration of such provision or the geographic area covered thereby, the Company and you agree that the court making such determination shall have the power to reduce the duration and/or geographic area of such provision, and/or to delete specific words and phrases ("blue-pencilling"), and in its reduced or blue-pencilled form such provision shall then be enforceable and shall be enforced.

(j) Headings and Captions. The headings and captions of the various subdivisions of this Agreement are for convenience of reference only and shall in no way modify, or affect the meaning or construction of any of the terms or provisions hereof.

(k) Injunctive Relief. You hereby expressly acknowledge that any breach or threatened breach of any of the terms and/or conditions set forth in Section 5 of this Agreement will result in substantial, continuing and irreparable injury to the Company. Therefore, you hereby agree that, in addition to an other remedy that may be available to the Company, the Company shall be entitled to injunctive relief by a court of appropriate jurisdiction in the event of any breach or threatened breach of the terms of Section 5 of this Agreement.

(l) No Waiver of Rights, Powers and Remedies. NO failure or delay by a party hereto in exercising any right, power or remedy under this Agreement, and no course of dealing between the parties hereto, shall operate as a waiver of any such right, power or remedy of the party. No single or partial exercise of any right, power or remedy under this Agreement by a party hereto, nor any abandonment or discontinuance of steps to enforce any such right, power or remedy, shall preclude such party from any other or further exercise thereof or the exercise of any other right, power or remedy hereunder. The election of any remedy by a party hereto shall not constitute a waiver of the right of such party to pursue other available remedies. No notice to or demand on a party not expressly required under this Agreement shall entitle the party receiving such notice or demand to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the party giving such notice or demand to any other or further action in any circumstances without such notice or demand.

(m) Expenses. Should any party breach this Agreement, in addition to all other remedies available at law or in equity, such party shall pay all of any other party's costs and expenses resulting therefrom and/or incurred in enforcing this Agreement, including legal fees and expenses.

(n) Counterparts. This Agreement may be executed in one or more counterparts, and by different parties hereto on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

If the foregoing accurately sets forth our agreement, please so indicate by signing and returning to us the enclosed copy of this letter.

Very truly yours,

Exelixis Pharmaceuticals, Inc.

By: /s/ George Scangos

George Scangos, Ph.D.
President and Chief Executive Officer

Accepted and Approved:

/s/ Geoffrey Duyk
- ---
Geoffrey Duyk

October 19, 1999
Mr. Glen Sato
1470 Kings Lane
Palo Alto, CA 94303

Dear Glen:

Exelixis Pharmaceuticals, Inc. is pleased to offer you the position of Chief Financial Officer and Vice President of Legal Affairs on the terms described below.

As Chief Financial Officer and VP of Legal Affairs you will work in South San Francisco, California and report to the President and Chief Executive Officer of Exelixis. You will perform the duties customarily associated with the position of CFO and will have additional responsibility for legal affairs. You will also have responsibility for administration, including facilities and Human Resources, and such other duties as may be assigned to you by the Company's President and Chief Executive Officer. Provided you have no objection, your start date will be November 3, 1999.

Your initial base salary will be $210,000 per year less standard deductions and withholdings, paid semi-monthly. In addition, you will be eligible for a target bonus of 30% of base salary, at the discretion of the Board of Directors, based on annualized objectives to be established by the CEO and Board for your position. As with all executives, receipt of this year-end bonus will be subject to the achievement of our annual financial plan and individual management objectives.

Upon approval by the Board on or about the date your employment commences with Exelixis, you will receive an incentive stock option grant, under the terms of the Company's Equity Incentive Plan, in the total amount of 325,000 shares of Exelixis common stock at an exercise price of $0.30 per share. This grant will vest over four years in equal shares on the last day of each calendar quarter in accordance with the Company's standard vesting policy. Other terms of the option will be consistent with the Company's Equity Incentive Plan and with the terms set forth in the Company's standard form of stock option grant. From time to time, the Board reviews the outstanding option grants for senior Company executives and may issue additional options in the future, at its discretion.

In addition to your salary and incentive compensation, you will be eligible for the following Company benefits consistent with Company policy: three weeks of vacation per year, annual physical examination, life insurance, and medical and dental coverage. Dependent medical and dental coverage is also available, paid in part by the Company and in part by you, in accordance with Exelixis policy. If necessary, Exelixis will reimburse you for your medical and dental insurance under the COBRA plan of your previous employer until you are eligible for our coverage (90 days from your date of hire). Details about these benefits are provided in the Employee Manual Summary Plan Descriptions. The Company reserves the right to modify your compensation and benefits from time to time, as it deems necessary.

The Company will reimburse you for reasonable documented business expenses pursuant to Company policy. Of course, you will be expected to abide by all of the Company's policies and procedures. As a further condition of your employment, you agree to refrain from any

unauthorized use or disclosure of the Company's proprietary or confidential information or materials. You also agree to sign and comply with the Company's Confidentiality Agreement (attached). By accepting this offer, you are representing that you are not a party to any agreement with any third party or prior employer that would conflict with or inhibit your performance of your duties with Exelixis.

You may terminate your employment with Exelixis at any time and for any reason whatsoever simply by notifying the Company. Likewise, Exelixis may terminate your employment at any time and for any reason whatsoever, with or without cause or advance notice. If you are terminated without cause, you will be entitled to receive salary and benefits for a period of 6 months from the date of the termination. This at-will employment relationship cannot be changed except in writing signed by a Company officer.

This letter, together with the Confidentiality Agreement, constitutes the complete, final and exclusive embodiment of the entire agreement between you and Exelixis with respect to the terms and conditions of your employment. In entering into this agreement, neither party is relying upon any promise or representation, written or oral, other than those expressly contained herein, and this agreement supersedes any other such promises, representations or agreements. It may not be amended or modified except in a written agreement signed by you and a duly authorized Company officer. As required by law, this offer of employment is subject to proof of your right to work in the United States.

To ensure rapid and economical resolution of any disputes that may arise under this agreement, you and the Company agree that any and all disputes or controversies of any nature whatsoever, regarding the interpretation, performance, enforcement or breach of this Agreement will be resolved by confidential, final and binding arbitration (rather than trial by jury or court or resolution in some other forum) under the then-existing rules of Judicial Arbitration and Mediation Services ("JAMS").

Sincerely,

/s/ George Scangos
- ------------------------------
George Scangos

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated January 31, 2000, relating to the consolidated financial statements of Exelixis, Inc., which appears in such Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

San Jose, California
February 4, 2000

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the use in this Registration Statement on Form S-1 of our report dated February 10, 1999, relating to the financial statements of MetaXen LLC, which appears in the Exelixis, Inc. Registration Statement. We also consent to the reference to us under the heading "Experts" in such Registration Statement.

/s/ PricewaterhouseCoopers LLP

San Jose, California
February 4, 2000

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YEAR	
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