UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(MARK ONE)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: SEPTEMBER 30, 2002

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-30235

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

http://www.exelixis.com/discovery/investors

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

170 Harbor Way
P.O. Box 511
South San Francisco, CA 94083
(Address of principal executive offices, including zip code)
(650) 837-7000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

Yes [X] No [ ]

As of October 31, 2002, there were 57,439,755 shares of the registrant's common stock outstanding.

EXELIXIS, INC.

FORM 10-Q

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PART I. FINANCIAL INFORMATION

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2002	December 31, 2001 (1)
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	$ 29,336	$ 35,584
Short-term investments	124,891	192,116
Other receivables	3,618	4,026
Other current assets	4,295	2,873
Total current assets	162,140	234,599
Restricted cash	4,907	-
Property and equipment, net	34,279	36,500
Related party receivables	969	937
Goodwill	67,364	62,357
Other intangibles, net	4,968	7,126
Other assets	4,678	5,095
Total assets	$ 279,305	$ 346,614
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 8,390	$ 10,837
Accrued benefits	4,708	5,000
Obligation assumed to exit certain activities of Genomica Corporation	907	2,919
Accrued merger and acquisition costs	60	2,217
Current portion of capital lease obligations	6,756	5,947
Current portion of notes payable and bank obligations	1,722	1,200
Deferred revenue	9,923	12,237
Total current liabilities	32,466	40,357
Capital lease obligations	8,020	11,144
Notes payable and bank obligations	3,346	652
Convertible promissory note	30,000	30,000
Acquisition liability	-	6,871
Other long-term liabilities	36	-
Deferred revenue	17,285	20,370
Total liabilities	91,153	109,394
Commitments		
Stockholders' equity:		
Preferred stock	-	-
Common stock	58	56
Additional paid-in-capital	456,444	444,229
Notes receivable from stockholders	(1,364)	(2,205)
Deferred stock compensation, net	(1,592)	(4,137)
Accumulated other comprehensive income	1,097	501
Accumulated deficit	(266,491)	(201,224)
Total stockholders' equity	188,152	237,220
Total liabilities and stockholders' equity	$ 279,305	$ 346,614

(1) The consolidated condensed balance sheet at December 31, 2001 has been derived from the audited financial statement at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
	(unaudited)		(unaudited)	
Revenues:				
Contract and government grants	$ 8,449	$ 9,212	$ 25,268	$ 23,649
License	1,981	2,716	6,601	4,564
Total revenues	10,430	11,928	31,869	28,213
Operating expenses:				
Research and development (1)	28,845	22,466	84,290	59,836
Selling, general and administrative (2)	4,395	5,361	13,962	14,597
Acquired in-process research and development	-	-	-	6,673
Amortization of goodwill and intangibles	166	1,397	499	3,673
Total operating expenses	33,406	29,224	98,751	84,779
Loss from operations	(22,976)	(17,296)	(66,882)	(56,566)
Other income (expense):				
Interest income and other, net	757	1,617	4,956	5,109
Interest expense	(724)	(811)	(2,090)	(1,460)
Total other income (expense)	33	806	2,866	3,649
Loss from continuing operations	(22,943)	(16,490)	(64,016)	(52,917)
Loss from operations of discontinued segment- Genomica Corporation (including loss on sale of $795)	-	-	(1,251)	-
Net loss	$ (22,943)	$ (16,490)	$ (65,267)	$ (52,917)
Loss per share from continuing operations	$ (0.41)	$ (0.35)	$ (1.14)	$ (1.15)
Loss per share from discontinued operations	-	-	(0.02)	-
Net loss per share, basic and diluted	$ (0.41)	$ (0.35)	$ (1.16)	$ (1.15)
Shares used in computing basic and diluted loss per share amounts	56,483	47,750	56,096	45,848

(1) Includes stock compensation expense of $364 and $1,136 in the quarters ended September 30, 2002 and 2001, respectively, and includes stock compensation expense of $1,349 and $3,936 in the nine-month periods ended September 30, 2002 and 2001, respectively.

(2) Includes stock compensation expense of $305 and $551 in the quarters ended September 30, 2002 and 2001, respectively, and includes stock compensation expense of $957 and $1,921 in the nine-month periods ended September 30, 2002 and 2001, respectively.

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

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

	Nine Months Ended September 30,	
	2002	2001
Cash flows from operating activities:		
Net loss	$ (65,267)	$ (52,917)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss from discontinued operations	795	-
Depreciation and amortization	10,176	7,135
Stock compensation expense	2,306	5,857
Amortization of goodwill and other intangibles	499	3,673
Acquired in-process research and development	-	6,673
Changes in assets and liabilities:		
Other receivables	302	(234)
Other current assets	(1,240)	(717)
Related party receivables	(32)	(474)
Other assets	(278)	(2,731)
Accounts payable and accrued expenses	(3,030)	4,038
Obligation assumed to exit certain activities of Genomica Corporation	(2,069)	-
Accrued merger and acquisition costs	(1,810)	(4,056)
Deferred revenue	(5,399)	20,441

Net cash used in operating activities	(65,047)	(13,312)
Cash flows provided from investing activities:		
Purchases of property and equipment	(4,560)	(8,326)
Change in restricted cash	(4,907)	-
Cash acquired in acquisition	-	3,463
Proceeds from maturities of short-term investments	137,171	115,779
Purchases of short-term investments	(69,843)	(111,562)
Net cash provided by (used in) investing activities	57,861	(646)
Cash flows from financing activities:		
Proceeds from exercise of stock options and warrants, net of repurchases	68	384
Proceeds from issuance of common stock	-	10,000
Proceeds from convertible note	-	30,000
Proceeds from employee stock purchase plan	1,423	1,198
Repayment of notes from stockholders	840	181
Principal payments on capital lease obligations	(4,773)	(3,162)
Proceeds from bank obligations	4,441	-
Principal payments on notes payable	(1,259)	(1,429)
Net cash provided by financing activities	740	37,172
Effect of foreign exchange rates on cash and cash equivalents	198	47
Net increase (decrease) in cash and cash equivalents	(6,248)	23,261
Cash and cash equivalents, at beginning of period	35,584	19,552
Cash and cash equivalents, at end of period	$ 29,336	$ 42,813

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

EXELIXIS, INC.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2002
(UNAUDITED)

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Exelixis, Inc. ("Exelixis" or the "Company") is a biotechnology company whose primary mission is to develop proprietary human therapeutics by leveraging its integrated discovery platform to increase the speed, efficiency and quality of pharmaceutical product discovery and development. The Company uses comparative genomics and model system genetics to find new drug targets that Exelixis believes would be difficult or impossible to uncover using other experimental approaches. The Company's research is designed to identify novel genes and proteins expressed by those genes that, when changed, either decrease or increase the activity in a specific disease pathway in a therapeutically relevant manner. These genes and proteins represent either potential product targets or drugs that may treat disease or prevent disease initiation or progression. The Company's most advanced proprietary pharmaceutical program focuses on drug discovery and development of small molecules in cancer. While the Company's proprietary programs focus on drug discovery and development, Exelixis believes that its proprietary technologies are valuable to other industries whose products can be enhanced by an understanding of DNA or proteins, including the agrochemical, agricultural and diagnostic industries.

Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared by the Company in accordance with accounting principles generally accepted in the United States for interim financial information and pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of the Company's management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three- and nine-month periods ended September 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002, or for any future period. These financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2001 included in the Company's Annual Report on Form 10-K.

Net Loss per Share

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, adjusted for shares that are subject to repurchase. The calculation of diluted net loss per share excludes potential common stock because their effect is antidilutive. Potential common stock consists of shares of common stock subject to repurchase, incremental common shares issuable upon the exercise of stock options and warrants and common shares issuable upon conversion of the convertible promissory note.

Recent Accounting Pronouncements

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), which addresses the financial accounting and reporting standards for goodwill and other intangible assets subsequent to their acquisition. This accounting standard requires that goodwill no longer be amortized, and instead, be tested for impairment on a periodic basis.

In accordance with SFAS 142, the Company discontinued the amortization of goodwill effective January 1, 2002. In addition, the Company re-characterized acquired assembled workforce as goodwill because it is no longer defined as an acquired intangible asset under SFAS No. 141, "Business Combinations". Accordingly, no goodwill or acquired workforce amortization was recognized during the nine-month period ended September 30, 2002. The provisions of SFAS 142 also require the completion of a transitional impairment test within nine months of adoption, with any impairment treated as a cumulative effect of change in accounting principle. During the first quarter of 2002, the Company completed the transitional impairment test, which did not result in impairment of recorded goodwill. The Company will continue to monitor the carrying value of goodwill through annual impairment tests. For further discussion, see Note 5, "Goodwill and Other Acquired Intangibles".

A reconciliation of previously reported net loss and net loss per share to the amounts adjusted for the exclusion of goodwill and assembled workforce amortization follows (in thousands, except per share amounts):

	Three Months Ended September 30,	
	2002	2001
Reported net loss	$ (22,943)	$ (16,490)
Add: Goodwill amortization	-	1,075
Assembled workforce amortization	-	189
Adjusted net loss	$ (22,943)	$ (15,226)
Net loss per share, basic and diluted	$ (0.41)	$ (0.35)
Add: Goodwill amortization	-	0.03
Assembled workforce amortization	-	-
Adjusted net loss per share, basic and diluted	$ (0.41)	$ (0.32)

	Nine Months Ended September 30,	
	2002	2001
Reported net loss	$ (65,267)	$ (52,917)
Add: Goodwill amortization	-	2,955
Assembled workforce amortization	-	403
Adjusted net loss	$ (65,267)	$ (49,559)
Net loss per share, basic and diluted	$ (1.16)	$ (1.15)
Add: Goodwill amortization	-	0.06
Assembled workforce amortization	-	0.01
Adjusted net loss per share, basic and diluted	$ (1.16)	$ (1.08)

On January 1, 2002, the Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 supersedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS 121"). The primary objectives of SFAS 144 were to develop one accounting model based on the framework established in SFAS 121 for long-lived assets to be disposed of by sale, and to address significant implementation issues. The adoption of SFAS 144 did not have a material impact on the Company's financial position or results of operations.

In June 2002, the Financial Accounting Standards Board issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"), which addresses accounting for restructuring, discontinued operations, plant closing, or other exit or disposal activity. SFAS 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002, although earlier adoption is permitted. The Company expects to adopt SFAS 146 in the fourth quarter of 2002. The adoption is not

expected to have a significant impact on the financial position or results of operations of the Company.

NOTE 2. COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) is comprised of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on available-for-sale securities, unrealized gains and losses on cash flow hedges and cumulative translation adjustments. Comprehensive income (loss) for the three- and nine-month periods ended September 30, 2002 and 2001, are as follows (in thousands):

	Three Months Ended September 30,	
	2002	2001
Net loss	$ (22,943)	$ (16,490)
Increase (decrease) in unrealized gains on available-for-sale securities	1,288	430
Increase (decrease) in unrealized gains on cash flow hedges	(125)	-
Increase (decrease) in cumulative translation adjustment	(80)	105
Comprehensive loss	$ (21,860)	$ (15,955)

	Nine Months Ended September 30,	
	2002	2001
Net loss	$ (65,267)	$ (52,917)
Increase (decrease) in unrealized gains on available-for-sale securities	102	685
Increase (decrease) in unrealized gains on cash flow hedges	109	-
Increase (decrease) in cumulative translation adjustment	385	(81)
Comprehensive loss	$ (64,671)	$ (52,313)

The components of accumulated other comprehensive income (loss) are as follows (in thousands):

	September 30, 2002	December 31, 2001
Unrealized gains on available-for-sale securities	$ 703	$ 601
Unrealized gains on cash flow hedges	109	-
Cumulative translation adjustment	285	(100)
Accumulated other comprehensive income	$ 1,097	$ 501

NOTE 3. GENOMICA CORPORATION

In December 2001, in connection with the acquisition of Genomica Corporation ("Genomica"), Exelixis adopted an exit plan for Genomica. Under this exit plan, the Company terminated Genomica's entire workforce and abandoned its leased facilities in Boulder, Colorado and Sacramento, California. The estimated costs of the exit plan amounted to $2.9 million and were included as part of the liabilities assumed in the acquisition.

As of September 30, 2002, the remaining actions to be taken under the exit plan consisted primarily of residual payments related to the lease obligation for the facility in Boulder, Colorado, which are expected to continue until the termination of the lease in 2005, unless the facility is subleased earlier.

The activity impacting the exit plan accrual during the nine months ended September 30, 2002, including changes in estimates made by management based on available information, is summarized in the table below (in thousands):

	Balance at December 31, 2001	Cash Payments	Change in Reserve Estimate	Assumed by Visualize	Balance at September 30, 2002
Severance and benefits	$ 1,216	$ (1,493)	$ 277	$ -	$ -
Lease abandonment	1,703	(576)	(44)	(176)	907
Total exit costs	$ 2,919	$ (2,069)	$ 233	$ (176)	$ 907

In April 2002, Exelixis transferred the Genomica software business to Visualize, Inc. ("Visualize") for future consideration of up to $2.4 million in license fees and royalty payments. Pursuant to the terms of the transaction, Visualize obtained a license with all rights and obligations to third parties currently licensing the Genomica software, including the sole right to further develop and license the software to other third parties. Royalties that Exelixis receives, if any, will be recorded in the period they are earned as a gain from discontinued operations. In addition, Visualize assumed the lease obligation for the Company's abandoned facility in Sacramento, California. Exelixis retains an internal use license for the software. As a result of this transaction, the Company reported the operating results of Genomica and the estimated loss on the sale of Genomica as discontinued operations. For the period beginning January 1, 2002 to its disposal in April 2002, Genomica's operating results consisted of revenues of approximately $58,000 and an operating loss of approximately $456,000. The loss on the sale of Genomica includes the write-off of goodwill of approximately $971,000, partially offset by the reversal of Genomica's lease obligation for the Sacramento facility assumed by Visualize of approximately $176,000.

NOTE 4. DERIVATIVE FINANCIAL INSTRUMENTS

The Company manages exposures to the changes in foreign currency exchange rates for its foreign operations through a program of risk management adopted in 2002, that includes the use of derivative financial instruments. The Company utilizes derivative financial instruments solely to hedge identified exposures and by policy prohibits the use of derivative instruments for speculative or trading purposes. The Company's derivative financial instruments are recorded at fair value and are included in other current assets or accrued expenses.

The Company enters into foreign currency exchange combination option contracts denominated in European Union Euro ("Euro") to minimize the effect of foreign exchange rate movements on the cash flows related to the Company's payments to one of its German subsidiaries for services provided by the subsidiary. The Company has designated these derivatives as foreign currency cash flow hedges. The effective portion of the gain or loss on the derivative instrument is reported as a separate component of other comprehensive income and reclassified into earnings in the same period during which the hedged transaction impacts earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of the future cash flows of the hedged item, if any, is recognized in other income or expense in current earnings in each reporting period.

During the three- and nine-month periods ended September 30, 2002, the Company did not recognize any gain or loss related to the ineffective portion of the hedging instruments and reclassified a gain of $112,000 from other comprehensive income into earnings under the caption, "Research and development expense." As of September 30, 2002, the Company expects to reclassify $109,000 of net gains on derivative instruments from accumulated other comprehensive income to earnings over the next 12 months as a result of the payment of foreign currency to its German subsidiaries.

NOTE 5. GOODWILL AND OTHER ACQUIRED INTANGIBLES

Changes in the carrying amount of goodwill for the nine months ended September 30, 2002 are as follows (in thousands):

Balance as of December 31, 2001	$62,357
Reclassification of intangible asset - assembled workforce	1,658
Exercise of Artemis call option	4,042
Write-off of goodwill (Note 3)	(971)
Other	278
Balance as of September 30, 2002	$67,364

In connection with the Company's May 2001 acquisition of Artemis Pharmaceuticals GmbH ("Artemis"), Exelixis received a call option from, and issued a put option to, certain stockholders of Artemis for the issuance of approximately 460,000 shares of Exelixis common stock in exchange for the remaining 22% of the outstanding capital stock of Artemis held by the option holders. In December 2001, Exelixis exercised its call option for the purchase of 131,674 shares. In January 2002, Exelixis exercised its call option for the purchase of the remaining 329,591 shares. The additional purchase price for the exercise in 2002 was recorded as an increase to goodwill of approximately $4.0 million.

The Company performed an impairment test of goodwill as of January 1, 2002 and concluded no impairment charge was required.

The Company has adopted an annual goodwill impairment test date as of the beginning of the fourth quarter. Following this approach, the Company will monitor asset-carrying values as of September 30, 2002, assess if there is a potential impairment and complete the measurement of impairment, if required. Subsequent to September 30, 2002, the Company's common stock has traded at a price that represents a market capitalization that is less than its book value. Should this condition persist for a significant portion of the fourth quarter of 2002, or should the extent of the reduction in the market capitalization become significant, this condition may signify a potential impairment of the Company's goodwill. The Company will perform the impairment measurement procedures under SFAS No. 142 if it determines that a potential impairment of goodwill exists, which may result in a fourth quarter charge for the impairment of goodwill. As of September 30, 2002, the carrying value of the Company's goodwill was approximately $67.4 million.

The components of the Company's other acquisition-related intangible assets are as follows (in thousands):

	At September 30, 2002		
	Gross Carrying Amount	Accumulated Amortization	Net
Developed technology	$ 1,640	$ (442)	$ 1,198
Patents/core technology	4,269	(499)	3,770
Total	$ 5,909	$ (941)	$ 4,968

	At December 31, 2002		
	Gross Carrying Amount	Accumulated Amortization	Net
Developed technology	$ 1,640	$ (156)	$ 1,484
Patents/core technology	4,269	(285)	3,984
Assembled workforce	2,270	(612)	1,658
Total	$ 8,179	$ (1,053)	$ 7,126

Amortization expense related to the other acquisition-related intangible assets for the three- and nine-month periods ended September 30, 2002 was $166,000 and $499,000, respectively, compared to $133,000 and $315,000 for the three- and nine-month periods ended September 30, 2001, respectively. The expected future annual amortization expense of the other acquisition-related intangible assets is as follows (in thousands):

Year Ending December 31,	Amortization Expense
2002 ($166 remaining subsequent to September 30, 2002)	$ 665
2003	666
2004	633
2005	533
2006	315
Thereafter	2,655
Total expected future amortization	$ 5,467

NOTE 6. COMMITMENTS

In May 2002, the Company entered into a loan and security agreement with a bank for an equipment line of credit of up to $16.0 million with a drawdown period of one year. Each draw on the line of credit has a payment term of 48 months and bears interest at the bank's published prime rate (4.75% at September 30, 2002). At September 30, 2002, approximately $4.2 million was outstanding under the line of credit and $11.8 million remained available on the line of credit. Pursuant to the terms of the line of credit, the Company is required to maintain a first priority security interest in the form of a deposit or securities account at the bank equal to 110% of the outstanding obligation under the line of credit. This collateral account is managed in accordance with the Company's investment policy and is restricted as to withdrawal. As of September 30, 2002, the collateral account had a cash balance of approximately $4.9 million and the Company recorded this amount in the balance sheet as restricted cash.

NOTE 7. SUBSEQUENT EVENTS

Collaboration Agreement

In October 2002, Exelixis and SmithKline Beecham Corporation ("GSK") established an alliance to discover and develop novel therapeutics in the areas of vascular biology, inflammatory disease and oncology. The alliance involved three agreements: (a) a Product Development and Commercialization Agreement; (b) a Stock Purchase and Stock Issuance Agreement; and (c) a Loan and Security Agreement. Under the terms of the alliance, GSK has agreed to pay the Company an upfront payment of $30.0 million and a minimum of $90.0 million in development funding over the initial six years of the alliance. Exelixis issued two million shares of its common stock to GSK for cash proceeds of $7.00 per share, which represented a premium of approximately 100% to the stock price on the effective date of the agreements. The upfront fee and the premium portion of the equity purchase will be deferred and recognized as revenue at a rate of approximately $4.7 million per year. Exelixis has the option to issue GSK additional shares in the future. Exelixis is also expected to receive clinical and developmental payments based on the number and timing of compounds reaching specified milestones. Based on the continued successful development of these compounds, these payments could range from $220 million to $350 million, through the compounds' commercialization. In addition, GSK will make available a loan facility to Exelixis of up to $85 million. Exelixis is expected to also receive

sales-based milestone payments and royalties on product sales, if any.

Two years from the start of the alliance, GSK and Exelixis may elect to expand the collaboration, and under this option, Exelixis' milestone payments could double, and the development funding and the loan facility would also be significantly expanded.

Restructuring Plan
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In November 2002, the Company implemented a restructuring plan. This restructuring plan is designed to facilitate the Company's evolution into a fully integrated drug discovery company by reallocating resources to permit greater focus on building the Company's expanding portfolio of development programs. The restructuring will also enable the Company to add, as needed, appropriate resources to support its new, as well as existing, pharmaceutical and agricultural corporate collaborations.

The restructuring plan resulted in an immediate reduction in force of approximately 8% of the Company's North American operations. Accordingly, the Company anticipates recording a restructuring charge during the fourth quarter of 2002, which is currently estimated to be less than $1.0 million, comprised primarily of involuntary termination benefits.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis should be read in conjunction with our financial statements and accompanying notes included in this report and the 2001 audited financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2001. Operating results are not necessarily indicative of results that may occur in future periods.

The following discussion and analysis contains forward-looking statements. These statements are based on our current expectations, assumptions, estimates and projections about our business and our industry, and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's results, levels of activity, performance or achievement to be materially different from any future results, levels of activity, performance or achievements expressed or implied in or contemplated by the forward-looking statements. Words such as "believe," "anticipate," "expect," "intend," "plan," "will," "may," "should," "estimate," "predict," "potential," "continue" or the negative of such terms or other similar expressions, identify forward-looking statements. Our actual results and the timing of events may differ significantly from those discussed in the forward-looking statements as a result of various factors, including but not limited to, those discussed under the caption "Item 5 Other Information - Risk Factors" and those discussed elsewhere in this report, in our other SEC filings and in our Annual Report on Form 10-K. Exelixis undertakes no obligation to update any forward-looking statement to reflect events after the date of this report.

OVERVIEW

We believe that we are a leader in the discovery and validation of high-quality novel targets for several major human diseases, and a leader in the discovery of potential new drug therapies, specifically for cancer and other proliferative diseases. Our primary mission is to develop proprietary human therapeutics by leveraging our integrated discovery platform to increase the speed, efficiency and quality of pharmaceutical product discovery and development.

Through our expertise in comparative genomics and model system genetics, we are able to find new drug targets that we believe would be difficult or impossible to uncover using other experimental approaches. Our research is designed to identify novel genes and proteins expressed by those genes that, when changed, either decrease or increase the activity in a specific disease pathway in a therapeutically relevant manner. These genes and proteins represent either potential product targets or drugs that may treat disease or prevent disease initiation or progression.

Our most advanced proprietary pharmaceutical program focuses on drug discovery and development of small molecules in cancer. Specifically, the remarkable evolutionary conservation of the biochemical pathways strongly supports the use of simple model systems, such as fruit flies, nematode worms, zebrafish and mice, to identify key components of critical cancer pathways that can then be targeted for drug discovery. We expect to develop new cancer drugs by exploiting the underlying "genetic liabilities" of tumor cells to provide specificity in targeting these cells for destruction, while leaving normal cells unharmed. We have discovered and are further developing a number of small molecule drug targets in addition to monoclonal antibody drug targets. Molecules directed against these targets may selectively kill cancer cells while leaving normal cells unharmed, and may provide alternatives or supplements to current cancer therapies.

We believe that our proprietary technologies are also valuable to other industries whose products can be enhanced by an understanding of DNA or proteins, including the agrochemical, agricultural and diagnostic industries. Many of these industries have shorter product development cycles and lower risk than the pharmaceutical industry, while at the same time generating significant sales with attractive profit margins. By partnering with companies in multiple industries, we believe that we are able to diversify our business risk, while at the same time maximizing our future revenue stream opportunities.

Our strategy is to establish collaborations with major pharmaceutical, biotechnology and agrochemical companies based on the strength of our technologies and biological expertise as well as to support additional

development of our proprietary products. Through these collaborations, we obtain license fees and research funding, together with the opportunity to receive milestone payments and royalties from research results and subsequent product development. In addition, many of our collaborations have been structured strategically to provide us access to technology to advance our internal programs, saving both time and money, while at the same time retaining rights to use the same information in different industries. Our collaborations with leading companies in the agrochemical industries allow us to continue to expand our internal development capabilities while providing our partners with novel targets and assays. Since we believe that agrochemical products have reduced development time and lower risk, we expect to be able to maximize our potential future revenue stream through partnering in multiple industries. We have active commercial collaborations with several leading pharmaceutical, biotechnology and agrochemical companies: Aventis CropScience LLC (now Bayer CropScience LLC), Bayer Corporation, Bristol-Myers Squibb Company (two collaborations), Cytokinetics, Inc., Dow AgroSciences LLC, Elan Pharmaceuticals, Inc., SmithKline Beecham Corporation, Merck & Co., Inc. (two collaborations), Protein Design Labs, Inc., Scios Inc. and Schering-Plough Research Institute, Inc.

In addition to our commercial collaborations, we have relationships with other biotechnology companies, academic institutions and universities that provide us access to specific technology or intellectual property for the enhancement of our business. These include collaborations with leading biotechnology product developers and solutions providers, among them Affymetrix Inc., Genemachines, AVI BioPharma, Inc., Silicon Genetics, Galapagos NV, Genomics Collaborative Inc. and Accelrys, Inc.

We have a history of operating losses resulting 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, including manufacturing and development expenses for compounds in pre-clinical and clinical studies, we expect to incur additional operating losses for the foreseeable future.

RECENT DEVELOPMENTS

COLLABORATION AGREEMENT

In October 2002, we established an alliance with SmithKline Beecham ("GSK") to discover and develop novel therapeutics in the areas of vascular biology, inflammatory disease and oncology. The alliance involved three agreements: (a) a Product Development and Commercialization Agreement; (b) a Stock Purchase and Stock Issuance Agreement; and (c) a Loan and Security Agreement. Under the terms of the alliance, GSK has agreed to pay us an upfront payment of $30.0 million and a minimum of $90.0 million in development funding over the initial six years of the alliance. We issued two million shares of our common stock to GSK for cash proceeds of $7.00 per share, which represented a premium of approximately 100% to our stock price on the effective date of the agreements. The upfront fee and the premium portion of the equity purchase will be deferred and recognized as revenue at a rate of approximately $4.7 million per year. We have the option to issue GSK additional shares in the future. We also expect to receive clinical and developmental payments based on the number and timing of compounds reaching specified milestones. Based on the continued successful development of these compounds, these payments could range from $220 million to $350 million, through the compounds' commercialization. In addition, GSK will make available a loan facility to us of up to $85 million. We also expect to receive sales-based milestone payments and royalties on product sales, if any.

Two years from the start of the alliance, GSK and Exelixis may elect to expand the collaboration, and under this option, our milestone payments could double, and the development funding and the loan facility would also be significantly expanded.

RESTRUCTURING PLAN

In November 2002, we implemented a restructuring plan. This restructuring plan is designed to facilitate our evolution into a fully-integrated drug discovery company by reallocating resources to permit greater focus on building our expanding portfolio of development programs. The restructuring will also enable us to add, as needed, appropriate resources to support our new, as well as existing, pharmaceutical and agricultural corporate collaborations.

The restructuring plan resulted in an immediate reduction in force of approximately 8% of our North American operations. Accordingly, we anticipate recording a restructuring charge during the fourth quarter of 2002, which is currently estimated to be less than $1.0 million, consisting primarily of involuntary termination benefits.

ARTEMIS

We have undertaken a strategic initiative with respect to our Artemis Pharmaceuticals GmbH subsidiary in Cologne, Germany. We intend to split off the entity, including all personnel, and create a separate independent company. This activity is expected to occur in early 2003.

RESULTS OF OPERATIONS

REVENUES

Total revenues were approximately $10.4 million and $31.9 million for the three- and nine-month periods ended September 30, 2002, respectively, compared to $11.9 million and $28.2 million, respectively, for the comparable periods in 2001. The decrease in revenues for the quarter from the 2001 levels was driven

primarily by the reduction of revenue from Pharmacia due to the February 2002 conclusion of our collaboration, partially offset by revenue from compound deliveries under three of our chemistry collaborations established with Elan Pharmaceuticals, Scios and Schering-Plough Research Corporation to jointly design custom high-throughput screening compound libraries. The increase in revenues over the 2001 levels for the nine months ended September 30, 2002 was driven primarily by new corporate collaborations established in 2001 with Protein Design Labs and Bristol-Myers Squibb and compound deliveries under these chemistry collaborations, partially offset by the reduction of revenue from Pharmacia due to the February 2002 conclusion of our collaboration.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses consist primarily of salaries and other personnel-related expenses, facilities costs, supplies, licenses and depreciation of facilities and laboratory equipment. Research and development expenses were approximately $28.8 million and $84.3 million for the three- and nine-month periods ended September 30, 2002, respectively, compared to $22.5 million and $59.8 million, respectively, for the comparable periods in 2001. The increase in 2002 over 2001 resulted primarily from the following costs:

- - Increased Personnel - Staffing costs increased 18% to $10.2 million and 38% to $32.1 million for the three- and nine-month periods ended September 30, 2002, respectively. The increase was to support new collaborative arrangements and Exelixis' internal proprietary research efforts. Salary, bonuses, related fringe benefits, recruiting and relocation costs are included in personnel costs. We expect these personnel costs to increase further as we continue to build our organization.

- - Increased Lab Supplies - As a result of the increase in personnel, our compound collaborations and the significant expansion of drug discovery operations, lab supplies expense increased 21% to $5.4 million and 55% to $16.9 million for the three- and nine-month periods ended September 30, 2002, respectively.

- - Increased Licenses and Consulting - In order to support new collaborative arrangements, conduct pre-clinical and clinical development, engage in contract manufacturing and enable further development of proprietary programs, license and consulting expenses increased 233% to $4.4 million and 151% to $9.1 million for the three- and nine-month periods ended September 30, 2002, respectively.

As part of our collaboration with Bristol-Myers Squibb in July 2001, we received an exclusive worldwide license to develop and commercialize a Bristol-Myers Squibb anticancer compound, a novel analogue of rebeccamycin. Phase I trials of the rebeccamycin analogue have been completed and demonstrated an acceptable safety profile. The Phase II trials of our rebeccamycin analogue sponsored by the National Cancer Institute ("NCI") are proceeding. Exelixis is working with the NCI and investigators to collect and audit the results of the ongoing Phase II program with the goal of initiating the next phase of development under our control. Manufacturing of additional clinical supplies of the compound is in progress. We also continued to make progress toward filing our first proprietary compound investigational new drug ("IND") application for XL 784, anticipated for early 2003. We currently do not have the manufacturing capabilities or experience necessary to produce materials for clinical trials. With respect to the rebeccamycin analogue and our own proprietary compounds, we are currently relying on collaborators and third-party contractors to produce materials for clinical trials. We expect clinical costs will increase in the future as we enter clinical trials for proprietary product candidates and additional trials for our rebeccamycin analogue. We currently do not have estimates of total costs to reach the market by a particular drug candidate or in total. Our potential therapeutic products are subject to a lengthy and uncertain regulatory process that may not result in the necessary regulatory approvals, which could adversely affect our ability to commercialize products. In addition, clinical trials of our potential products may fail to demonstrate safety and efficacy, which could prevent or significantly delay regulatory approval.

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 as we continue to advance drug discovery and development programs, including manufacturing and clinical development efforts on our maturing pipeline of products.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses consist primarily of personnel costs to support our research and development activities, facilities costs and professional expenses, such as legal fees. General and administrative expenses were approximately $4.4 million and $14.0 million for the three- and nine-month periods ended September 30, 2002, respectively, compared to $5.4 million and $14.6 million, respectively, for the comparable periods in 2001. The year-over-year decrease in expense for the three months ended September 30, 2002 primarily resulted from decreased stock compensation expense, legal and accounting expenses, recruiting charges and other corporate services expense. The year-over-year decrease in expense for the nine-months ended September 30, 2002 resulted from decreased stock compensation expense, partially offset by an increase in costs associated with personnel and facilities to support expansion in our research and development operations.

STOCK COMPENSATION EXPENSE

Deferred stock compensation for options granted to our employees is the difference between the fair 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 based upon estimated fair value, using the Black-Scholes option valuation model. As of September 30, 2002, we had approximately $1.6 million of remaining deferred stock compensation related to stock options granted to consultants and employees. Deferred stock compensation is recorded as a component of stockholders' equity and is being amortized as stock compensation expense over the vesting periods of the options, which is generally four years. We recognized stock compensation expense of $0.7 million and $2.3 million for the three- and nine-month periods ended September 30, 2002, respectively, compared to $1.7 million and $5.9 million, respectively, for the comparable periods in 2001. The decrease in stock compensation expense in 2002 compared to 2001 primarily resulted from the accelerated amortization method used for accounting purposes.

During April 2001, we granted approximately 545,000 supplemental stock options under our 2000 Equity Incentive Plan to certain employees (excluding officers and directors) who had stock options under the 2000 Equity Incentive Plan with exercise prices greater than $16.00 per share. The number of supplemental options granted was equal to 50% of the corresponding original grant held by each employee. The supplemental options have an exercise price of $16.00, vest monthly over a two-year period beginning April 1, 2001 and have a 27-month term. The vesting on the corresponding original stock options was suspended and will resume in April 2003 following the completion of vesting of the supplemental options. This new grant constitutes a synthetic repricing as defined in the Financial Accounting Standards Board ("FASB") Interpretation Number 44, "Accounting for Certain Transactions Involving Stock Compensation," and resulted in certain options being reported using the variable plan method of accounting for stock compensation expense until they are exercised, forfeited or expire. For the three- and nine-month periods ended September 30, 2002, we recorded a reversal of previously recorded compensation expense relating to the supplemental options of zero and $242,000, respectively, resulting from a decrease in the market value of our common stock.

AMORTIZATION OF GOODWILL AND INTANGIBLES

We implemented Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), on January 1, 2002. Accordingly, goodwill and other intangible assets deemed to have indefinite lives are no longer being amortized but will be subject to annual impairment tests in accordance with SFAS 142.

Goodwill and intangibles result from our acquisitions of Genomica, Artemis and Agritope (now renamed Exelixis Plant Sciences). Amortization of intangibles was $166,000 and $499,000 for the three- and nine-month periods ended September 30, 2002, respectively, compared to amortization of goodwill and intangibles of $1.4 million and $3.7 million, respectively, for the comparable periods in 2001. The decrease from 2001 was primarily related to our adoption of SFAS 142.

Under our accounting policy, we have adopted an annual goodwill impairment test date as of the beginning of our fourth quarter. Following this approach, we will use our asset-carrying values as of September 30, 2002, assess if there is a potential impairment and complete the measurement of impairment, if required. Subsequent to September 30, 2002, our common stock has traded at a price that represents a market capitalization that is less than our book value. Should this condition persist for a significant portion of the fourth quarter of 2002, or should the extent of the reduction in the market capitalization become significant, this condition may signify a potential impairment of our goodwill. If we determine that a potential impairment of our goodwill exists, we will perform the impairment measurement procedures under SFAS No. 142, which may result in a fourth quarter charge for the impairment of goodwill. As of September 30, 2002, the carrying value of our goodwill was approximately $67.4 million.

OTHER INCOME (EXPENSE)

Other income (expense) primarily consists of interest income earned on cash, cash equivalents and short-term investments, offset by interest expense incurred on notes payable, bank obligations and capital lease obligations. Total other income (expense) was income of $33,000 and $2.9 million for the three- and nine-month periods ended September 30, 2002, respectively, compared to income of $806,000 and $3.6 million, respectively, for the comparable periods in 2001.

DISCONTINUED OPERATIONS

In April 2002, Exelixis transferred the Genomica software business to Visualize, Inc. ("Visualize") for future consideration of up to $2.4 million in license fees and royalty payments. Pursuant to the terms of the transaction, Visualize obtained a license with all rights and obligations to third parties currently licensing the Genomica software, including the sole right to further develop and license the software to other third parties. Royalties that Exelixis receives, if any, will be recorded in the period they are earned as a gain in discontinued operations. In addition, Visualize assumed the lease obligation for Genomica's abandoned facility in Sacramento, California. Exelixis retained an internal use license for the software. As a result of this transaction, we reported the operating results of Genomica and the estimated loss on the sale of Genomica as discontinued operations. For the period beginning January 1, 2002 and ending with the discontinuation of operations in April 2002, Genomica's operating results consisted of revenues of approximately $58,000 and an operating loss of approximately $456,000. The loss on the sale of Genomica includes the write-off of goodwill of approximately $971,000, partially offset by the reversal of Genomica's lease obligation for the Sacramento facility assumed by Visualize of approximately $176,000.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, we have financed our operations primarily through issuances of

capital stock, loans, equipment lease financings and other loan facilities and payments from collaborators. In addition, during December 2001, we acquired Genomica, including $109.6 million in cash and investments. As of September 30, 2002, we had approximately $159.1 million in cash, restricted cash, cash equivalents and short-term investments.

Our operating activities used cash of approximately $65.0 million and $13.3 million for the nine-month periods ended September 30, 2002 and 2001, respectively. For the nine-month period ended September 30, 2002, cash used in operating activities related primarily to funding net operating losses, cash payments related to our December 2001 acquisition of Genomica, a decrease in accounts payable and accrued expenses and a decrease in deferred revenue from collaborators, partially offset by non-cash charges related to depreciation and amortization of deferred stock compensation and other intangible assets. For the comparable period in 2001, cash used in operating activities related primarily to funding net operating losses and cash payments related to our December 2000 acquisition of Agritope, partially offset by an increase in deferred revenues from collaborators and non-cash charges related to depreciation, acquired in-process research and development and amortization of deferred stock compensation, goodwill and other intangible assets.

Our investing activities provided cash of approximately $57.9 million for the nine-month period ended September 30, 2002 and used cash of $0.6 million for the nine-month period ended September 30, 2001. The cash provided in 2002 resulted from proceeds from maturities of short-term investments, partially offset by an increase in restricted cash and purchases of short-term investments and property and equipment. For the comparable period in 2001, cash used resulted from the purchases of short-term investments and property and equipment, almost completely offset by the proceeds from maturities of short-term investments and cash acquired in acquisitions.

Our financing activities provided cash of approximately $0.7 million and $37.2 million for the nine-month periods ended September 30, 2002 and 2001, respectively. For the nine-month period ended September 30, 2002, cash provided from financing activities related primarily to proceeds from our employee stock purchase plan, repayment of notes from stockholders and proceeds from bank obligations, almost completely offset by principal payments on notes payable and capital lease obligations. For the comparable period in 2001, cash provided from financing activities related primarily to proceeds from a convertible note, proceeds from the issuance of stock to Bristol-Myers Squibb and proceeds from our employee stock purchase plan, partially offset by principal payments on notes payable and capital lease obligations.

We believe that our current cash and cash equivalents, short-term investments and funding to be received from collaborators, including funding to be received from our collaboration with GSK that was entered into during the fourth quarter of 2002, will be sufficient to satisfy our anticipated cash needs for at least the next two years. Changes in our operating plan, as well as factors described in our "Risk Factors" elsewhere in this Form 10-Q, could require us to consume available resources much sooner than we expect. It is possible that we will seek additional financings within this timeframe. We may raise additional funds through public or private financing, collaborative relationships or other arrangements. In July 2001, we filed a registration statement on Form S-3 to offer and sell up to $150.0 million of common stock. We have no current commitments to offer or sell securities with respect to shares that may be offered or sold pursuant to that filing. We cannot assure you that additional funding, if sought, will be available or, even if available, will be 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.

RECENT ACCOUNTING PRONOUNCEMENTS

We adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" on January 1, 2002 (SFAS 144). SFAS 144 supersedes SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" (SFAS 121). The primary objectives of SFAS 144 were to develop one accounting model based on the framework established in SFAS 121 for long-lived assets to be disposed of by sale and to address significant implementation issues. The adoption of SFAS 144 did not have a material impact on our financial position or results of operations.

In June 2002, the FASB issued SFAS 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146), which addresses accounting for restructuring, discontinued operations, plant closing or other exit or disposal activity. SFAS 146 requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. SFAS 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. We expect to adopt SFAS 146 in the fourth quarter of 2002. The adoption is not expected to have a significant impact on our financial position or results of operations.

DISCLOSURES ON STOCK OPTION PLANS

OPTION PROGRAM DESCRIPTION

Our stock option program is a broad-based, long-term retention program that is intended to attract and retain talented employees and align stockholder and employee interests. We consider our option program critical to our operation and productivity; essentially all of our employees participate. Of the options we granted in 2001, 75% went to employees other than the five most highly compensated executive officers. Options are currently granted under two stock option plans: one under which options to purchase shares of our stock are granted to non-employee directors and one under which options to purchase shares

of our stock may be granted to all employees. Option vesting periods are generally four years.

The Exelixis board of directors or a designated committee of the board of directors is responsible for the administration of our employee stock option plans and determines the term, exercise price and vesting terms of each option. 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 Exelixis' voting stock). Options granted under the plans 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 Exelixis' voting stock).

DISTRIBUTION AND DILUTIVE EFFECT OF OPTIONS

Employee and Executive Option Grants
As of September 30, 2002

	Nine months ended September 30, 2002	Year ended December 31, 2001	2000
Net grants during the period as a % of outstanding shares	4.0%	5.1 %	10.1%
Grants to listed officers* during the period as % of total options granted	- %	25.2%	13.8%
Grants to listed officers* during the period as % of outstanding shares	- %	1.4%	1.5%
Cumulative options held by listed officers as % of total options outstanding	17. 2%	22.5%	17.2%

* Exelixis' chief executive officer and the four other most highly compensated executive officers for the most recently completed fiscal year are referred to as the "listed officers."

During the nine months ended September 30, 2002, we granted our employees options to purchase approximately 2.3 million shares of our common stock, which was net of 432,507 shares related to forfeited options. The net options granted after forfeitures represented 4.0% of our total outstanding shares of common stock, which was approximately 56.2 million as of the beginning of 2002.

During the nine months ended September 30, 2002, no options were granted to the five most highly compensated executive officers. Options granted to the five most highly compensated executive officers as a percentage of total options granted to all employees varies from year to year. The increase in the percentage of grants to listed officers as a percentage of total options granted increased in 2001 as compared to 2000. The increase primarily related to a larger number of grants to other employees in 2000. We typically grant options to all newly hired employees, and in 2000, there was significant hiring activity associated with the build-out of our research infrastructure and drug discovery operations.

GENERAL OPTION INFORMATION

Summary of Option Activity
As of September 30, 2002

	Shares	Weighted Average Exercise Price
Options outstanding at December 31, 2000	4,492,835	$ 17.70
Granted	3,160,628	14.47
Exercised	(204,125)	2.75
Cancelled	(270,902)	19.92
Options outstanding at December 31, 2001	7,178,436	16.63
Granted	2,723,113	12.87
Exercised	(110,164)	0.85
Cancelled	(432,507)	18.77
Options outstanding at September 30, 2002	9,358,878	15.63

In-the-Money and Out-of-the Money Option Information
As of September 30, 2002

	Outstanding and Exercisable	
		Wtd. Avg

At September 30, 2002	Shares	Exercise Price
In-the-Money	565,677	$ 1.25
Out-of-the-Money (1)	8,793,201	$ 16.56
Total Options Outstanding	9,358,878	$ 15.63

(1) Out-of-the-money options are those options with an exercise price above the closing price of $4.95 at September 30, 2002

EXECUTIVE OPTIONS

During the nine months ended September 30, 2002, no options have been granted to the executive officers listed below. The following table shows the option exercises and remaining option holdings of the listed executive officers. Amounts shown under the column, "Value of Unexercised In-the-Money Options at September 30, 2002" are based on the September 30, 2002 closing price of $4.95 per share, 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.

Option Exercises and Remaining Holdings of Listed Executive Officers
Year-to-Date September 30, 2002

Name	Shares Acquired on Exercise	Value Realized (1)	Number of Securities Underlying Unexercised Options at September 30, 2002 (2)	Values of Unexercised In-the-Money Options at September 30, 2002 (2)
George A. Scangos, Ph.D.	862,500	$ 679,999	600,000	$ -
Geoffrey Duyk, M.D., Ph.D.	375,000	240,000	618,750	790,312
Lloyd M. Kunimoto	262,500	240,000	150,000	-
Michael M. Morrissey, Ph.D.	82,500	-	70,000	-
Gregory D. Plowman, M.D., Ph.D.	-	-	175,000	-

(1) Based on the fair market value of the common stock on the date of exercise.
(2) All options are exercisable upon grant, but underlying shares are subject to a right of repurchase by Exelixis until vested.

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	(1) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(2) Weighted-Avg exercise price of outstanding options, warrants and rights	(3) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (1))
Equity compensation plans approved by shareholders	9,358,878	$ 15.63	2,995,177
Equity compensation plans not approved by shareholders	-	-	-
Total	9,358,878	$ 15.63	2,995,177

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our investments are subject to interest rate risk, and our interest income may fluctuate due to changes in U.S. interest rates. By policy, we limit our investments to money market instruments, debt securities of U.S. government agencies and debt obligations of U.S. corporations. We manage market risk by our diversification requirements, which limit the amount of our portfolio that can be invested in a single issuer. We manage credit risk by limiting our purchases to high quality issuers. Through our money managers, we maintain risk management control systems to monitor interest rate risk. The risk management control systems use analytical techniques, including sensitivity analysis. As of September 30, 2002, a hypothetical 1% adverse move in interest rates along the entire interest rate yield curve would cause an approximately $1.0 million decline in the fair value of our financial instruments.

All highly liquid investments with an original maturity of three months or less from the date of purchase are considered cash equivalents. Exelixis views its available-for-sale portfolio as available for use in current operations. Accordingly, we have classified all investments with an original maturity date greater than three months as short-term, even though the stated maturity date may be one year or more beyond the current balance sheet date.

We are exposed to foreign currency exchange rate fluctuations related to the

operations of our German subsidiaries. The revenues and expenses of our German subsidiaries are denominated in Euro. At the end of each reporting period, the revenues and expenses of these subsidiaries are translated into U.S. dollars using the average currency rate in effect for the period, and assets and liabilities are translated into U.S. dollars using the exchange rate in effect at the end of the period. Fluctuations in exchange rates, therefore, impact our financial condition and results of operations as reported in U.S. dollars.

In February 2002, we commenced using derivative financial instruments to reduce our exposure to foreign currency exchange rate movements on our consolidated operating results. As of September 30, 2002, we had outstanding an aggregate of $3.5 million (notional amount) of short-term foreign currency option contracts denominated in Euro. The fair value of these contracts at September 30, 2002 was approximately $109,000, which is reflected on the balance sheet as an asset. Due to the nature of the option contracts' structure, our exposure to adverse changes in market rates on these instruments is limited to their carrying value. We cannot give any assurance that our hedging strategies will be effective or that transaction losses can be minimized or forecasted accurately.

ITEM 4. CONTROLS AND PROCEDURES

Our chief executive officer and chief financial officer have concluded that Exelixis' disclosure controls and procedures (as defined in Securities Exchange Act of 1934, as amended ("Exchange Act"), Rule 13a-14(c)) are sufficiently effective to ensure that the information required to be disclosed by the company in the reports it files under the Exchange Act is gathered, analyzed and disclosed with adequate timeliness, accuracy and completeness, based on an evaluation of such controls and procedures conducted within 90 days prior to the date hereof.

There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of the evaluation referred to above, nor were there any significant deficiencies or material weaknesses in Exelixis' internal controls. Accordingly, no corrective actions were required or undertaken.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

(d) In May 2000, we completed our initial public offering for aggregate proceeds of approximately $136.0 million. In connection with the offering, we paid a total of approximately $9.5 million in underwriting discounts and commissions and $2.0 million in other offering costs and expenses. After deducting the underwriting discounts and commissions and the offering costs and expenses, our net proceeds from the offering were approximately $124.5 million.

From the time of receipt through September 30, 2002, proceeds from the offering have been used for research and development activities, capital expenditures, working capital, merger and acquisition expenses and other general corporate purposes. In the future, we intend to use the remaining net proceeds in a similar manner. As of September 30, 2002, $900,000 of the proceeds remained available and was primarily invested in short-term marketable securities.

ITEM 5. OTHER INFORMATION

APPROVAL OF NON-AUDIT SERVICES

The following non-audit services have been approved by the Audit Committee of our Board of Directors to be performed by Ernst & Young LLP, our external auditor. Non-audit services are defined as services other than those provided in connection with an audit or a review of the financial statements of the company. The Audit Committee has approved engagements of Ernst & Young for the following non-audit services: (1) tax consulting services; (2) accounting consulting services and (3) review of registration statements.

RISK FACTORS

EXELIXIS HAS 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 $65.3 million for the nine months ended September 30, 2002. As of that date, we had an accumulated deficit of approximately $266.5 million. We expect these losses to continue and anticipate negative operating 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. During 2001, we acquired a compound in Phase II clinical development, and we are working with a third-party vendor to manufacture this compound and preparing for the filing of an Investigational New Drug Application, or IND. In addition, we are also preparing to file our first IND for a proprietary compound. 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 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 expand our product development efforts as well as develop manufacturing and marketing capabilities to commercialize products; and
- the filing, prosecution and enforcement of patent claims.

We anticipate that our current cash and cash equivalents, short-term investments and funding to be received from collaborators 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.

DIFFICULTIES WE MAY ENCOUNTER MANAGING OUR GROWTH MAY DIVERT RESOURCES AND LIMIT OUR ABILITY TO SUCCESSFULLY EXPAND OUR OPERATIONS

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. As our operations expand domestically and internationally, we expect that we will need to manage multiple locations and 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. In addition, acquisitions involve the integration of different financial and management reporting systems. We may not be able to successfully integrate the administrative and operational infrastructure without significant additional improvements and investments in management systems and procedures.

WE ARE DEPENDENT ON OUR COLLABORATIONS WITH MAJOR COMPANIES. IF WE ARE UNABLE TO ACHIEVE MILESTONES, DEVELOP PRODUCTS OR 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. 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.

We currently have collaborative research agreements with Bayer, Bristol-Myers Squibb (two agreements), SmithKline Beecham, Protein Design Labs, Dow AgroSciences and Bayer CropSciences (formerly Aventis CropSciences). Our current collaborative agreement with Bayer is scheduled to expire in 2008, after which it will automatically be extended for one-year terms unless terminated by either party upon 12-month written notice. Our agreement permits Bayer to terminate our collaborative activities prior to 2008 upon the occurrence of specified conditions, such as the failure to agree on key strategic issues after a period of years or the acquisition of Exelixis by certain specified third parties. Our agreement with Bayer is subject to termination at an earlier date if two or more of our Chief Executive Officer, Chief Scientific Officer, Agricultural Biotechnology Program Leader and Chief Informatics Officer cease to have a relationship with us within nine months of each other. Our mechanism of action collaborative agreement with Bristol-Myers Squibb expires in September 2004. Our cancer collaborative agreement with Bristol-Myers Squibb expires in July 2004. Our collaborative agreement with Dow AgroSciences is scheduled to expire in July 2003, after which Dow AgroSciences has the option to renew on an annual basis. Our collaborative research arrangement with Aventis is scheduled to expire in September 2004. The Bayer CropSciences arrangement is conducted through a limited liability company, Agrinomics, which is owned equally by Bayer CropSciences and Exelixis. Bayer CropSciences may surrender its interest in Agrinomics and terminate the related research collaboration prior to the scheduled expiration upon the payment of the subsequent year's funding commitment. Our recent alliance with SmithKline Beecham is scheduled to expire in October 2008, but is subject to earlier termination at the discretion of SmithKline Beecham starting in 2005 if Exelixis fails to meet certain diligence obligations.

If these existing agreements are not renewed or if we are unable to enter into new collaborative agreements on commercially acceptable terms, our revenues and product development efforts may be adversely affected. For example, our agreement with Pharmacia terminated by mutual agreement in February 2002, eliminating the opportunity for us to earn approximately $9.0 million in research revenue in each of the next two years. Although we expect to enter into other collaborations that may offset this loss of revenue, we may not be able to enter into a new collaborative agreement on similar or superior

financial terms than those under the Pharmacia arrangement, and the timing of new collaborative agreements may have a significant effect on our ability to continue to successfully meet our corporate goals and milestones.

CONFLICTS WITH OUR COLLABORATORS COULD JEOPARDIZE THE OUTCOME OF OUR COLLABORATIVE AGREEMENTS AND OUR ABILITY TO COMMERCIALIZE PRODUCTS.

We are conducting proprietary research programs in specific disease and agricultural product areas that are not covered by our collaborative agreements. Our pursuit of opportunities in agricultural and pharmaceutical markets could, however, result in conflicts with our collaborators in the event that any of our collaborators take the position that our internal activities overlap with those areas that are exclusive to our collaborative agreements, and we should be precluded from such internal activities. 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.

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 could be delayed and may fail to lead to commercialized products.

WE ARE DEPLOYING UNPROVEN TECHNOLOGIES, AND WE MAY NOT BE ABLE TO DEVELOP COMMERCIALLY SUCCESSFUL PRODUCTS.

Our research and operations thus far have allowed us to identify a number of product targets for use by our collaborators as well as targets and small molecule compounds for our own internal development programs. We are not certain, however, of the commercial value of any of our current or future targets and molecules, and we may not be successful in expanding the scope of our research into new fields of pharmaceutical or agricultural research. 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 relied on our collaborators to develop and commercialize products based on our research and development efforts. We have limited or no experience in using the targets that we identify to develop our own proprietary products, or developing small molecule compounds against those targets. Our recent efforts in applying our drug development capabilities to our proprietary targets in cancer are subject to significant risk and uncertainty, particularly with respect to our ability to meet currently estimated timelines and goals for completing preclinical development efforts and filing an Investigational New Drug Application for compounds developed. 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. We may not be able to enter into such outsourcing or licensing agreements on commercially reasonable terms, or at all.

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. 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 OUR PRODUCTS AND TECHNOLOGIES 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 research activities similar to ours. Some of our competitors have entered into collaborations with leading companies within our target markets, including some of our existing collaborators. Our future success will depend on our ability to maintain a competitive position with respect to technological

advances.

Any products that are developed through our technologies will compete in highly competitive markets. Further, our competitors may be more effective at using their technologies to develop commercial products. Many of the organizations competing with us have greater capital resources, larger research and development 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 INTELLECTUAL PROPERTY, THIRD PARTIES MAY BE ABLE TO USE OUR TECHNOLOGY, WHICH COULD ADVERSELY AFFECT OUR ABILITY TO COMPETE IN THE MARKET.

Our success will depend in part 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 intellectual property rights from unauthorized use by third parties only to the extent that our technologies are covered by valid and enforceable patents or are effectively maintained as trade secrets. The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the U.S., and many companies have encountered significant problems in protecting and defending such rights in foreign jurisdictions. We will continue to apply for patents covering our technologies and products as and when we deem appropriate. However, these applications may be challenged or may fail to result in issued patents. 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.

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, which may not 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 infringes 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 OUR ABILITY TO EXPAND OUR OPERATIONS.

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 and clinical 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 and 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 prevent us from expanding our operations in a timely manner, or at all.

OUR COLLABORATIONS WITH OUTSIDE SCIENTISTS MAY BE SUBJECT TO RESTRICTION AND CHANGE.

We work with scientific advisors and collaborators at academic and other institutions that 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 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 delay or prevent us from commercializing products.

Our efforts to date have been primarily limited to identifying targets and developing small molecule compounds against those targets. Significant research and development efforts will be necessary before any of our products directed 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.

CLINICAL TRIALS ON OUR POTENTIAL PRODUCTS MAY FAIL TO DEMONSTRATE SAFETY AND EFFICACY, WHICH COULD PREVENT OR SIGNIFICANTLY DELAY REGULATORY APPROVAL.

Clinical trials are inherently risky and may reveal that our potential products are ineffective or have unacceptable toxicity or other side effects that may significantly limit the possibility of regulatory approval of the potential product. The regulatory review and approval process is extensive and uncertain and typically takes many years to complete. The FDA requires submission of extensive preclinical, clinical and manufacturing data for each indication for which approval is sought in order to assess the safety and efficacy of the potential product. In addition, the results of preliminary studies do not necessarily predict clinical or commercial success, and larger later-stage clinical trials may fail to confirm the results observed in the preliminary studies. With respect to our own proprietary compounds in development, we have established timelines for manufacturing and clinical development based on existing knowledge of the compound and industry metrics. We have limited experience in conducting clinical studies and may not be able to assure that any specified timelines with respect to the initiation or completion of clinical studies may be achieved.

In July 2001, we acquired a cancer compound, a rebeccamycin analogue, currently in Phase II clinical studies. This compound was manufactured by Bristol-Myers Squibb, and clinical studies to date have been conducted by the National Cancer Institute, or NCI. We will have to conduct additional studies in order to meet FDA requirements for regulatory approval. We have no prior experience in conducting clinical studies, and, in conjunction with the NCI, we expect to undertake further clinical development of this compound under our own IND in order to obtain regulatory approval. We may not be able to rapidly or effectively assume responsibility for further development of this compound or assure that any specified timelines with respect to the initiation or completion of clinical studies may be achieved.

WE LACK THE CAPABILITY TO MANUFACTURE COMPOUNDS FOR CLINICAL TRIALS AND WILL RELY ON THIRD PARTIES TO MANUFACTURE OUR POTENTIAL PRODUCTS, AND WE MAY BE UNABLE TO OBTAIN REQUIRED MATERIAL IN A TIMELY MANNER OR AT A QUALITY LEVEL REQUIRED TO RECEIVE REGULATORY APPROVAL.

We currently do not have manufacturing capabilities or experience necessary to produce materials for clinical trials, including our Phase II clinical compound, a rebeccamycin analogue. We intend to rely on collaborators and third-party contractors to produce materials necessary for preclinical and clinical studies. We will rely on selected manufacturers to deliver materials on a timely basis and to comply with applicable regulatory requirements, including the FDA's current Good Manufacturing Practices, or GMP. These manufacturers may not be able to produce material on a timely basis or manufacture material at the quality level or in the quantity required to meet our development timelines and applicable regulatory requirements. If we are unable to contract for production of sufficient quantity and quality of materials on acceptable terms, our planned clinical trials may be delayed. Delays in preclinical or clinical studies could

delay the filing of our INDs and the initiation of clinical trials that we have currently planned.

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. For example, research efforts focusing on plant traits may involve either selective breeding or modification of existing genes in the plant under study. 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 will 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. For example, certain countries in Europe are considering regulations that may ban products or require express labeling of products that contain genetic modifications or are "genetically modified." 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. To date, our business has not been hampered by these activities. However, such publicity in the future 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.

WE USE HAZARDOUS CHEMICALS AND RADIOACTIVE AND BIOLOGICAL MATERIALS IN OUR BUSINESS. ANY CLAIMS RELATING TO IMPROPER HANDLING, STORAGE OR DISPOSAL OF THESE MATERIALS COULD BE TIME CONSUMING AND COSTLY.

Our research and development processes involve the controlled use of hazardous materials, including chemicals and radioactive and biological materials. Our operations produce hazardous waste products. We cannot eliminate the risk of accidental contamination or discharge and any resultant injury from these materials. Federal, state and local laws and regulations govern the use, manufacture, storage, handling and disposal of hazardous materials. We may 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 used by these parties. Further, we may be required to indemnify our collaborators against all damages and other liabilities arising out of our development activities or products produced in connection with these collaborations.

WE 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 upfront licensing or other 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;
- the timing and amount of expenses incurred for clinical development and manufacturing of our products;
- the impairment of acquired goodwill and other assets; 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 the next year. Accordingly, if our revenues decline or do not grow as anticipated due to the expiration of existing contracts or 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.

OUR STOCK PRICE MAY BE EXTREMELY VOLATILE.

We believe the trading price of our common stock will remain highly volatile and may fluctuate substantially due to factors such as the following:

- the announcement of new products or services by us or our competitors;
- the failure of new products in clinical trials by us or our competitors;
- quarterly variations in our or our competitors' results of operations;
- failure to achieve operating results projected by securities analysts;
- changes in earnings estimates or recommendations by securities analysts;
- developments in the biotechnology industry;
- acquisitions of other companies or technologies; and
- general market conditions and other factors, including factors unrelated to our operating performance or the operating performance of our competitors.

These factors and fluctuations, as well as general economic, political and market conditions, may materially adversely affect the market price of our common stock.

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.

WE ARE EXPOSED TO RISKS ASSOCIATED WITH ACQUISITIONS.

We have made, and may in the future make, acquisitions of, or significant investments in, businesses with complementary products, services and/or technologies. Acquisitions involve numerous risks, including, but not limited to:

- difficulties and increased costs in connection with integration of the personnel, operations, technologies and products of acquired companies;
- diversion of management's attention from other operational matters;
- the potential loss of key employees of acquired companies;
- the potential loss of key collaborators of the acquired companies;
- lack of synergy, or the inability to realize expected synergies, resulting from the acquisition; and
- acquired intangible assets becoming impaired as a result of technological advancements or worse-than-expected performance of the acquired company.

Mergers and acquisitions are inherently risky, and the inability to effectively manage these risks could materially and adversely affect our business, financial condition and results of operations.

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 our collaborators or we 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 our collaborators or us.

OUR HEADQUARTERS 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 OPERATIONS.

Given our headquarters location in South San Francisco, our facilities are vulnerable to damage from earthquakes. We are also vulnerable worldwide 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.

FUTURE SALES OF OUR COMMON STOCK MAY DEPRESS OUR STOCK PRICE.

If our stockholders sell substantial amounts of our common stock (including shares issued upon the exercise of outstanding options and warrants) in the public market, the market price of our common stock could fall. These sales also might make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deemed appropriate. For example, following an acquisition, a significant number of shares of our common stock held by new stockholders became freely tradable. Similarly, shares of common stock held by existing stockholders prior to our initial public offering became freely tradable in 2000, subject in some instances to the volume and other limitations of Rule 144. Sales of these shares and other shares of common stock held by existing stockholders could cause the market price of our common stock to decline.

SOME OF OUR EXISTING STOCKHOLDERS CAN EXERT CONTROL OVER US, AND THEIR INTERESTS COULD CONFLICT WITH THE BEST INTERESTS OF OUR OTHER STOCKHOLDERS.

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

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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

(b) Reports on Form 8-K

On October 28, 2002, the Company filed an Item 5 Current Report on Form 8-K announcing the signing of an alliance agreement with SmithKline Beecham Corporation.

SIGNATURE

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

Date: November 7, 2002

EXELIXIS, INC.

/s/ Glen Y. Sato

Glen Y. Sato
Chief Financial Officer, Vice President of Legal Affairs and Secretary
(Principal Financial and Accounting Officer)

CERTIFICATION

I, George A. Scangos, Ph.D., Chief Executive Officer of Exelixis, Inc., certify that:

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

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 7, 2002

/s/ George A. Scangos

George A. Scangos
President and Chief Executive Officer

CERTIFICATION

I, Glen Y. Sato, Chief Financial Officer of Exelixis, Inc., certify that:

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

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 7, 2002

/s/ Glen Y. Sato

Glen Y. Sato
Chief Financial Officer, Vice President of Legal Affairs and Secretary

INDEX TO EXHIBITS

Exhibit Number	Description of Document
3.1	Amended and Restated Certificate of Incorporation (1)
3.2	Amended and Restated Bylaws (1)
4.1	Specimen Common Stock Certificate (1)
10.36*	Product Development and Commercialization Agreement, dated as of October 28, 2002, by and between SmithKline Beecham Corporation and Exelixis, Inc.
10.37*	Stock Purchase and Stock Issuance Agreement, dated as of October 28, 2002, by and between SmithKline Beecham Corporation and Exelixis, Inc.
10.38*	Loan and Security Agreement, dated as of October 28, 2002, by and between SmithKline Beecham Corporation and Exelixis, Inc.
99.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (2)

(1) Filed with Exelixis, Inc. Registration Statement on Form S-1, as amended (No. 333-96335), declared effective by the Securities and Exchange Commission on April 10, 2000, and incorporated herein by reference.

(2) This certification accompanies this Quarterly Report on Form 10-Q and shall not be deemed "filed" by Exelixis, Inc. for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

* Confidential treatment requested for certain portions of this exhibit.

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

EXHIBIT 10.36

PRODUCT DEVELOPMENT AND COMMERCIALIZATION AGREEMENT BETWEEN

SMITHKLINE BEECHAM CORPORATION
DOING BUSINESS AS GLAXOSMITHKLINE
AND
EXELIXIS, INC.
DATED AS OF
OCTOBER 28, 2002

LIST OF SCHEDULES

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

PRODUCT DEVELOPMENT AND COMMERCIALIZATION AGREEMENT

THIS PRODUCT DEVELOPMENT AND COMMERCIALIZATION AGREEMENT is made as of the 28th day of October, 2002 (the "EFFECTIVE DATE") by and between Exelixis, Inc., a Delaware corporation ("EXEL"), and SmithKline Beecham Corporation, a Pennsylvania corporation, doing business as GlaxoSmithKline ("GSK"). EXEL and GSK are each referred to herein by name or as a "PARTY" or, collectively, as the "PARTIES."

RECITALS

A. EXEL has developed certain capabilities for the discovery and development of pharmaceutical products for the treatment of human diseases or conditions.

B. GSK possesses pharmaceutical research, development, manufacturing and commercialization expertise.

C. GSK desires to engage in a collaborative effort with EXEL, pursuant to which GSK shall partially fund the research costs incurred by EXEL, and EXEL shall engage in a research and development program to discover and develop compounds with demonstrated efficacy in humans (i.e., completion of Phase IIa clinical trials) that will be offered by EXEL to GSK.

D. At the end of Contract Year Two (as defined below) GSK shall have the ability to select, in its sole discretion, either the Limited Program Option (as defined below) or the Expanded Program Option (as defined below).

E. From the compounds offered by EXEL hereunder, GSK may accept for further development and commercialization, for any and all uses in the Territory (as defined below), [*] compounds in the event GSK [*], or [*] compounds in the event GSK [*], all on the terms and conditions set forth herein.

F. Upon acceptance of such compounds by GSK, EXEL shall grant to GSK, and GSK shall obtain, an exclusive license in the Territory under this Agreement to make, have made, use, sell, offer for sale and import certain Licensed Products (as defined below) throughout the Territory on the terms and conditions set forth herein.

G. The Parties acknowledge that any rights GSK acquires under this Agreement, as defined below, will be held by GSK in accordance with GSK's and its group's inter-company agreements, as in effect from time to time.

H. Contemporaneously with the execution of this Agreement, the Parties have executed: (i) a Stock Purchase and Stock Issuance Agreement (the "STOCK PURCHASE AGREEMENT") under which (A) GSK shall purchase common stock of EXEL; and (B) EXEL shall have the option to sell to GSK additional shares of common stock of EXEL at a certain specified point in time; and (ii) a Loan and Security Agreement (the "LOAN AGREEMENT") under which GSK shall make available a loan against which EXEL may draw down advances during the Development Term (as defined below) of up to an aggregate maximum total of Eighty-Five Million Dollars ($85,000,000) in the event GSK [*] or [*] in the event GSK [*].

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

ARTICLE 1

DEFINITIONS

As used in this Agreement, the following terms shall have the meanings set forth in this Article 1 unless context dictates otherwise:

1.1 "ACTIVITY THRESHOLD" shall mean[*].

1.2 "AFFILIATE" shall mean any Person, whether de jure or de facto, which directly or indirectly through one (1) or more intermediaries controls, is controlled by, or is under common control with, a Party to this Agreement. A Person shall be deemed to "control" another Person if it (i) owns, directly or indirectly, beneficially or legally, at least fifty percent (50%) of the outstanding voting securities or capital stock (or such lesser percentage which is the maximum allowed to be owned by a Person in a particular jurisdiction) of such other Person, or has other comparable ownership interest with respect to any Person other than a corporation; or (ii) has the power, whether pursuant to contract, ownership of securities or otherwise, to direct the management and policies of the Person.

1.3 "AGREEMENT" shall mean this Product Development and Commercialization Agreement together with the recitals and all exhibits, schedules and attachments hereto.

1.4 "ALLIANCE MANAGERS" shall have the meaning assigned to such term in Section 2.3.

1.5 "ANNUAL RESEARCH AND DEVELOPMENT PAYMENTS" shall have the meaning assigned to such term in Section 3.8.1.

1.6 "ARTEMIS" shall have the meaning assigned to such term in Section 8.1.1(a).

1.7 "ARTEMIS AGREEMENT" shall that certain Asset Purchase and Transfer Agreement between Artemis Pharmaceuticals GmbH and Exelixis Deutschland GmbH dated as of December 18, 2001.

1.8 "ARTEMIS INTELLECTUAL PROPERTY" shall have the meaning assigned to such term in Section 10.2.15.

1.9 "BACK-UP COMPOUND" shall mean [*].

1.10 "BANKRUPTCY CODE" shall have the meaning assigned to such term in Section 12.4.2.

1.11 "BIOTECHNOLOGY COMPANY" shall have the meaning assigned to such term in Section 13.2.2.

1.12 "BIOTHERAPEUTIC PRODUCT" shall mean [*].

1.13 "BIOTHERAPEUTIC TARGET" shall mean [*].

1.14 "BREACHING PARTY" shall have the meaning assigned to such term in Section 12.2.1.

1.15 "CALENDAR QUARTER" shall mean a period of three (3) consecutive months ending at midnight, Eastern Time on the last day of March, June, September, or December, respectively.

1.16 "CGMP" shall mean current Good Manufacturing Practices as defined in Parts 210 and 211 of Title 21 of the U.S. Code of Federal Regulations, as may be amended from time to time, or any successor thereto.

1.17 "CHANGE OF CONTROL" shall mean a transaction in which [*].

1.18 "CHANGE OF CONTROL COMPOUND" shall have the meaning assigned to such term in Section 13.1.2(f)(i).

1.19 "CHANGE OF CONTROL LICENSED PRODUCT" shall have the meaning assigned to such term in Section 13.1.2(f)(i).

1.20 "COLLABORATION COMMITTEE" shall have the meaning assigned to such term in Section 2.2.

1.21 "COLLABORATION COMPOUND" shall mean [*].

1.22 "COLLABORATION TARGETS" shall mean [*].

1.23 "COLLABORATION TECHNOLOGY" shall mean [*].

1.24 "COMBINATION PRODUCT" shall mean a product that is a preparation incorporating two (2) or more therapeutically active ingredients [*]. Notwithstanding the foregoing, ingredients or components other than active ingredients, including without limitation drug delivery vehicles, adjuvants, and excipients, shall not be deemed to be "therapeutically active ingredients," and their presence shall not be deemed to create a Combination Product for purposes of this Section 1.24.

1.25 "COMMERCIALIZATION LIAISON" shall have the meaning assigned to such term in Section 5.3.4(a).

1.26 "COMMERCIALIZATION PROGRAM" shall have the meaning assigned to such term in Section 5.3.1.

1.27 "COMMERCIALIZATION TERM" shall have the meaning assigned to such term in Section 5.3.1.

1.28 "COMPETITIVE INFRINGEMENT" shall have the meaning assigned to such term in Section 8.3.2.

1.29 "COMPETITIVE PRODUCT" shall have the meaning assigned to such term in Section 5.4.1.

1.30 "COMPOUND INVENTIONS" shall have the meaning assigned to such term in Section 8.1.1(b).

1.31 "COMPOUND PATENTS" shall have meaning assigned to such term in Section 8.1.1(b)(i).

1.32 "CONFIDENTIAL INFORMATION" shall have the meaning assigned to such term in Section 9.1.

1.33 "CONTRACT YEAR" shall mean a year of 365 days (or 366 days in a leap year) beginning on the Effective Date and ending one (1) year thereafter and so on year-by-year during the Term. "CONTRACT YEAR ONE" shall mean the first such year; "CONTRACT YEAR TWO" shall mean the second such year, and so on, year-by-year.

1.34 "CONTROL," "CONTROLS," "CONTROLLED" OR "CONTROLLING" shall mean possession by the granting Party of the ability to grant the licenses or sublicenses to the other Party, as provided in this Agreement, without violating the terms of any agreement or other arrangement with any Third Party. A Party shall be deemed to Control Collaboration Technology to the extent of its individual or joint interest therein, as applicable. Notwithstanding the foregoing, for purposes of Sections 6.4.1(a), 6.4.2(c), and 6.4.3, Control shall mean possession of the ability to grant licenses or sublicenses without violating the terms of any agreement or other arrangement with any Third Party.

1.35 "CO-PROMOTE" OR "CO-PROMOTION" shall mean, with respect to EXEL, to engage in the promotional activities that may be agreed upon as further described in Section 5.3.4(c).

1.36 "CO-PROMOTION RIGHT" shall have the meaning assigned to such term in Section 5.3.4(c).

1.37 "COST OF GOODS SOLD" shall mean all reasonable costs allocable to the Licensed Product calculated by using GSK's standard accounting procedures, consistently applied. [*]

1.38 "DATA PACKAGE" shall have the meaning assigned to such term in Section 3.5.1.

1.39 "DEVELOPABILITY CRITERIA" shall mean [*].

1.40 "DEVELOPMENT CANDIDATE" shall mean [*].

1.41 "DEVELOPMENT CANDIDATE LIAISON" shall have the meaning assigned to such term in Section 3.4.

1.42 "DEVELOPMENT CANDIDATE PLAN" shall have the meaning assigned to such term in Section 3.3.2(a).

1.43 "DEVELOPMENT COMPOUND" shall mean [*].

1.44 "DEVELOPMENT ELECTION" shall have the meaning assigned to such term in Section 4.1.

1.45 "DEVELOPMENT INFORMATION" shall have the meaning assigned to such term in Section 4.3.2(b)(ii).

1.46 "DEVELOPMENT OPERATING PLAN" OR "DOP" shall have the meaning assigned to such term in Section 3.3.1.

1.47 "DEVELOPMENT PROGRAM" shall mean the program, to be conducted by EXEL during the Development Term and the Extension Period, if any, as set forth in Article 3, of Identification and validation of Collaboration Targets, and research, discovery, characterization, optimization, pre-clinical development and early-stage clinical development of Development Compounds through completion of Proof of Concept Trials.

1.48 "DEVELOPMENT TERM" shall have the meaning assigned to such term in Section 3.1.1.

1.49 "DISCLOSING PARTY" shall have the meaning assigned to such term in Section 9.1.

1.50 "DRAFTING PARTY" shall have the meaning assigned to such term in Section 2.2.3(a).

1.51 "EFFECTIVE DATE" shall have the meaning assigned to such term in the Preamble.

1.52 "EMEA" shall mean the European Medicines Evaluation Agency and any successor entity thereto.

1.53 "EMPLOYEE AGREEMENTS" shall have the meaning assigned to such term in Section 10.2.15.

1.54 "ENCUMBERED COMPOUND" shall have the meaning assigned to such term in Section 7.4.3.

1.55 "ENCUMBERED TARGET" shall have the meaning assigned to such term in Section 7.4.3.

1.56 "EXCLUDED TARGETS" shall mean [*].

1.57 "EXECUTIVE OFFICERS" shall have the meaning assigned to such term in Section 2.2.4.

1.58 "EXEL" shall have the meaning assigned to such term in the Preamble.

1.59 "EXEL BIOTHERAPEUTIC PRODUCT" shall have the meaning assigned to such term in Section 6.4.3.

1.60 "EXEL ENTITIES" shall mean, as of the Effective Date, [*]

1.61 "EXEL KNOW-HOW" shall mean: (i) all Information that EXEL discloses to GSK under this Agreement or has disclosed under the Non-Disclosure Agreement executed by EXEL and GSK dated [*]; (ii) all Information that is within the Control of the EXEL Entities, on the Effective Date or during the Term; and (iii) all non-patentable Inventions Controlled by the EXEL Entities, during the Term, in each of clauses (i), (ii) and (iii) that are necessary or useful for GSK: [*] for the further development of Licensed Products; [*]. Notwithstanding anything herein to the contrary, EXEL Know-How excludes Information contained in any published EXEL Patents.

1.62 "EXEL PATENTS" shall mean all Patents in the Territory Controlled by the EXEL Entities, as of the Effective Date as set forth on Schedule 1.62, and any other Patent Controlled by the EXEL Entities during the Term that claims or covers: [*]. EXEL shall update GSK regarding any EXEL Patents: (A) during [*] on an annual basis commencing on the first day of [*]; and (B) upon request by GSK after [*] with respect to EXEL Patents to which GSK retains a license

hereunder.

1.63 "EXEL PRODUCT" shall have the meaning assigned to such term in Section 6.4.1.

1.64 "EXEL TECHNOLOGY" shall mean EXEL Patents and EXEL Know-How, including without limitation any Collaboration Technology owned by EXEL either jointly or solely.

1.65 "EXISTING BIOTHERAPEUTIC TARGET" shall mean [*].

1.66 "EXISTING COMPOUND" shall mean [*].

1.67 "EXISTING TARGETS" shall mean [*].

1.68 "EXISTING THIRD PARTY COLLABORATION" shall mean any of those collaboration agreements between EXEL and a Third Party listed on Schedule 1.68.

1.69 "EXPANDED PROGRAM OPTION" shall have the meaning assigned to such term in Section 3.5.1(b).

1.70 "EXTENSION PERIOD" shall have the meaning assigned to such term in Section 3.1.2(b).

1.71 "FDA" shall mean the U.S. Food and Drug Administration, and any successor entity thereto.

1.72 "FIELD" shall mean the areas of vascular biology-based disease, oncology and inflammatory disease, subject to the rights of certain Third Parties pursuant to the Existing Third Party Collaborations. [*].

1.73 "FIRST COMMERCIAL SALE" shall mean, with respect to each Product, the first sale for which payment has been received for use or consumption by the general public of such Product in any country in the Territory after all required Marketing Approvals have been granted, or such sale is otherwise permitted, by the Regulatory Authority in such country, excluding registration samples, compassionate use sales and the like.

1.74 "FIRST OPTION PERIOD" shall have the meaning assigned to such term in Section 4.3.1(a).

1.75 "FOLLOW-UP COMPOUND" shall mean [*].

1.76 "FUTURE THIRD PARTY COLLABORATION" shall mean an agreement between EXEL and a Third Party after the Effective Date.

1.77 "GROSS MARGIN" shall mean, with respect to a Licensed Product,[*].

1.78 "GSK" shall have the meaning assigned to such term in the Preamble.

1.79 "GSK COMPOUND INVENTIONS" shall have the meaning assigned to such term in Section 8.1.1(b).

1.80 "GSK KNOW-HOW" shall mean: (i) Information which GSK discloses to EXEL under this Agreement or has disclosed under the Non-Disclosure Agreement executed by EXEL and GSK dated [*]; (ii) all Information that is within the Control of GSK or its Affiliates on the Effective Date or during the Term; and (iii) all non-patentable Inventions Controlled by GSK or its Affiliates during the Term, if any; in each of clauses (i), (ii) and (iii), that are necessary or useful for EXEL: [*]. Notwithstanding anything herein to the contrary, GSK Know-How excludes Information contained in any published GSK Patents.

1.81 "GSK LICENSED PRODUCT" shall have the meaning assigned to such term in Section 12.6.3(b).

1.82 "GSK PATENTS" shall mean all Patents in the Territory Controlled by GSK or its Affiliates as of the Effective Date, and any other Patent Controlled by GSK during the Term, necessary or useful for EXEL: [*].

1.83 "GSK SCREENED-COMPOUND" shall have the meaning assigned to such term in Section 12.6.3(b).

1.84 "GSK TECHNOLOGY" shall mean any GSK Patents and GSK Know-How, including without limitation any Collaboration Technology owned by GSK either jointly or solely.

1.85 "HSR ACT" shall have the meaning assigned to such term in Section 14.6.1.

1.86 "IDENTIFY," "IDENTIFIED," "IDENTIFYING" OR "IDENTIFICATION" shall mean [*].

1.87 "INCLUDED COMPOUND" shall mean [*].

1.88 "IND" shall mean any investigational new drug application filed with the FDA pursuant to Part 312 of Title 21 of the U.S. Code of Federal Regulations, including any amendments thereto. References herein to IND shall include, to the extent applicable, any comparable filing(s) outside the U.S. (such as a CTA in the European Union).

1.89 "INDEMNITEE" shall have the meaning assigned to such term in Section 11.3.

1.90 "INFORMATION" shall mean information and materials within the Control of (i) with respect to GSK, GSK or its Affiliates; or (ii) with respect to EXEL,

the EXEL Entities, in either case that is necessary or useful for the conduct of the Development Program or the Commercialization Program and that exists as of the Effective Date or is discovered, developed or acquired during the Term, and including, without limitation: (A) techniques and data, including, but not limited to, screens, models, inventions, methods, test data including, but not limited to, pharmacological, toxicological and clinical test data, analytical and quality control data, marketing, pricing, distribution, costs, and sales data, manufacturing information (including any relevant Third Party manufacturing information to the extent Controlled by, and in the possession of, GSK or its Affiliates, or the EXEL Entities), and patent and legal data or descriptions (to the extent that disclosure thereof would not result in loss or waiver of privilege or similar protection); and (B) compositions of matter, including but not limited to compounds, biological materials, vectors and assays. As used herein, "CLINICAL TEST DATA" shall be deemed to include all information related to the clinical or preclinical testing of a Development Compound, or Licensed Product, including without limitation, patient report forms, investigators' reports, biostatistical, pharmaco-economic and other related analyses, regulatory filings and communications, and the like.

1.91 "INVENTION" shall mean any new or useful process, machine, manufacture, or composition of matter relating to or comprising [*], whether patentable or unpatentable, or any improvement thereof, that is conceived during the Term in connection with the Parties' activities under this Agreement.

1.92 "LOAN AGREEMENT" shall have the meaning assigned to such term in the Recitals.

1.93 "LICENSED PRODUCT(S)" shall mean [*].

1.94 "LICENSED PRODUCT DILIGENCE PLAN" shall have the meaning assigned to such term in Section 5.4.1.

1.95 "LIMITED PROGRAM OPTION" shall have the meaning assigned to such term in Section 3.5.1(a).

1.96 "LOSSES" shall have the meaning assigned to such term in Section 11.1.

1.97 "MAJOR COUNTRY" shall mean [*].

1.98 "MAJOR PHARMACEUTICAL COMPANY" shall have the meaning assigned to such term in Section 13.1.4.

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

1.100 "MARKETING APPROVAL APPLICATION" OR "MAA" shall mean a New Drug Application (as defined in Title 21 of the U.S. Code of Federal Regulations, Section 314.50, et. seq.), or a comparable filing for Marketing Approval (not including pricing or reimbursement approval) in a country, in each case with respect to a Product in the Territory.

1.101 "MATERIAL BREACH" shall have the meaning assigned to such term in Section 12.2.1.

1.102 "NET SALES" shall mean [*].

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

therapeutically active ingredient. For purposes of this Section 1.102, "GROSS SELLING PRICE" shall mean [*].

1.103 "NON-BREACHING PARTY" shall have the meaning assigned to such term in Section 12.2.1.

1.104 "NON-SELECTED TARGET" shall have the meaning assigned to such term in Section 7.4.2.

1.105 "NORTH AMERICA" shall mean [*].

1.106 "ONCOLOGY COLLABORATOR" shall have the meaning assigned to such term in Section 7.4.1.

1.107 "OTHER BREACH" shall have the meaning assigned to such term in Section 12.2.2.

1.108 "OTHER FIELD" shall have the meaning assigned to such term in Section 7.2.1.

1.109 "PARTY" OR "PARTIES" shall have the meaning assigned to such term in the Preamble, or where the context requires, shall mean GSK or its Affiliates and/or the EXEL Entities.

1.110 "PATENT" shall mean: (i) issued and unexpired letters patent, including any extension, registration, confirmation, reissue, continuation, supplementary protection certificate, divisional, continuation-in-part, re-examination or renewal thereof, (ii) pending applications for letters patents, and (iii) foreign counterparts of any of the foregoing; in each case to the extent the same has not been held, by a court or governmental agency of competent jurisdiction, to be invalid or unenforceable in a decision from which no appeal can be taken.

1.111 "PATENT COSTS" shall mean the reasonable fees and expenses paid to outside legal counsel, and filing, maintenance and other out-of-pocket expenses paid to Third Parties, incurred in connection with the Prosecution and Maintenance of Patents.

1.112 "PATENT SUBCOMMITTEE" shall have the meaning assigned to such term in Section 8.1.5(a).

1.113 "PAYEE" shall have the meaning assigned to such term in Section 6.5.1.

1.114 "PAYOR" shall have the meaning assigned to such term in Section 6.5.1.

1.115 "PERSON" shall mean any corporation, firm, partnership or other entity.

1.116 "PIPELINE OPTION PERIOD" shall have the meaning assigned to such term in Section 4.3.2(b)(ii).

1.117 "PIVOTAL REGISTRATION STUDY" shall mean a human clinical trial conducted to demonstrate evidence of the efficacy and safety of a drug for inclusion in the MAA to support Marketing Approval as more fully defined in Section 312.21(c) of Title 21 of the U.S. Code of Federal Regulations.

1.118 "PRODUCT" shall mean [*].

1.119 "PRODUCT ACCEPTANCE MILESTONE" shall have the meaning assigned to such term in Section 6.2.1(a).

1.120 "PRODUCT REPORT" shall have the meaning assigned to such term in Section 4.2.

1.121 "PROPOSED BIOTHERAPEUTIC TARGET" shall have the meaning assigned to such term in Section 2.5.2.

1.122 "PROOF OF CONCEPT TRIAL" or "POC TRIAL" shall mean an initial phase II clinical trial of a Development Candidate [*].

1.123 "PROSECUTING PARTY" shall have the meaning assigned to such term in Section 8.1.5(b).

1.124 "PROSECUTION AND MAINTENANCE" OR "PROSECUTE AND MAINTAIN" shall mean, with regard to a Patent, the preparing, filing, prosecuting and maintenance of such Patent, as well as the conduct of re-examinations, reissues, and requests for patent term extensions with respect to such Patent, together with the conduct of interferences, the defense of oppositions and other similar proceedings with respect to the particular Patent. For clarification, "Prosecution and Maintenance" or "Prosecute and Maintain" shall not include any other enforcement actions taken with respect to a Patent.

1.125 "RECEIVING PARTY" shall have the meaning assigned to such term in Section 9.1.

1.126 "REFUSED CANDIDATE" shall have the meaning assigned to such term in Section 4.3.1(b).

1.127 "REGULATORY AUTHORITY" OR "REGULATORY AUTHORITIES" shall mean the FDA in the U.S., and any health regulatory authority(ies) in any country in the Territory that is a counterpart to the FDA and holds responsibility for granting regulatory marketing approval for a Product in such country, and any successor(s) thereto.

1.128 "REPORT DATE" shall have the meaning assigned to such term in Section 4.3.1(a).

1.129 "RESEARCH AND DEVELOPMENT PAYMENTS" shall have the meaning assigned to such term in Section 3.8.

1.130 "RETURNED LICENSED PRODUCT" shall have the meaning assigned to such term in Section 5.5.1.

1.131 "REVIEW SUBCOMMITTEE" shall have the meaning assigned to such term in Section 2.2.6(b).

1.132 "SAC SEC FILING" shall have the meaning assigned to such term in Section 13.1.2(d)(i).

1.133 "SECOND OPTION PERIOD" shall have the meaning assigned to such term in Section 4.3.1(c)(ii).

1.134 "STOCK PURCHASE AGREEMENT" shall have the meaning assigned to such term in the Recitals.

1.135 "SUBCOMMITTEE" shall have the meaning assigned to such term in Section 2.2.6.

1.136 "SUBJECT TRANSACTION" shall have the meaning assigned to such term in Section 13.1.

1.137 "SUBLICENSEE" shall mean, with respect to a particular Development Compound or Product, a Third Party to whom GSK or EXEL, as applicable, has granted a sublicense under any Collaboration Technology, technology and/or intellectual property licensed to such Party pursuant to this Agreement.

1.138 "SUBSEQUENT PRODUCT REPORT" shall have the meaning assigned to such term in Section 4.3.1(c)(ii).

1.139 "SUBSEQUENTLY AFFILIATED COMPANY" shall have the meaning assigned to such term in Section 13.1.

1.140 "SUCCESSFUL POC COMPLETION" shall mean [*].

1.141 "TARGET PRODUCT PROFILE" shall mean [*].

1.142 "TERM" shall have the meaning assigned to such term in Section 12.1.2.

1.143 "TERRITORY" shall mean anywhere [*].

1.144 "THIRD PARTY" shall mean any entity other than EXEL or GSK or an Affiliate of EXEL or GSK.

1.145 "UNITED STATES" OR "U.S." shall mean the United States of America.

1.146 "WRITTEN DISCLOSURE" shall have the meaning assigned to such term in Section 14.1.

ARTICLE 2

OVERSIGHT OF THE COLLABORATION

2.1 IN GENERAL. Except as set forth herein (including without limitation as set forth in Section 5.5), EXEL shall have principal responsibility for all research, discovery and development activities with respect to Development Compounds prior to exercise by GSK of its Development Election with respect to such Development Compounds, and GSK shall have principal responsibility for all research, development and commercialization activities with respect to such Development Compounds selected as Licensed Products by GSK thereafter.

2.2 THE COLLABORATION COMMITTEE. Promptly after the Effective Date, the Parties shall establish a collaboration committee (the "COLLABORATION COMMITTEE") as more fully described in this Section 2.2. The Collaboration Committee shall have review and oversight responsibilities for all research, development and commercialization activities performed hereunder, including oversight of both the Development Program and the Commercialization Program, in each case as more specifically provided herein; provided, however, that the Collaboration Committee shall have no authority to amend this Agreement. Each Party agrees to keep the Collaboration Committee reasonably informed of its progress and activities within the Development Program and the Commercialization Program.

2.2.1 Membership. The Collaboration Committee shall be comprised of an equal number of representatives from each of GSK and EXEL. The exact number of such representatives shall be [*] for each of GSK and EXEL, or such other number as the Parties may agree. Each Party shall provide the other with a list of its initial members of the Collaboration Committee [*]. Each Party may replace any or all of its representatives on the Collaboration Committee at any time upon written notice to the other Party in accordance with Section 14.9 of this Agreement. Such representatives shall include individuals within the senior management of each Party, and those representatives of each Party shall, individually or collectively, have expertise in business, pharmaceutical drug discovery, development and commercialization. Any member of the Collaboration Committee may designate a substitute to attend and perform the functions of that member at any meeting of the Collaboration Committee. Each Party may, in its

reasonable discretion, invite non-member representatives of such Party to attend meetings of the Collaboration Committee. If the Collaboration Committee chooses to designate a chairperson, such chairperson shall be appointed for a one (1) year term and the right to name the chairperson shall alternate between the Parties.

2.2.2 Meetings. [*], the Collaboration Committee shall meet [*], and more frequently as the Parties deem appropriate, on such dates, and at such places and times, as provided herein or as the Parties shall agree. Thereafter, the Collaboration Committee shall meet, in person or otherwise, at least [*] to provide EXEL an update regarding GSK's efforts under the Commercialization Program and otherwise to perform the responsibilities assigned to it under this Agreement; provided, however, that [*], the Parties agree to periodically discuss in good faith the appropriate frequency of such ongoing meetings. Meetings of the Collaboration Committee that are held in person shall alternate between the offices of the Parties, or such other place as the Parties may agree. The members of the Collaboration Committee also may convene or be polled or consulted from time to time by means of telecommunications, video conferences, electronic mail or correspondence, as deemed necessary or appropriate.

2.2.3 Minutes. [*], EXEL shall be responsible for preparing and circulating minutes of such meeting setting forth, inter alia, a description, in reasonable detail, of the discussions at the meeting and a list of any actions, decisions or determinations approved by the Collaboration Committee and a list of any issues to be resolved by the Executive Officers pursuant to Section 2.2.4. Thereafter GSK shall be responsible for such minutes. Such minutes shall be effective only after approved by both Parties. With the sole exception of specific items of the meeting minutes to which the members cannot agree and which are escalated to the Executive Officers as provided in Section 2.2.3(d) below, definitive minutes of all Collaboration Committee meetings shall be finalized no later than thirty (30) days after the meeting to which the minutes pertain, as follows:

(a) Within [*] after each Collaboration Committee meeting, the Party responsible for preparing the minutes (the "DRAFTING PARTY") shall prepare and distribute to all members of the Collaboration Committee draft minutes of the meeting.

(b) The non-Drafting Party shall then have [*] after receiving such draft minutes to collect comments thereon from its members of the Collaboration Committee and provide them to the Drafting Party.

(c) Upon the expiration of such [*] period, the Parties shall have [*] to discuss each other's comments and finalize the minutes. A member of the Collaboration Committee from each Party shall sign and date the final minutes. The signature of each Party's Collaboration Committee member upon the final minutes shall indicate such Party's assent to the minutes.

(d) If at any time during the preparation and finalization of the Collaboration Committee minutes, the Parties do not agree on any issue with respect to the minutes, such issue shall be resolved by the escalation process as provided in Section 2.2.4. The decision resulting from the escalation process shall be promptly recorded by the Drafting Party in amended finalized minutes for said meeting.

2.2.4 Decision Making. Except as otherwise provided herein, decisions of the Collaboration Committee [*]. In the event that the Collaboration Committee is unable to reach [*] after it has met and attempted to reach such decision, then either Party may, by written notice to the other, have such issue referred to the Chief Executive Officer of EXEL, or such other person holding a similar position designated by EXEL from time to time, and the Chairman, Research and Development, Pharmaceuticals of GSK, or such other person holding a similar position designated by GSK from time to time (collectively, the "EXECUTIVE OFFICERS"), for resolution. The Executive Officers shall meet promptly to discuss the matter submitted and to determine a resolution. If the Executive Officers are unable to determine a resolution in a timely manner, which shall in no case be [*] after the matter was referred to them, the issue shall be resolved as follows:

(a) Except as set forth in Section 3.3.4 and as otherwise set forth in this Agreement, [*]; and

(b) [*].

2.2.5 Responsibilities. The Collaboration Committee shall be responsible for overseeing the entire collaboration between GSK and EXEL under this Agreement, including both the Development Program and the Commercialization Program. Without limiting the foregoing, the Collaboration Committee shall perform the following functions, some or all of which may be addressed directly at any given meeting of the Collaboration Committee:

(a) [*];

(b) [*];

(c) [*];

(d) [*];

(e) [*];

(f) [*];

(g) [*];

(h) review and coordinate all of the Parties' activities under this Agreement;

(i) [*];

(j) [*]; and

(k) such other responsibilities as may be assigned to the Collaboration Committee pursuant to this Agreement or as may be mutually agreed upon by the Parties in writing from time to time.

2.2.6 Subcommittee(s). From time to time, the Collaboration Committee may establish subcommittees to oversee particular projects or activities, as it deems necessary or advisable (each, a "SUBCOMMITTEE"). Each Subcommittee shall consist of such number of members of each Party as the Collaboration Committee determines is appropriate from time to time. Such members shall be individuals with expertise and responsibilities in the areas of preclinical development, clinical development, intellectual property, process sciences, manufacturing, regulatory affairs, product development and/or product commercialization, as applicable to the stage of development of the project or activity. Each Subcommittee shall meet with such frequency as the Collaboration Committee shall determine.

(a) Each Subcommittee shall operate by [*] in all decisions. If, with respect to a matter that is subject to a Subcommittee's decision-making authority, the Subcommittee cannot reach [*], the matter shall be referred to the Collaboration Committee, which shall resolve such matter in accordance with Section 2.2.4.

(b) The Parties acknowledge and agree that at the first meeting of the Collaboration Committee a temporary subcommittee shall be established to continue the initial review of all Existing Targets and Existing Compounds (the "REVIEW SUBCOMMITTEE"). The Review Subcommittee shall be responsible for reviewing proposals from the respective Parties regarding [*]. In addition, the Review Subcommittee shall be responsible for recommending the initial prioritization of EXEL's activities with respect to [*].

2.2.7 Expenses. Each Party shall bear its own travel related expenses and other costs with respect to its activities relating to membership on the Collaboration Committee or any Subcommittee.

2.3 ALLIANCE MANAGERS. Promptly after the Effective Date, each Party shall appoint an individual(s) (other than an existing member of the Collaboration Committee) to act as the alliance manager(s) for such Party (the "ALLIANCE MANAGERS"). Each Alliance Manager shall thereafter be permitted to attend meetings of the Collaboration Committee and any Subcommittee as a nonvoting observer. The Alliance Managers shall be the primary point of contact for the Parties regarding the collaboration activities contemplated by this Agreement and shall facilitate all such activities hereunder including, but not limited to, the exchange of Information described in Section 3.7. The Alliance Managers shall also be responsible for assisting the Collaboration Committee in performing its oversight responsibilities by: (i) maintaining a current roster of: (A) Collaboration Committee members; and (B) Subcommittees and each of their respective members; and (ii) ensuring the prompt appointment and maintaining current contact information for each of the Development Candidate Liaisons and Commercialization Liaisons, as and when applicable. In addition, the Alliance Managers shall be responsible for coordinating with the Development Candidate Liaison all enabling activities to provide for a smooth transition in the event GSK exercises its Development Election with respect to such Development Candidate for advancement to become a Licensed Product, coordinating with the Commercialization Liaison all communications between the Parties with respect to the further development and commercialization of the Licensed Products, as well as any other duties as may be assigned to the Alliance Managers from time to time by the Collaboration Committee or EXEL and GSK, as the case may be. The name and contact information for such Alliance Managers, as well as any replacement(s) chosen by EXEL or GSK, in their sole discretion, from time to time, shall be promptly provided to the other Party in accordance with Section 14.9 of this Agreement.

2.4 LIAISONS. GSK shall appoint a Development Candidate Liaison for each Development Candidate selected by EXEL in accordance with Section 3.3.2, who shall be responsible for, and shall undertake, those activities as set forth in, and pursuant to, Section 3.4; and EXEL shall appoint a Commercialization Liaison for each Licensed Product for which GSK has exercised a Development Election, who shall be responsible for, and shall undertake, those activities as set forth in, and pursuant to, Section 5.3.4(a).

2.5 BIOTHERAPEUTIC TARGETS.

2.5.1 Existing Biotherapeutic Targets. GSK agrees and acknowledges that EXEL has identified and/or conducted research with respect to the Existing Biotherapeutic Targets prior to the Effective Date. It is expressly understood that Existing Biotherapeutic Targets shall be excluded from the Development Program [*].

2.5.2 Ongoing Identification. The Parties agree that it is their intention that targets identified by EXEL during the Development Program that are only amenable to the development of Biotherapeutic Products shall be excluded from the Development Program to the extent necessary to allow EXEL to develop Biotherapeutic Products [*].

2.5.3 Criteria. In general, a Biotherapeutic Target or an Existing Biotherapeutic Target shall be [*].

ARTICLE 3

DEVELOPMENT PROGRAM

3.1 COMMENCEMENT; TERM. The Development Program shall commence [*]. EXEL shall have principal responsibility for the conduct of the Development Program, including all scientific, clinical, legal and regulatory activities consistent with the Development Operating Plan described in Section 3.3.1 and, where applicable, the Development Candidate Plans. GSK shall provide consultation and advice with respect to such activities, which shall be considered in good faith by EXEL.

3.1.1 Term. The Development Program will terminate upon the first to occur of: (A) [*]; or (B) the end of Contract Year Six, unless earlier terminated in accordance with the provisions hereof (the "DEVELOPMENT TERM").

3.1.2 Extension Option. [*] GSK shall have the right and option to elect to extend the Development Program for a period not to exceed the first to occur of:

(a) [*]; or

(b) [*] in either case, (the "EXTENSION PERIOD").

To exercise such option, GSK shall so notify EXEL, in writing, at least [*] prior to the end of [*] or, in the event GSK has exercised its Development Election [*] after such exercise, and make the applicable annual payments set forth in Section 3.8.3.

3.2 OBJECTIVES; DILIGENCE.

3.2.1 Objectives. The common objectives of the Parties are:

(a) in the event GSK [*];

(b) in the event GSK [*];

(c) for EXEL to [*].

3.2.2 Diligence. The Parties acknowledge and agree that, in order to achieve these objectives, EXEL will [*]

3.2.3 EXEL's Responsibilities. In order to achieve the objectives set forth in Section 3.2.1, [*] EXEL shall:

(a) have the right and responsibility to manufacture, or have manufactured, the Development Compounds prior to GSK's exercise of its Development Election with respect thereto, including all required bulk drug substance and clinical materials [*]

(b) conduct all research and development activities it reasonably determines are required to further utilize [*]; provided however, that EXEL shall have no obligation to GSK to conduct research with respect to any Excluded Target or, subject to Section 2.5.2, any Biotherapeutic Target as part of the Development Program [*];

(c) conduct all pre-clinical activities and clinical trials [*];

(d) conduct formulation development [*];

(e) develop pharmacogenomic, biomarker or similar assays [*];

(f) keep GSK informed, through [*] written reports [*]; such reports shall contain, at a minimum, the information set forth in Schedule 3.2.3(f);

(g) [*];

(h) be responsible for preparing and filing all regulatory filings [*];

(i) [*]; and

(j) perform such other obligations with respect to [*] consistent with the Development Operating Plan.

3.2.4 [*]

(a) [*] EXEL shall:

(b) [*] use commercially reasonable efforts to perform the continuing research activities to be conducted by EXEL pursuant to the Development Program [*]

(c) [*].

3.3 DEVELOPMENT OPERATING PLAN; DEVELOPMENT CANDIDATE PLAN(S).

3.3.1 Development Operating Plan. The Development Program will be carried out by EXEL pursuant to an annual overall development operating plan (the "DEVELOPMENT OPERATING PLAN" or "DOP") [*]. The DOP for Contract Year One, dated as of October 28, 2002, shall be [*]. The Development Operating Plan shall be updated by EXEL [*]. As provided in Section 3.2.3(f), the reports being provided by EXEL under such Section shall provide updates of EXEL's progress under the Development Operating Plan [*].

3.3.2 Development Candidate Plan(s).

(a) At the first meeting of the Collaboration Committee, the Collaboration Committee shall [*] Based on these discussions, EXEL will prepare [*] a development plan for each Development Candidate [*] (a "DEVELOPMENT CANDIDATE PLAN") for review by the Collaboration Committee at its next regularly scheduled meeting. [*]

3.3.3 Ongoing Review. The Development Operating Plan and each Development Candidate Plan with respect to a Development Candidate [*] will be reviewed as necessary at each meeting of the Collaboration Committee [*].

3.3.4 [*]

3.4 DEVELOPMENT CANDIDATE LIAISON. [*] GSK shall appoint an internal contact to act as a liaison between EXEL and GSK regarding further development of each such Development Candidate (the "DEVELOPMENT CANDIDATE LIAISON"). The Development Candidate Liaison shall be responsible for [*]. The name and contact information for each such Development Candidate Liaison, as well as any replacement(s) chosen by GSK, in its sole discretion, from time to time, shall be promptly provided to EXEL in accordance with Section 14.9 of this Agreement. EXEL shall [*]. During [*], the Development Candidate Liaison shall provide to EXEL regular, periodic written reports, at least [*] and not later than [*] in advance of each Collaboration Committee meeting [*]. The Development Candidate Liaison position for each Development Candidate shall [*].

3.5 PROGRAM OPTION ELECTION.

3.5.1 Election Period. Commencing as of the [*] in which to provide to GSK [*], along with a data package containing, to the extent then available and with respect to [*] (the "DATA PACKAGE"). GSK shall [*] from receipt of the Data Package to choose either to:

(a) [*] for further development under the Development Program (the "LIMITED PROGRAM OPTION"); or

(b) have EXEL [*] as part of the Development Program (the "EXPANDED PROGRAM OPTION").

In the event that GSK [*] GSK shall [*].

3.5.2 Selection of the Limited Program Option. In the event GSK [*].

3.6 REGULATORY MATTERS.

3.6.1 Compliance. EXEL shall conduct all pre-clinical activities and clinical trials in good scientific manner and in compliance with all requirements of applicable laws, rules and regulations, and all other applicable requirements of cGMP, good laboratory practice and current good clinical practice.

3.6.2 Ownership. EXEL shall own and maintain all regulatory filings for Development Compounds developed pursuant to this Agreement, including all INDs. Upon exercise by GSK of its Development Election with respect to a Development Candidate, EXEL shall transfer ownership of such regulatory filings for such Development Candidate [*], including all relevant INDs for any of the foregoing to GSK, and provide GSK with copies of such INDs and other regulatory filings, and all pre-clinical and clinical data and results (including pharmacology, toxicology, formulation, and stability studies). GSK or its designee shall own all Marketing Approval Applications for Licensed Products.

3.6.3 Adverse Event Reporting. Beginning on the Effective Date and continuing until such time, if any, that GSK exercises its Development Election with respect to a Development Candidate to be a Licensed Product, EXEL shall be responsible for reporting all adverse drug reaction experiences related to the activities of EXEL under this Agreement to the appropriate Regulatory Authorities in the countries in the Territory in which the Development Candidate is being developed, in accordance with the appropriate laws and regulations of the relevant countries and Regulatory Authorities. EXEL shall provide copies of all such reports to GSK within [*] of any filing with a Regulatory Authority.

3.7 EXCHANGE OF INFORMATION. In addition to the [*] reports to be provided under Section 3.2.3(f), and subject in all cases to the provisions of Article 9, [*] EXEL shall [*]. Any significant new Information shall be communicated [*]. All such exchanges of Information shall be coordinated by the Alliance Managers.

3.8 DEVELOPMENT PROGRAM FUNDING. As consideration for, and to partially fund the costs to be incurred by EXEL for, the research activities to be conducted by EXEL for the intended benefit of GSK pursuant to the Development Program, GSK shall pay the following research and development payments (collectively, the "RESEARCH AND DEVELOPMENT PAYMENTS"):

3.8.1 Annual Payments. GSK shall pay the following annual non-refundable and non-creditable payments (collectively, the "ANNUAL RESEARCH AND DEVELOPMENT PAYMENTS") to EXEL on or before the date set forth:

(a) regardless of GSK's selection pursuant to Section 3.5:

[*]

; and either

(b) under the Expanded Program Option:

[*]

or

(c) under the Limited Program Option:

[*]

3.8.2 Incentive Payments.

(a) [*], GSK shall make a one (1)-time non-refundable non-creditable payment to EXEL, within [*] of GSK's Development Election for the [*] Licensed Product, equal to the amount of any remaining, unpaid Research and Development Payments set forth in Section 3.8.1(a) and (b); or

(b) If GSK [*], GSK shall make a one (1)-time non-refundable non-creditable payment to EXEL, within [*] of GSK's Development Election for the [*] Licensed Product, equal to the amount of any remaining, unpaid Research and Development Payments set forth in Section 3.8.1(a) and (c).

3.8.3 Extension Period Option Payments.

(a) In the event GSK [*], GSK shall pay to EXEL the following non-refundable, non-creditable payments to EXEL [*]: (1) [*] upon [*]; and (2) [*]; or

(b) In the event GSK [*], GSK shall pay to EXEL the following non-refundable, non-creditable payments to EXEL [*]: (1) [*]; and (2) [*].

(c) [*].

3.9 FUTURE ACQUIRED TECHNOLOGY. [*].

3.10 GSK TECHNOLOGY. [*].

3.11 SUBCONTRACTING. Each Party shall have the right to engage Third Party subcontractors to perform certain of its obligations under this Agreement in accordance with the terms of Section 5.1.1. In the event that any Affiliate of EXEL other than an EXEL Entity performs any of EXEL's obligations under this Agreement, such Affiliate shall be deemed to be a subcontractor of EXEL for purposes of this Section 3.11. Any subcontractor to be engaged by a Party to perform a Party's obligations set forth in the Agreement shall meet the qualifications typically required by such Party for the performance of work similar in scope and complexity to the subcontracted activity. [*]

ARTICLE 4

GSK'S ELECTION RIGHTS

4.1 DEVELOPMENT ELECTION. During [*], GSK shall have the exclusive right, in its sole discretion, to elect to develop and commercialize each Development Compound proposed to it by EXEL as set forth below in Section 4.3, under the terms and conditions set forth in this Agreement (the "DEVELOPMENT ELECTION"). Subject to Section 5.5, any such Development Election by GSK shall be irrevocable.

4.2 PRODUCT REPORT. Once a Development Candidate [*], EXEL shall, within [*], provide a data package to GSK containing information addressing all the criteria for such Development Candidate as agreed upon by the Parties and listed in Schedule 4.2, [*]. The Collaboration Committee shall meet and review such Product Report within [*] of its receipt by GSK.

4.3 DEVELOPMENT ELECTION OPTIONS.

4.3.1 Exercise During Development Term or Extension Period. During the Development Term or the Extension Period, if any:

(a) First Option. GSK may exercise its Development Election with respect to a Development Candidate [*] for further development as a Licensed Product by delivery to EXEL of written notice of exercise, not later than [*] after receipt of the Product Report from EXEL with respect to that Development Candidate (such date of receipt, the "REPORT DATE"), specifying the Development Candidate as to which the Development Election is being exercised. The [*] period during which the Development Election must be exercised, as set forth herein, shall be referred to in this Agreement as the "FIRST OPTION PERIOD."

(b) Refused Candidate. If GSK does not exercise its Development Election with respect to a particular Development Candidate (a "REFUSED CANDIDATE") within the First Option Period, then the Development Election shall expire with respect to that Refused Candidate [*]. Upon the expiration of a Development Election with respect to a Refused Candidate (subject to the rights of GSK set forth in Section 4.3.1(c) and Section 4.4), GSK shall [*].

(c) Second Option. Following expiration of GSK's Development Election with respect to a particular Development Candidate within the First Option Period and until [*]:

(i) EXEL shall not [*]; and

(ii) [*] EXEL shall: (A) promptly notify GSK of [*] with respect to such Refused Candidate (the "SUBSEQUENT PRODUCT REPORT"). During the [*] period immediately following delivery to GSK of the Subsequent Product Report (the "SECOND OPTION PERIOD"), GSK shall have the exclusive right to exercise a second Development Election with respect to such Refused Candidate

and accept such Refused Candidate as a Licensed Product by delivery to EXEL of written notice of exercise.

(iii) Notwithstanding the foregoing, upon [*], GSK shall [*]. It is further understood that in the event GSK elects not to exercise a Development Election during the Second Option Period with respect to a particular Refused Candidate, its rights with respect to such Refused Candidate under Section 4.3.1(c)(ii) shall be exhausted, and GSK shall have only those rights as may arise pursuant to Section 4.3.2(b) or 4.4.

4.3.2 Exercise upon Expiration of the Development Term or Extension Period.

(a) Effect on First and Second Option Periods. If upon the expiration of the Development Term, or the Extension Period, if any, a Development Candidate or Refused Candidate has been proposed to GSK either under a First Option Period or a Second Option Period, as the case may be, GSK shall have [*] to exercise its Development Election with respect to such Development Candidate or Refused Candidate under such First Option Period or Second Option Period, as the case may be, [*].

(b) Pipeline Option. [*].

4.4 THE DISCUSSION OPPORTUNITY. [*].

ARTICLE 5

GRANT OF RIGHTS; COMMERCIALIZATION

5.1 LICENSE GRANTS.

5.1.1 Development.

(a) EXEL hereby grants to GSK, subject to the terms and conditions of this Agreement, a non-exclusive, non-royalty bearing, license in the Territory to use subject matter within the EXEL Technology solely for the purpose of performing internal development activities [*]. The license granted under this Section 5.1.1(a) shall not include the right to grant or authorize sublicenses; provided, however, that the engagement by GSK of subcontractors to conduct activities under this Agreement shall not be construed as having been granted a sublicense.

(b) [*]

5.1.2 Commercialization. Upon GSK's exercise of its Development Election and acceptance of each Licensed Product, EXEL shall be hereby deemed to have granted, and hereby grants to GSK, subject to the terms and conditions of this Agreement, during the Term, the exclusive (even as to EXEL), right and license in the Territory, with the right to grant sublicenses, under the EXEL Technology, to make, have made, use, sell, offer for sale and import such Licensed Products for any and all purposes.

5.1.3 License to Co-promote. In the event the Parties [*]:

(a) GSK shall grant to EXEL [*]; and

(b) The licenses granted to GSK under Section 5.1.2 shall be deemed to be modified to the extent necessary in order to allow EXEL to undertake its Co-promotion activities thereunder.

(c) For each Co-promotion license granted to EXEL pursuant to Section 5.1.3(a) with respect to a particular Licensed Product, GSK covenants that [*]

5.2 TECHNOLOGY TRANSFER.

5.2.1 Initial Transfer. After GSK exercises its Development Election for a Development Candidate pursuant to Section 4.3, EXEL shall:

(a) promptly deliver to GSK [*] all EXEL Technology and other Information Controlled by the EXEL Entities relating to [*]; and

(b) transfer to GSK, or its designee [*]; and

(c) without limiting the foregoing, EXEL shall [*].

5.2.2 [*].

5.2.3 [*].

5.3 COMMERCIALIZATION PROGRAM.

5.3.1 Commencement; Term. GSK shall promptly commence and pursue a program of ongoing development and commercialization for the Licensed Products [*] (the "COMMERCIALIZATION PROGRAM"). Subject to the provisions of Article 12, the Commercialization Program shall terminate, on a Licensed Product-by-Licensed Product basis, and a country-by-country basis, upon the expiration of this Agreement with respect to such Licensed Product in such country pursuant to Section 12.1.1 (the "COMMERCIALIZATION TERM").

5.3.2 GSK Responsibilities; Rights. Except as set forth in Section 5.3.4(c), GSK, either itself and/or by and through its Affiliates, Sublicensees or contractors, shall be responsible for, and shall have the exclusive right to engage in, all development, manufacturing, marketing, advertising, promotional, launch and sales activities in connection with the

marketing of the Licensed Products. As part of the Commercialization Program, during the Commercialization Term, GSK shall:

(a) have the exclusive right and responsibility for manufacturing all bulk drug substance or drug product material with respect to Licensed Products for ongoing development and commercial requirements, consistent with GSK's reasonable internal practices, industry standards and all applicable laws and regulations;

(b) own all MAAs, Marketing Approvals and other regulatory filings and approvals for the Licensed Product(s) in the Territory;

(c) prepare overview marketing plans for each of the Licensed Products in the Territory;

(d) conduct, or cause to be conducted, manage and oversee all analysis and other support necessary with respect to the manufacture, marketing and sale of all Licensed Products in the Territory;

(e) [*];

(f) [*]; and

(g) maintain records, in sufficient detail, which shall be complete and accurate and shall fully and properly reflect all work done and results achieved in connection with the Commercialization Program in the form required under all applicable laws and regulations.

5.3.3 GSK Diligence. During the Commercialization Term, GSK shall [*].

5.3.4 EXEL Responsibilities; Rights. As part of the Commercialization Program, EXEL shall:

(a) appoint an internal contact to act as a project liaison between EXEL and GSK for the further development and commercialization of such Licensed Product (the "COMMERCIALIZATION LIAISON"). The Commercialization Liaison shall be responsible for [*]. The name and contact information for such Commercialization Liaison, as well as any replacement(s) chosen by EXEL, in its sole discretion, from time to time, shall be promptly provided to GSK in accordance with Section 14.9 of this Agreement. The Commercialization Liaison position for each Licensed Product shall [*];

(b) transfer ownership of all regulatory filings for Licensed Products, including all INDs to GSK, and provide GSK with copies of such INDs and other regulatory filings, all pre-clinical and clinical data and results for Licensed Products as set forth in Sections 3.6.2 and 5.2; and

(c) have the right to Co-promote each Licensed Product throughout North America (the "CO-PROMOTION RIGHT") only pursuant to the following conditions:

(i) GSK shall promptly notify EXEL of the filing by GSK of the first MAA for Marketing Approval for each Licensed Product in North America, and EXEL shall have [*] from the date of receipt of such notice from GSK to exercise the Co-promotion Right;

(ii) if EXEL so exercises the Co-promotion Right, the Parties shall, within [*] from such exercise, meet to commence good faith negotiations to determine [*]. Such discussions will include [*]. If the Parties agree [*].

5.4 COMPETITIVE PRODUCTS.

5.4.1 After GSK's Development Election. In the event that, at any time after GSK exercises its Development Election and accepts a particular Licensed Product for further development and commercialization, GSK [*].

5.4.2 [*].

5.5 RETURNED LICENSED PRODUCTS.

5.5.1 Termination of Development by GSK. In the event that GSK exercises its Development Election and accepts a particular Licensed Product into the Commercialization Program and thereafter [*], GSK shall be deemed to have terminated its rights to such Licensed Product in such country(ies) or the Territory, as the case may be (except for GSK's right to receive royalties under Section 6.4.2), and thereafter such Licensed Product shall be deemed a "RETURNED LICENSED PRODUCT" in such country(ies) or the Territory, as applicable.

5.5.2 Effect of Termination. Upon any such termination [*].

5.5.3 EXEL's Right to Commercialize. Thereafter, EXEL shall be free to develop and commercialize the Returned Licensed Product in such country(ies) or the Territory, as applicable, either alone, through an Affiliate or with any Third Party, subject to the payments set forth in Section 6.4.2. In the event EXEL decides to further develop and/or commercialize such Returned Licensed Product in such country(ies) or the Territory, as applicable, either alone, through an Affiliate or with any Third Party, EXEL shall be responsible for any and all obligations of EXEL or GSK to Third Parties with respect to such Returned Licensed Product including, but not limited to, any ongoing obligations of GSK under Third Party manufacturing or licensing agreements.

5.5.4 Unauthorized Sales. In the event that EXEL acquires the rights with respect to a Returned Licensed Product in some, but not all,

countries in the Territory, each Party shall use commercially reasonable efforts, consistent with applicable laws, to assist the other Party in maintaining such other Party's exclusive rights with respect to such Licensed Product or Returned Licensed Product, as the case may be, within the countries in its respective territory. Each Party shall also take all reasonable actions, and shall use all commercially reasonable efforts to require its Affiliates, Sublicensees and distributors to take all reasonable actions, not to solicit or facilitate sales of such Licensed Product or Returned Licensed Product, as the case may be, outside the countries in its respective territory, unless permitted in writing by the other Party. In addition, each Party shall notify the other Party immediately if it becomes aware of any such sales.

ARTICLE 6

MILESTONES AND ROYALTIES; PAYMENTS

6.1 UPFRONT PAYMENT TO EXEL. As consideration for, and to partially fund the costs to be incurred by EXEL for, the research activities to be conducted by EXEL for the intended benefit of GSK pursuant to the Development Program, GSK shall pay to EXEL a non-refundable, non-creditable up-front payment of:

(a) Thirty Million Dollars ($30,000,000) [*]; and

(b) [*] payable [*].

6.2 MILESTONES PAYMENTS TO EXEL. As partial consideration to EXEL for the license and other rights granted to GSK under Article 5 of this Agreement, GSK shall pay to EXEL the following non-refundable milestone payments upon the occurrence of each event set forth below:

6.2.1 Product Acceptance Milestones.

(a) Subject to Section 6.2.1(b), GSK shall pay to EXEL the following milestone payments upon GSK's exercise of its Development Election for a particular Development Candidate to become a Licensed Product (each, a "PRODUCT ACCEPTANCE MILESTONE"):

(i) First Option. If GSK exercises its Development Election for a Development Candidate during the First Option Period for such Development Candidate pursuant to Section 4.3.1(a) or 4.3.2(a) [*], then GSK shall pay to EXEL within [*] of the delivery of notice to EXEL regarding such exercise (subject to Section 14.6) the following amount [*]

(ii) Second Option. If GSK's Development Election is exercised for a Refused Candidate during the Second Option Period for such Refused Candidate pursuant to Sections 4.3.1(c) or 4.3.2(a), the Product Acceptance Milestone(s) to be paid to EXEL shall be [*] , which shall be determined [*] and shall be paid within [*] of the delivery of notice to EXEL regarding such exercise (subject to Section 14.6).

(iii) Pipeline Option. If GSK's Development Election is exercised for a Development Compound during the Pipeline Option Period pursuant to Section 4.3.2(b) [*], then GSK shall pay to EXEL the following amount [*] All payments under this Section 6.2.1(a)(iii) shall be made within [*] after [*] with respect to any such Development Compound [*].

(b) Any such Product Acceptance Milestone(s) [*].

6.2.2 Commercialization Milestones.

(a) Subject to Section 6.2.2(b), GSK shall, within [*] of the first occurrence of each event set forth below with respect to each Licensed Product, pay to EXEL the following non-refundable milestone payments:

(i) First Option. If GSK's Development Election was exercised for a Development Candidate to become a Licensed Product during the First Option Period for such Development Candidate pursuant to Sections 4.3.1(a) or 4.3.2(a) [*]:

MILESTONE EVENT	MILESTONE PAYMENT
1. - [*]	[*]
2. - [*]	[*]
3. - [*]	[*]

(ii) Second Option. If GSK's Development Election for a Refused Candidate to become a Licensed Product was exercised during the Second Option Period for such Refused Candidate pursuant to Sections 4.3.1(c) or 4.3.2(a), the milestone payment to EXEL for such Licensed Product shall be [*] ; and

(iii) Pipeline Option. If GSK's Development Election for a Development Compound to become a Licensed Product was exercised during the Pipeline Option Period for such Development Compound pursuant to Sections 4.3.2(b) (which is not otherwise deemed to have been exercised during the First Option Period pursuant to Section 6.2.1(a)(iii)):

MILESTONE EVENT	MILESTONE PAYMENT
1. - [*]	[*]

2. - [*]	[*]
3. - [*]	[*]

(b) GSK shall be responsible for promptly informing EXEL when a milestone has been achieved. Any milestone payments made pursuant to this Section 6.2.2 [*].

(c) Notwithstanding anything contained herein to the contrary, in the event that a particular Licensed Product: (1) has not achieved one or more of the milestone events set forth in Section 6.2.2(a); and (2) total cumulative Net Sales for [*] for such Licensed Product exceed [*] in the Territory, GSK shall pay to EXEL (subject to Section 6.2.2(b)) all milestone payments for such Licensed Product as if all milestone events had occurred and such Licensed Product shall have been deemed to have achieved such milestone event(s) for all purposes hereunder.

6.2.3 [*].

6.2.4 Payments Only Once. For purposes of clarification, it is understood and agreed that: (A) with respect to the milestone events set forth in Sections 6.1.1 and 6.1.2, a milestone payment shall be made by GSK with respect to each Licensed Product based on whether GSK's Development Election with respect to the Development Candidate as such Licensed Product was exercised during the First Option Period, the Second Option Period or the Pipeline Option Period; and (B) with respect to all milestone payments set forth in this Section 6.2, a particular milestone payment will be made with respect to each Licensed Product only one (1) time [*].

6.3 ROYALTY PAYMENTS TO EXEL. As further consideration to EXEL for the license and other rights granted to GSK under Article 5 of this Agreement, GSK shall pay to EXEL royalties as follows:

6.3.1 Licensed Product Royalty Payments.

(a) Subject to Section 6.3.3, GSK shall pay EXEL a royalty on annual Net Sales of Licensed Products by GSK, its Affiliates or Sublicensees in the Territory. Such royalty shall be determined by: [*], in each case as set forth in the following tables:

(i) First Option Period. If GSK's Development Election for the applicable Licensed Product was made during the First Option Period pursuant to Sections 4.3.1(a) or 4.3.2(a) (or GSK is deemed to have done so pursuant to Section 6.2.1(a)(iii)): (A) the royalty rate for all Licensed Products shall [*]; and (B) the royalty rate for the individual Licensed Product so accepted during the First Option Period shall be as follows:

[*]

(ii) Second Option Period. If GSK's Development Election for a particular Licensed Product was made during the Second Option Period pursuant to Sections 4.3.1(c) or 4.3.2(a): (A) the royalty rate for all Licensed Products shall [*] ; and (B) the royalty rate for the individual Licensed Product so accepted during the Second Option Period shall be as follows:

[*]

(iii) Pipeline Option Period. If GSK's Development Election for a particular Licensed Product is made during the Pipeline Option Period pursuant to Section 4.3.2(b) [*]: (A) the royalty rate for all Licensed Products [*]; and (B) the royalty rate for the individual Licensed Product so accepted during the Pipeline Option Period shall be [*], as follows:

[*]

(b) For purposes of determining the royalty rates applicable under Section 6.3.1, it is understood that "total annual Net Sales" shall be determined [*]. Further, it is understood that the royalty rates set forth herein shall be [*].

(c) In the event the Gross Margin for a Licensed Product [*]

6.3.2 [*].

6.3.3 Termination of Royalty Obligation. For each Licensed Product, the obligation to pay royalties under Section 6.3.1 shall terminate, on a country-by-country basis, upon the expiration of the later of: (A) [*] ; or (B) [*] of such Licensed Product in such country; provided, however, that the royalty rate set forth in the respective tables in this Article 6 shall be applicable for [*] claiming or covering the manufacture, use of sale of such Licensed Product, and thereafter the royalty rate shall be [*] for such Licensed Product for the remainder, if any, of the royalty term for such Licensed Product set forth in this Section 6.3.3.

6.3.4 Schedule of Examples. To further clarify the application of Sections 6.1 and 6.2, Schedule 6.3.4 sets forth examples of the milestone payments and royalty rates that will apply in different scenarios.

6.4 ROYALTY PAYMENTS TO GSK. As further consideration to GSK for its support of, and activities under, the Development Program, EXEL shall pay to GSK royalties as follows:

6.4.1 EXEL Product Royalties. With respect to any Refused Candidate that EXEL is free to develop and commercialize as provided in Section 4.3.1(b),

which Refused Candidate is subsequently commercialized by EXEL, or its Affiliates or Sublicensees, EXEL shall pay to GSK a royalty of [*] of total Net Sales in the Territory of all products incorporating [*], and/or formulations, mixtures or compositions incorporating any of the foregoing (an "EXEL PRODUCT") by EXEL, its Affiliates or Sublicensees.

(a) The obligation to pay royalties under Section 6.4.1 for each EXEL Product so commercialized shall terminate, on a country-by-country basis, upon the expiration of the later of: (1) the expiration of [*] claiming or covering the manufacture, use or sale of such EXEL Product in such country; or (2) [*] of such EXEL Product in such country; provided, however, the royalty rate set forth herein shall be applicable for [*] described above claiming or covering the manufacture, use or sale of such EXEL Product, and thereafter the royalty rate shall be [*] for such EXEL Product for the remainder, if any, of the royalty term for such EXEL Product set forth in this Section 6.4.1(a).

6.4.2 Returned Licensed Product Royalties. With respect to any Returned Licensed Product under Section 5.5 that is subsequently commercialized by EXEL, either alone or with a Third Party (including any Sublicensee), EXEL shall pay to GSK a royalty on total Net Sales of such Returned Licensed Product by EXEL, its Affiliates or Sublicensees as follows:

(a) an amount equal to [*] of the aggregate Net Sales of such Returned Licensed Product if GSK terminated its commercialization of such Returned Licensed Product [*]; or

(b) an amount equal to [*] of the aggregate Net Sales of such Returned Licensed Product if GSK terminated its commercialization of such Returned Licensed Product [*].

(c) The obligation to pay royalties under Section 6.4.2 for each Returned Licensed Product so commercialized shall terminate on a country-by-country basis upon the expiration of the later of: (1) the expiration of [*] claiming or covering the manufacture, use or sale of such Returned Licensed Product in such country; or (2) [*] of such Returned Licensed Product in such country; provided, however, that the royalty rate set forth herein shall be applicable for [*] described above claiming or covering the manufacture, use or sale of such Returned Licensed Product, and thereafter the royalty rate shall be [*] for such Returned Licensed Product for the remainder, if any, of the royalty term for such Returned Licensed Product set forth in this Section 6.4.2(c).

6.4.3 Royalties on EXEL Biotherapeutic Products. EXEL shall pay to GSK a royalty of [*] of total Net Sales, reduced by royalties due to Third Parties, as described in Section 6.4.4, by EXEL, its Affiliates or Sublicensees, on a country-by-country basis, of all Biotherapeutic Products which EXEL, either alone or through an Affiliate or Third Party, develops and commercializes for [*] (each, an "EXEL BIOTHERAPEUTIC PRODUCT"). The obligation to pay royalties under this Section 6.4.3 for each EXEL Biotherapeutic Product so commercialized shall terminate, on a country-by-country basis, upon the expiration of the later of: (A) the expiration of [*] claiming or covering the manufacture, use or sale of such EXEL Biotherapeutic Product is directed; or (B) [*] of such EXEL Biotherapeutic Product; provided, however, the royalty rate set forth above shall be applicable for [*] described above claiming or covering the manufacture, use or sale of such EXEL Biotherapeutic Product, and thereafter the royalty rate shall be [*] for such EXEL Biotherapeutic Product for the remainder, if any, of the royalty term for such EXEL Biotherapeutic Product set forth in this Section 6.4.3.

6.4.4 EXEL Royalties Offsets. If, during the Term, EXEL deems it necessary to seek or obtain a license from any Third Party in order to develop and commercialize any EXEL Product, Returned Licensed Product or EXEL Biotherapeutic Product under this Agreement, EXEL shall be entitled to offset against royalties otherwise due GSK under Section 6.4 [*] of any royalties or other fees paid by EXEL to such Third Party under such license; provided, however, in no event shall such deduction reduce the royalties otherwise payable to GSK during any calendar year by more than [*]; further provided, however, that any deductible amounts not applied in a particular calendar year shall be carried over and applied in subsequent calendar years until the full deduction has been taken.

6.5 PAYMENTS.

6.5.1 Commencement. Beginning with the Calendar Quarter in which the First Commercial Sale for an applicable Product is made and for each Calendar Quarter thereafter, royalty payments shall be made to either EXEL pursuant to Sections 6.3, or GSK pursuant to Section 6.4 (the "PAYEE") within [*] following the end of each such Calendar Quarter. Each royalty payment shall be accompanied by a report, summarizing the total Net Sales for the applicable Product during the relevant Calendar Quarter and the calculation of royalties, if any, due thereon. In the event that no royalties are payable in respect of a given Calendar Quarter, the Party making the payments (the "PAYOR") shall submit a royalty report so indicating.

6.5.2 Mode of Payment. All payments due under this Agreement shall be payable, in full, in U.S. dollars, regardless of the country(ies) in which sales are made or in which payments are originated. For the purposes of computing Net Sales of Products sold in a currency other than U.S. dollars, such currency shall be converted into U.S. dollars as calculated at the actual average rates of exchange for the pertinent quarter or year to date, as the case may be, as used by the Payor in producing its quarterly and annual accounts, as confirmed by the Payor's auditors. Subject to Sections 6.4.4, Section 6.7 and Section 6.8.2, such payments shall be without deduction of exchange, collection or other charges.

6.5.3 Records Retention. Commencing with the First Commercial Sale of a Product, the Payor shall keep complete and accurate records pertaining to the sale of such Products, for a period of [*] after the year in which such sales occurred, and in sufficient detail to permit the Payee to confirm the accuracy of the royalties paid by the Payor hereunder.

6.5.4 Expatriated Payments. If by law, regulation, or fiscal policy of a particular country, conversion into United States dollars or transfer of funds of a convertible currency to the United States is restricted or forbidden, the Payor shall give the Payee prompt written notice of such restriction, which notice shall satisfy the payment deadlines in this Agreement. The Payor shall pay any amounts due to the Payee through whatever lawful method it chooses, including without limitation making such payments in the local currency of such country, provided such choice is consistent with seeking to make the payment in the most expeditious manner possible.

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

6.7 TAXES.

6.7.1 Sales or Other Transfers. The recipient of any transfer under this Agreement of EXEL Technology, GSK Technology, Information, Development Compounds, Licensed Products or Returned Licensed Products, as the case may be, shall be solely responsible for any sales, use, value added, excise or other non-income taxes applicable to such transfer.

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

6.8 CREDIT AGAINST PAYMENTS FOR THIRD PARTY LICENSE.

6.8.1 Payments under Third Party Agreements Entered into by EXEL. EXEL shall have sole financial responsibility for all royalty and other payments required to be paid to any Third Party as a result of, or relating to, EXEL's activities under this Agreement including, without limitation, payments due on sales of Licensed Products. Such payments shall be made by EXEL directly to the relevant Third Party in accordance with the provisions of the applicable Third Party license agreement.

6.8.2 Right of Offset. GSK shall be entitled to an offset against royalties as follows:

(a) if, during the Term, GSK, [*] deems it necessary to seek or obtain a license from any Third Party in order to develop and commercialize a Licensed Product pursuant to the rights and licenses granted hereunder, [*] of any royalties or other fees paid to such Third Party under such license shall be deducted from royalties otherwise due EXEL under this Agreement; provided, however, in no event shall such deduction reduce the royalties otherwise payable to EXEL during any calendar year by more than [*]; further provided, however, that any deductible amounts not applied in a particular calendar year shall be carried over and applied in subsequent calendar years until the full deduction has been taken; and

(b) [*]

6.8.3 Consultation. GSK shall [*] for which GSK would seek to deduct royalties under Section 6.8.2, and shall [*] with respect to such proposed license agreement.

6.9 COMPULSORY LICENSES. In the event that a governmental agency in

any country in the Territory grants, or compels EXEL to grant, a license to any Third Party for a Licensed Product, other than to an Affiliate or Sublicensee of GSK, GSK shall [*]. For the avoidance of doubt, any sales of Licensed Products by a licensee pursuant to a compulsory license shall in no case be included in the Net Sales calculation or be the basis of any milestone payment(s) under this Agreement.

ARTICLE 7

EXCLUSIVITY

7.1 EXEL PROHIBITED ACTIVITIES.

7.1.1 Regarding Targets and Compounds. Except as necessary to perform its obligations under this Agreement, EXEL shall not, either alone, through an Affiliate or with any Third Party:

(a) during [*];

(b) during [*]; or

(c) during [*].

7.1.2 Regarding EXEL Technology. With respect to any given Development Compound, from [*] EXEL shall [*].

7.2 EXEL PERMITTED ACTIVITIES. Subject to Section 7.1, but notwithstanding anything else in this Agreement to the contrary:

7.2.1 Outside the Field. GSK acknowledges and agrees that EXEL is engaged generally in the elucidation of biological pathways in model systems, that biological systems are by their nature redundant, and that, therefore, different pathways may contain the same human molecular target. For example, and without limitation, EXEL has been, and may be in the future, engaged by a Third Party to identify targets in a research field or disease area other than the Field (an "OTHER FIELD"). Such research may result in the identification of human molecular targets that are the same as Existing Targets or Collaboration Targets, and in the case where such identification arises under a Future Third Party Collaboration during [*], EXEL shall [*].

7.2.2 Regarding EXEL Biotherapeutic Products. EXEL will not be restricted from conducting any activities related to researching, developing and/or commercializing any EXEL Biotherapeutic Products, provided, however, that EXEL shall [*].

7.2.3 Regarding Targets. EXEL will not be restricted from conducting any activities: (A) related to any Excluded Targets, or (B) with respect to targets outside the Field.

7.2.4 Regarding Development Compounds. EXEL shall at all times have the right to use any Development Compound [*].

7.3 GSK ACTIVITIES. GSK will not be restricted from conducting any activities, including, without limitation, activities in the Field outside this Agreement; provided that the foregoing shall not be construed to grant to GSK any license under the EXEL Technology except as expressly provided in this Agreement. GSK covenants [*].

7.4 EXISTING THIRD PARTY COLLABORATIONS.

7.4.1 Oncology Collaborations. GSK acknowledges [*] (each, an "ONCOLOGY COLLABORATOR"), and [*].

7.4.2 Non-Selected Targets. Notwithstanding the foregoing, pursuant to an Existing Third Party Collaboration with an Oncology Collaborator, with respect to [*] (each, a "NON-SELECTED TARGET"), EXEL hereby agrees [*].

7.4.3 Encumbered Targets and Compounds. Pursuant to an Existing Third Party Collaboration with an Oncology Collaborator, EXEL retains the right to [*] (each, an "ENCUMBERED TARGET"). However, GSK understands and acknowledges that such Existing Third Party Collaboration [*] (each, an "ENCUMBERED COMPOUND"), including without limitation, [*]. At any time [*].

7.5 EXCLUDED COMPOUNDS. The Parties expressly acknowledge and agree that GSK shall have no rights under this Agreement with respect to [*].

ARTICLE 8

OWNERSHIP OF INTELLECTUAL PROPERTY AND PATENT RIGHTS

8.1 OWNERSHIP.

8.1.1 Generally.

(a) GSK and its Affiliates shall retain all of their right, title and interest in and to the GSK Technology existing as of the Effective Date, and the EXEL Entities (subject to completion by Artemis Pharmaceuticals GmbH ("ARTEMIS") of its asset transfer obligations under the Artemis Agreement) shall retain all of their right, title and interest in and to the EXEL Technology existing as of the Effective Date; including without limitation the right to transfer or license such intellectual property to Third Parties for any purpose, subject only to each Party's obligations under this Agreement, including but not limited to the obligations set forth in Article 7 and the licenses granted in Article 5. Following the Effective Date, subject to Section 8.1.1(b), GSK and its Affiliates shall retain all of their right, title and interest in and to the

GSK Technology, and the EXEL Entities (subject to completion by Artemis of its asset transfer obligations under the Artemis Agreement) shall retain all of their right, title and interest in and to the EXEL Technology, in each case developed during the Term, subject to the rights granted to each Party under this Agreement.

(b) Notwithstanding Section 8.1.1(a), all right, title and interest in and to all [*], shall be owned by [*], except that any [*] ("GSK COMPOUND INVENTIONS") shall be solely owned by [*]. GSK shall [*]. For purposes of this Agreement, "COMPOUND INVENTIONS" shall mean [*] that is discovered, conceived or created solely or jointly by employees, agents or consultants of [*] in the course of performing their respective activities under the Development Program.

(i) For the avoidance of doubt, Patents [*] ("COMPOUND PATENTS"), if any, shall be [*].

(ii) To the extent that any such Compound Patent [*] GSK shall [*].

(c) All right, title and interest in and to all [*], shall be owned by GSK or its Affiliates. All right, title and interest in and to all [*], shall be jointly owned by GSK or the relevant Affiliate and the EXEL Entities in equal and undivided shares. Except as expressly provided in this Agreement, neither Party shall have any obligation to account to the other for profits, or to obtain any consent of the other Party to license or exploit patented jointly-owned subject matter, by reason of joint ownership thereof, and each Party hereby waives any right it may have under the laws of any jurisdiction to require any such consent or accounting.

8.1.2 Patent Filings. The Party responsible for Prosecution and Maintenance of Patents claiming any Collaboration Technology as set forth in Sections 8.1.3 and 8.1.4 shall use reasonable diligent efforts (which shall include, without limitation, ensuring that, in the case of EXEL, EXEL Deutschland GmbH, and in the case of GSK, its Affiliates, comply with all reasonable requests relating to such Prosecution and Maintenance of Patents) to obtain a reasonable scope of protection for Development Compounds and Licensed Products, as applicable, and will consider in good faith reasonable comments provided by the other Party.

8.1.3 Compound Patents and Joint Patents. The responsibility and strategy for Prosecution and Maintenance of Compound Patents and Patents claiming any jointly owned Collaboration Technology shall be [*]. The Parties shall cooperate to prepare and prosecute patent applications for Compound Patents and Patents claiming any such Collaboration Technology in a manner that ensures a reasonable scope of protection for the relevant subject matter.

8.1.4 Solely Owned Patents. GSK or EXEL, as the case may be, shall control the Prosecution and Maintenance of Patents claiming any Collaboration Technology owned solely by GSK or its Affiliates, or the EXEL Entities, as the case may be, and as set forth in Section 8.1.1, in each case [*]; provided, however, that the control of the Prosecution and Maintenance of Compound Patents shall be subject to 8.1.3 and the Patent Costs related thereto shall be subject to Section 8.2.1.

8.1.5 Other Matters Pertaining to Prosecution of Patents.

(a) The Collaboration Committee shall establish a subcommittee (the "PATENT SUBCOMMITTEE") to coordinate Prosecution and Maintenance of the Compound Patents and patents claiming any jointly owned Collaboration Technology. The Patent Subcommittee shall report to the Collaboration Committee. Each Party shall submit to the Patent Subcommittee copies of all correspondence with patent authorities covering such Collaboration Technology for which such Party has responsibility for Prosecution and Maintenance. Each Party shall keep the Patent Subcommittee informed as to material developments with respect to the Prosecution and Maintenance of Patents claiming such Collaboration Technology, including without limitation, by providing upon request copies of any substantive documents that such Party or its relevant Affiliate receives from any patent office, including notice of all interferences, reissues, re-examinations, oppositions or requests for patent term extensions, and by providing the other Party the opportunity to have reasonable input into the strategic aspects of such Prosecution and Maintenance. Without limiting the foregoing, neither Party shall [*].

(b) If, during the Term, the Party responsible for prosecuting a Patent claiming jointly owned Collaboration Technology or any Compound Patent (the "PROSECUTING PARTY"), intends to allow such Patent to lapse or become abandoned without having first filed a substitute, the Prosecuting Party shall, whenever practicable, notify the other Party of such intention at least [*] prior to the date upon which such Patent shall lapse or become abandoned, and such other Party shall thereupon have the right, but not the obligation, to assume responsibility for the Prosecution and Maintenance thereof [*].

8.2 PATENT COSTS.

8.2.1 Collaboration Technology and Compound Patents. As set forth in Section 8.1.4, [*] shall be responsible for [*] associated with the Prosecution and Maintenance of Patents claiming any [*]; provided, however, that EXEL and GSK shall [*]. EXEL and GSK shall [*], unless the Parties otherwise agree.

8.2.2 Existing EXEL Technology and GSK Technology. EXEL shall be responsible for [*] with respect to EXEL Technology existing as of the Effective Date. GSK shall be responsible for [*] with respect to GSK Technology existing as of the Effective Date. If a Party chooses not to

Prosecute and Maintain a [*], then to the extent such Party owns such Patent, it shall use good faith efforts to promptly notify the other Party of its decision. Thereafter, if such Patent [*], the other Party shall [*].

8.3 ENFORCEMENT RIGHTS.

8.3.1 Defense and Settlement of Third Party Claims.

(a) Development Compounds. If a Third Party asserts that a Patent or other right owned by it is infringed by the manufacture, use, sale or importation of [*], the Party first having knowledge of such a claim shall promptly provide the other Party notice of such claim and the related facts in reasonable detail. In such event, [*] shall determine best how to control the defense of any such claim; provided, however, that if such claim also covers [*] then [*] shall control. In the event [*] on the strategy for the defense of any such claim, such defense shall be controlled by [*]; provided, that [*] shall have the right [*] to participate in such defense and to be represented by counsel of its choice. The Party that controls the defense of a given claim with respect to [*], shall also have the right to control settlement of such claim.

(b) Licensed Products. If a Third Party asserts that a Patent or other right owned by it is infringed by the manufacture, use, sale or importation of [*], [*] shall have the primary right but not the obligation to control the defense of any such assertions [*]. In the event [*] elects to control the defense of any such Third Party claims, [*] shall have the right to control the settlement of such claims; provided, however, that no settlement shall be entered into [*]. Any Third Party royalties that arise in connection with the settlement of a Third Party claim of infringement against a Licensed Product shall be subject to [*]. In any event, the Parties shall reasonably assist one another and cooperate in any such litigation at the other's request without expense to the requesting Party. Each Party may [*] join any defense brought by the other Party.

8.3.2 Infringement by Third Parties. If any Party learns of an infringement, unauthorized use, misappropriation or ownership claim or threatened infringement or other such activity by a Third Party with respect to [*] ("COMPETITIVE INFRINGEMENT"), such Party shall promptly notify the other Party and shall provide such other Party with available evidence of such Competitive Infringement.

(a) [*] shall have the primary right, but not the obligation, to institute, prosecute, and control any action or proceeding with respect to Competitive Infringement of a Patent claiming [*], by counsel of its own choice, and [*] shall have the right, [*], to be represented in that action by counsel of its own choice. If [*] fails to bring an action or proceeding within a period of [*] after a request by [*] to do so, then, to the extent that such Competitive Infringement relates to [*], [*] shall have the right to bring and control any such action by counsel of its own choice, and [*] shall have the right to be represented in any such action by counsel of its own choice [*]. Notwithstanding the foregoing, in the event that a Competitive Infringement implicates a Patent that covers [*].

(b) [*] shall have the primary right, but not the obligation, to institute, prosecute, and control any action or proceeding with respect to Competitive Infringement of a Patent claiming [*], by counsel of its own choice, and [*] shall have the right, at its own expense, to be represented in that action by counsel of its own choice. If [*] fails to bring an action or proceeding within a period of [*] after a request by [*] to do so, [*] shall have the right to bring and control any such action by counsel of its own choice, and [*] shall have the right to be represented in any such action by counsel of its own choice [*].

(c) If one Party brings any such action or proceeding in accordance with this Section 8.3.2, the second Party agrees to be joined as a party plaintiff and to give the first Party reasonable assistance and authority to file and prosecute the suit. The costs and expenses of the Party bringing suit under this Section 8.3.2 shall be borne by [*], and any damages or other monetary awards recovered shall be shared [*]. A settlement or consent judgment or other voluntary final disposition of a suit under this Section 8.3.2 may be entered into without the consent of the Party not bringing the suit; provided that [*].

(d) Subject to Sections 8.3.2(a), (b) and (c), with respect to Patents claiming [*], [*] may proceed in such manner as the law permits. [*] shall bear [*], and the amount of recovery actually received by [*] shall first be applied to reimburse [*]; and then any remaining proceeds shall be allocated [*].

ARTICLE 9

CONFIDENTIALITY

9.1 CONFIDENTIALITY; EXCEPTIONS. Except to the extent expressly authorized by this Agreement or otherwise agreed in writing, the Parties agree that the receiving Party (the "RECEIVING PARTY") shall keep confidential and shall not publish or otherwise disclose or use for any purpose other than as provided for in this Agreement any Information or other confidential and proprietary information and materials patentable or otherwise, in any form (written, oral, photographic, electronic, magnetic, or otherwise) which is disclosed to it by the other Party (the "DISCLOSING PARTY") or otherwise received or accessed by a Receiving Party in the course of performing its obligations under this Agreement including, but not limited to trade secrets, know-how, proprietary information, formulae, processes, techniques and information relating to a Party's past, present and future marketing, financial,

and research and development activities of any product of the Disclosing Party and the pricing thereof (collectively, "CONFIDENTIAL INFORMATION"), except to the extent that it can be established by the Receiving Party that such Confidential Information:

9.1.1 was in the lawful knowledge and possession of the Receiving Party prior to the time it was disclosed to, or learned by, the Receiving Party, or was otherwise developed independently by the Receiving Party, as evidenced by written records kept in the ordinary course of business, or other documentary proof of actual use by the Receiving Party;

9.1.2 was generally available to the public or otherwise part of the public domain at the time of its disclosure to the Receiving Party;

9.1.3 became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the Receiving Party in breach of this Agreement; or

9.1.4 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. Notwithstanding any disclosure of Confidential Information of the Disclosing Party to the Receiving Party, no ownership of such Confidential Information shall be transferred as a result of such disclosure.

9.2 AUTHORIZED DISCLOSURE. Except as expressly provided otherwise in this Agreement, a Receiving Party may use and disclose Confidential Information of the Disclosing Party as follows: (i) under appropriate confidentiality provisions substantially equivalent to those in this Agreement, in connection with the performance of its obligations or exercise of rights granted or reserved in this Agreement through an Affiliate or any Third Party (including the rights to commercialize Licensed Products and to grant licenses and sublicenses hereunder); or (ii) to the extent such disclosure is reasonably necessary in filing or prosecuting patent, copyright and trademark applications, prosecuting or defending litigation, complying with applicable governmental regulations, obtaining regulatory approval, conducting preclinical activities or clinical trials, marketing Licensed Products, or otherwise required by law; provided, however, that if a Receiving Party is required by law or regulation to make any such disclosure of a Disclosing Party's Confidential Information it will, except where impracticable for necessary disclosures, for example in the event of medical emergency, give reasonable advance notice to the Disclosing Party of such disclosure requirement and, except to the extent inappropriate in the case of patent applications, will use its reasonable efforts to secure confidential treatment of such Confidential Information required to be disclosed; or (iii) in communication with investors, consultants, advisors or others on a need to know basis, in each case under appropriate confidentiality provisions substantially equivalent to those of this Agreement; or (iv) to the extent mutually agreed to in writing by the Parties.

9.3 ADDITIONAL CONFIDENTIALITY REQUIREMENTS. In addition to the foregoing, any Information or other Collaboration Technology developed pursuant to the Development Program that solely relates to Development Compounds (for so long as GSK's ability to exercise a Development Election with respect to same have not expired) or Licensed Products that is necessary or useful for GSK to continue to develop such Development Compounds or Licensed Products, shall be deemed to be the Confidential Information of each Party as a Disclosing Party and each Party shall have the obligations of a Receiving Party pursuant to this Article 9, except for disclosures to permitted Sublicensees as set forth in this Agreement, and except to any Third Party in connection with EXEL's rights pursuant to Section 4.4, without the prior written consent of both Parties This obligation shall not apply to any Information or other Collaboration Technology that has general utility as it relates to any use or application other than such Development Compounds or Licensed Products.

9.4 TERMINATION OF PRIOR AGREEMENT. This Agreement supersedes the Non-Disclosure Agreement executed by EXEL and GSK dated [*] (including any and all amendments thereto). All information exchanged between the Parties under that Agreement shall be deemed Confidential Information hereunder and shall be subject to the terms of this Article 9.

9.5 REMEDIES. Each Party shall be entitled, in addition to any other right or remedy it may have, at law or in equity, to an injunction, without the posting of any bond or other security, enjoining or restraining the other Party from any violation or threatened violation of this Article 9.

9.6 PUBLICATIONS. Each Party shall submit any proposed publication containing Confidential Information of the other Party to the other Party at least [*] in advance to allow that Party to review such planned public disclosure. The reviewing Party will promptly review such proposed publication and respond in any event within [*] and make any objections that it may have to the publication of Confidential Information of the reviewing Party contained therein. Should the reviewing Party make an objection to the publication of any such Confidential Information, then the Parties shall discuss the advantages and disadvantages of publishing such Confidential Information. If the Parties are unable to agree on whether to publish the same, subject to Section 14.1, [*] shall attempt to resolve the matter but if it is unable to do so such matter shall be resolved in accordance with the dispute resolution provisions of Section 14.2. Notwithstanding the foregoing, upon the reviewing Party's request, the other Party shall not submit any such publication until the reviewing Party is given a reasonable period of time to secure patent protection for any material in such publication that it believes to be patentable.

ARTICLE 10

REPRESENTATIONS; WARRANTIES AND COVENANTS

10.1 REPRESENTATIONS AND WARRANTIES OF BOTH PARTIES. Each Party represents and warrants to the other Party, as of the Effective Date, that:

10.1.1 such Party is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof;

10.1.2 such Party has taken all necessary action on its part to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder;

10.1.3 this Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, binding obligation, enforceable against it in accordance with the terms hereof;

10.1.4 the execution, delivery and performance of this Agreement by such Party, including without limitation the grant of rights to the other Party pursuant to this Agreement, does not: (A) conflict with, nor result in any violation of or default under, any agreement, instrument or understanding, oral or written, to which it or any Affiliate is a party or by which it or any Affiliate is bound; (B) conflict with any rights granted by such Party to any Third Party or breach any obligation that such Party has to any Third Party; nor (C) violate any law or regulation of any court, governmental body or administrative or other agency having jurisdiction over such Party;

10.1.5 no government authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, under any applicable laws, rules or regulations currently in effect is necessary for, or in connection with, the transaction contemplated by this Agreement or any other agreement or instrument executed in connection herewith, or for the performance by it of its obligations under this Agreement and such other agreements except as may be required under the Stock Purchase Agreement; and

10.1.6 it has not employed (and, to the best of its knowledge without further duty of inquiry, has not used a contractor or consultant that has employed) any individual or entity debarred by the FDA (or subject to a similar sanction of EMEA), or, to the best of its knowledge without further duty of inquiry, any individual who or entity which is the subject of an FDA debarment investigation or proceeding (or similar proceeding of EMEA), in the conduct of the preclinical or clinical studies of Development Compounds and its activities under the Development Program.

10.2 REPRESENTATIONS AND WARRANTIES OF EXEL. EXEL represents and warrants to GSK, as of the Effective Date, that:

10.2.1 to the best of its knowledge and belief, EXEL Controls all rights it purports to grant to GSK to the EXEL Know-How and EXEL Patents under this Agreement;

10.2.2 to the best of its knowledge and belief: (A) the issued EXEL Patents, if any, listed as Schedule 1.62 are valid and in full force and effect; (B) the EXEL Patents are not the subject of any interference or opposition proceedings; and (C) EXEL is not aware of any pending or threatened action, suit proceeding or claim by a Third Party challenging the ownership rights in, validity or scope of such EXEL Patents;

10.2.3 to the best of its knowledge and belief: (A) EXEL is not aware of any notice from any Third Party asserting any ownership rights to any of the EXEL Know-How; and (B) EXEL is not aware of any pending or threatened action, suit, proceeding or claim by a Third Party asserting that EXEL is infringing or otherwise is violating any patents, trade secret or other proprietary right of any Third Party as would reasonably be expected to result in a material adverse effect upon the ability of EXEL to fulfill any of its obligations under this Agreement;

10.2.4 to the best of its knowledge and belief, EXEL has not granted any right to any Third Party relating to the EXEL Technology which conflicts with the rights granted to GSK hereunder;

10.2.5 No [*] Controls any [*] that are [*];

10.2.6 EXEL has all [*] to conduct the activities to be conducted by EXEL under this Agreement and to fulfill its obligations under this Agreement;

10.2.7 the agreements identified on Schedule 1.68 comprise a complete and accurate list of all collaboration agreements between EXEL and a Third Party in existence on the Effective Date that [*] pursuant to this Agreement;

10.2.8 (A) the Existing Third Party Collaborations [*]; (B) EXEL has [*];

10.2.9 EXEL is not a party to any arrangement or agreement that EXEL reasonably believes [*];

10.2.10 the compounds identified on Schedule 1.66 comprise a complete and accurate list of all compounds identified as [*] as of the Effective Date;

10.2.11 the human molecular targets identified on Schedule 1.67 comprise a complete and accurate list of all human molecular targets [*] as of the Effective Date and do not include any Excluded Targets or Biotherapeutic Targets;

10.2.12 to the best of its knowledge and belief, the targets identified on Schedule 1.65 meet all of the criteria set forth in Section 2.5.3;

10.2.13 other than as described in the SEC Filings (as defined in Section 4.5.1 of the Stock Purchase Agreement, there are no claims, actions, or proceedings pending or, to EXEL's knowledge, threatened; nor, except as disclosed on Schedule 4.6 of the Stock Purchase Agreement, are there any formal inquiries or notices which may lead to the institution of such legal proceedings, against EXEL or its properties, assets or business, which if adversely decided, would, individually or in the aggregate, have a material adverse effect or prevent EXEL's ability to conduct the Development Program or to grant the licenses to be granted to GSK upon the exercise of GSK's Development Election;

10.2.14 EXEL has not [*] which EXEL reasonably believes would [*]; and

10.2.15 to the best of EXEL's knowledge and belief the Employee Agreements and the Artemis Intellectual Property constitute substantially all of the intellectual property rights and other enabling rights [*] (as defined in the Artemis Agreement). For purposes of this Section 10.2.15: (A) the "EMPLOYEE AGREEMENTS" means the employee agreements, between Artemis Pharmaceutical GmbH and its employees that were transferred to Exelixis Deutschland GmbH; and (B) the "ARTEMIS INTELLECTUAL PROPERTY" means the Assets, Know-how, Contracts and Joint Contracts (as the same are defined under Artemis Agreement) that were transferred, to be transferred, or to be managed under the Artemis Agreement in accordance with the provisions thereof.

10.3 COVENANTS OF EXEL. EXEL covenants and agrees, from and after the Effective Date and during the Term, that:

10.3.1 EXEL shall provide access to Confidential Information of GSK only to EXEL's employees, consultants and independent contractors who, in each case, need such access (including without limitation access to GSK Know-How on any database that is owned or controlled by EXEL or its Affiliates which access shall in all cases be password-protected or otherwise similarly restricted) to perform services or activities under the Development Program and who, prior to such access, have executed appropriate confidentiality and invention assignment agreements to protect the Confidential Information of GSK and to retain or obtain ownership of all EXEL Technology;

10.3.2 EXEL shall not amend the terms of any [*] in such a manner as would have a material adverse effect on EXEL's performance of its obligations under this Agreement, in whole or in part, without the prior written consent of GSK;

10.3.3 EXEL shall not enter into any agreement with any Third Party that EXEL reasonably believes would materially adversely affect EXEL's ability to successfully conduct the Development Program;

10.3.4 all Collaboration Technology that is discovered, conceived or created solely or jointly by the employees, agents, consultants or subcontractors (with respect to subcontractors, subject to Section 3.11) of EXEL or its Affiliates shall be Controlled by the EXEL Entities during the Term;

10.3.5 subject to Section 7.1.1, during the Term, EXEL shall not grant any right to any Third Party relating to the EXEL Technology which conflicts with the rights granted to GSK hereunder. Except as may be provided under the Loan Agreement, during the Term EXEL shall not encumber the EXEL Patents with liens, mortgages, security interests or another similar interest that would give the holder the right to convert the interest into patent ownership, unless the encumbrance is expressly subject to the licenses herein;

10.3.6 it shall not employ (or, to the best of its knowledge without further duty of inquiry, shall not use any contractor or consultant that employs) any individual or entity debarred by the FDA (or subject to a similar sanction of EMEA), or, to the best of its knowledge without further duty of inquiry, any individual who or entity which is the subject of an FDA debarment investigation or proceeding (or similar proceeding of EMEA), in the conduct of the preclinical or clinical studies of Development Compounds and its activities under the Development Program;

10.3.7 EXEL shall perform its activities under the Development Program in compliance with good laboratory and clinical practices and cGMP, in each case as applicable under the laws and regulations of the country where such activities are conducted;

10.3.8 none of the EXEL Entities will initiate any legal suits, claims, actions, proceedings or demands under any EXEL Technology based upon GSK using any Existing Targets or Collaboration Targets solely for the further development of Licensed Products; and

10.3.9 EXEL shall use all reasonable efforts to ensure that [*].

10.4 REPRESENTATION AND WARRANTY OF GSK. GSK represents and warrants to EXEL, as of the Effective Date, that GSK [*].

10.5 COVENANTS OF GSK. GSK covenants and agrees, from and after the Effective Date and during the Term, that:

10.5.1 GSK shall provide access to Confidential Information of EXEL only to GSK's employees, consultants and independent contractors who, in each case, need such access (including without limitation access to EXEL Know-How on any database that is owned or controlled by GSK or its Affiliates which access

shall in all cases be password-protected or otherwise similarly restricted) to perform services or development activities under this Agreement, and who, prior to such access, have executed appropriate confidentiality and invention assignment agreements to protect the Confidential Information of EXEL and to retain or obtain ownership of all GSK Technology;

10.5.2 it shall not employ (or, to the best of its knowledge without further duty of inquiry, shall not use any contractor or consultant that employs) any individual or entity debarred by the FDA (or subject to a similar sanction of EMEA), or, to the best of its knowledge without further duty of inquiry, any individual who or entity which is the subject of an FDA debarment investigation or proceeding (or similar proceeding of EMEA), in the conduct of the preclinical or clinical studies of Development Compounds and its development activities; and

10.5.3 GSK shall perform its development activities in compliance with good laboratory and clinical practices and cGMP, in each case as applicable under the laws and regulations of the country where such activities are conducted.

10.6 DISCLAIMER. Except as otherwise expressly set forth in this Agreement, neither Party makes any representation or extends any warranty of any kind either express or implied, including, but not limited to, any warranty that any Patents are valid or enforceable or that their exercise does not infringe any patent rights of Third Parties. A holding of invalidity or unenforceability of any Patent, from which no further appeal is or can be taken, shall not affect any obligation already accrued hereunder, but shall only eliminate royalties otherwise due under such Patent from the date such holding becomes final in accordance with this Agreement.

ARTICLE 11

INDEMNIFICATION; INSURANCE

11.1 INDEMNIFICATION BY GSK. GSK shall indemnify, defend and hold harmless EXEL, and its Affiliates, and their respective directors, officers, employees and agents, from and against any and all liabilities, damages, losses, costs and expenses including, but not limited to, the reasonable fees of attorneys and other professionals (collectively "LOSSES"), arising out of or resulting from any and all Third Party suits, claims actions, proceedings or demands based upon:

11.1.1 negligence, recklessness or wrongful intentional acts or omissions of GSK or its Affiliates and their respective directors, officers, employees and agents, in connection with GSK's performance of its obligations under this Agreement; except, in each case, to the comparative extent such claim arose out of or resulted from the negligence, recklessness or wrongful intentional acts or omissions of EXEL or its Affiliates, and their respective directors, officers, employees and agents (including their Sublicensees and subcontractors);

11.1.2 any breach of any representation or warranty made by GSK under Article 10; or

11.1.3 the research, development, manufacture, use, handling, storage, sale or other disposition of chemical agents or Licensed Products by GSK, its Affiliates, agents or Sublicensees.

11.2 INDEMNIFICATION BY EXEL. EXEL shall indemnify, defend and hold harmless GSK and its Affiliates, and their respective directors, officers, employees and agents, from and against any and all Losses, arising out of or resulting from any and all Third Party suits, claims, actions, proceedings or demands based upon:

11.2.1 negligence, recklessness or wrongful intentional acts or omissions of EXEL or its Affiliates and their respective directors, officers, employees and agents, in connection with EXEL's performance of its obligations under this Agreement; except, in each case, to the comparative extent such claim arose out of or resulted from the negligence, recklessness or wrongful intentional acts or omissions of GSK or its Affiliates, and their respective directors, officers, employees and agents (including their Sublicensees and subcontractors);

11.2.2 any breach of any representation, warranty or covenant made by EXEL under Article 10; or

11.2.3 the development, manufacture, use, handling, storage, sale or other disposition of chemical agents or Development Compounds (including, without limitation, all Development Candidates, Refused Candidates and Returned Licensed Products) by EXEL, its Affiliates, agents or Sublicensees.

11.3 PROCEDURE. In the event that any person (an "INDEMNITEE") entitled to indemnification under Section 11.1 or Section 11.2 is seeking such indemnification, such Indemnitee shall: (i) inform, in writing, the indemnifying Party of the claim as soon as reasonably practicable after such Indemnitee receives notice of such claim; (ii) permit the indemnifying Party to assume direction and control of the defense of the claim (including the sole right to settle it at the sole discretion of the indemnifying Party; provided that such settlement does not impose any obligation on, or otherwise adversely affect, the Indemnitee or other Party); (iii) cooperate as requested (at the expense of the indemnifying Party) in the defense of the claim; and (iv) undertake all reasonable steps to mitigate any loss, damage or expense with respect to the claim(s).

11.4 COMPLETE INDEMNIFICATION. All costs and expenses incurred by an

Indemnitee in connection with enforcement of Sections 11.1 and 11.2 shall also be reimbursed by the indemnifying Party.

11.5 INSURANCE.

11.5.1 EXEL's Insurance Obligations. EXEL shall maintain, at its cost, adequate insurance against liability and other risks associated with its activities contemplated by this Agreement, including but not limited to its clinical trials and its indemnification obligations herein, in such amounts and on such terms as are customary in the biotechnology industry for the activities to be conducted by it under this Agreement and shall name GSK as an additional insured as its interest may appear in such insurance policies. At a minimum, EXEL shall maintain, at its cost, a general liability insurance policy providing coverage of at least [*]. EXEL shall furnish to GSK evidence of such insurance, upon request

11.5.2 GSK's Insurance Obligations. GSK shall maintain, at its cost, adequate insurance against liability and other risks associated with its activities and obligations under this Agreement in such amounts and on such terms as are customary in the pharmaceutical industry for the activities to be conducted by it under this Agreement. Alternatively, GSK shall have the right to satisfy its obligations under this Section 11.5.2 through a program of self-insurance. GSK shall furnish to EXEL evidence of such insurance, upon request.

ARTICLE 12

TERM AND TERMINATION

12.1 TERM; EXPIRATION. This Agreement shall become effective as of the Effective Date and, unless earlier terminated pursuant to the other provisions of this Article 12, shall expire as follows:

12.1.1 on a Product-by-Product, and country-by-country, basis until the expiration of all payment obligations under this Agreement with respect to such Product in such country; and

12.1.2 in its entirety upon the expiration of all payment obligations under this Agreement with respect to the last Product in all countries in the Territory pursuant to Section 12.1.1. The period from the Effective Date to the expiration of the entire Agreement pursuant to this Section 12.1.2 shall be the "TERM."

12.2 TERMINATION FOR CAUSE; OTHER BREACHES.

12.2.1 Material Breach. Either Party (the "NON-BREACHING PARTY") may, without prejudice to any other remedies available to it at law or in equity, terminate this Agreement in its entirety in the event the other Party (the "BREACHING PARTY") shall have committed a Material Breach and such Material Breach shall have continued and/or remained uncured for [*] after written notice thereof was provided to the Breaching Party by the Non-breaching Party. Any such termination shall become effective at the end of such [*] period, unless the Breaching Party has cured any such Material Breach prior to the expiration of such [*]. The right of either Party to terminate this Agreement as provided in this Section 12.2.1 shall not be affected in any way by such Party's waiver or failure to take action with respect to any previous default. A "MATERIAL BREACH" shall mean: (A) with respect to GSK, that [*]; or (B) with respect to EXEL, that [*].

12.2.2 Other Breach. For any breach other than a Material Breach (an "OTHER BREACH"), the Non-breaching Party shall have all rights and remedies available to it at law or in equity, as may be appropriate and, in accordance with Section 14.2, to protect the interest of the Non-breaching Party with respect to such Other Breach, provided that the right of the Non-breaching Party to proceed with its rights and remedies hereunder shall: (A) if such Other Breach relates to any matter other than non-payment of any amounts due hereunder, not be effective for [*] after written notice thereof was provided to the Breaching Party by the Non-breaching Party; or (B) if such Other Breach resulted from the Breaching Party's failure to pay any amounts due hereunder, not be effective for [*] after written notice thereof was provided to the Breaching Party by the Non-breaching Party. Upon the Breaching Party's receipt of such notice and until the earlier of the Breaching Party's cure of such Other Breach or the resolution of such Other Breach pursuant to Section 14.2, [*].

12.3 GSK UNILATERAL TERMINATION RIGHTS.

12.3.1 For Failure of Performance Requirements. GSK shall have the right, for a period of [*] commencing [*], to terminate this Agreement in its entirety upon written notice to EXEL in the event EXEL has failed to meet its minimum performance requirement set forth in [*]. In such event, GSK's obligation to make the Research and Development Payment [*] shall be tolled until [*]. For the avoidance of doubt, any decision by GSK not to terminate this Agreement pursuant to this Section 12.3.1, shall not be deemed to be acceptance of any Development Compound as a Development Candidate.

12.3.2 Discretionary. GSK shall have the right to terminate this Agreement in its entirety for any reason or no reason at all, at its sole discretion, upon [*] prior written notice to EXEL; provided that such notice may not be given until [*].

12.3.3 Licensed Product by Licensed Product. GSK may terminate, for any reason or no reason at all, in its sole discretion, this Agreement as to any particular Licensed Product, on a country-by-country basis, upon [*] prior written notice to EXEL.

12.4 TERMINATION FOR INSOLVENCY.

12.4.1 Insolvency. Either Party may terminate this Agreement, if, at any time, the other Party shall file in any court or agency pursuant to any statute or regulation of any state or country, a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of the Party or of substantially all of its assets, or if the other Party proposes a written agreement of composition or extension of substantially all of its debts, or if the other Party shall be served with an involuntary petition against it, filed in any insolvency proceeding, and such petition shall not be dismissed within [*] after the filing thereof, or if the other Party shall propose or be a party to any dissolution or liquidation, or if the other Party shall make an assignment of substantially all of its assets for the benefit of creditors.

12.4.2 Bankruptcy Code Section 365(n). All rights and licenses granted under or pursuant to any section of this Agreement are and shall otherwise be deemed to be for purposes of Section 365(n) of Title 11, United States Code (the "BANKRUPTCY CODE") licenses of rights to "intellectual property" as defined in Section 101(56) of the Bankruptcy Code. The Parties shall retain and may fully exercise all of their respective rights and elections under the Bankruptcy Code. Upon the bankruptcy of any Party, the non-bankrupt Party shall further be entitled to a complete duplicate of, or complete access to, any such intellectual property, and such, if not already in its possession, shall be promptly delivered to the non-bankrupt Party, unless the bankrupt Party elects to continue, and continues, to perform all of its obligations under this Agreement.

12.5 EFFECT OF TERMINATION UPON CERTAIN PAYMENT TERMS. Notwithstanding anything herein to the contrary, GSK shall not be obligated to pay any payment otherwise payable under Section 6.2.2 as a result of the occurrence of a milestone event if the milestone occurs after the last day of the cure period described in Section 12.2.1 for the breach event which remained uncured and gave rise to a right of termination by GSK pursuant to Section 12.2.1. Similarly, in the event that GSK terminates this Agreement with respect to a particular Licensed Product in a particular country or countries in the Territory in accordance with Section 12.3.3, GSK shall not be obligated to pay any milestone payment under Section 6.2.2 as the result of the occurrence of a milestone event with respect to such terminated Licensed Product if the milestone event occurs in any terminated country more than [*] after notice of such termination is properly given by GSK pursuant to Section 12.3.3.

12.6 EFFECT OF TERMINATION.

12.6.1 Upon Expiration of the Term.

(a) Following the expiration of the Term with respect to a Licensed Product in a country pursuant to Section 12.1.1, subject to the terms and conditions of this Agreement, GSK shall have a non-exclusive, fully-paid, right and license, with the right to grant sublicenses, under the EXEL Technology licensed hereunder solely to continue to make, have made, use, sell, offer for sale and import the Licensed Product in such country, for so long as it continues to do so. Following the expiration of the Term with respect to any Returned Licensed Product or EXEL Product in a country pursuant to Section 12.1.1, subject to the terms and conditions of this Agreement, EXEL shall have a non-exclusive, fully-paid, right and license, with the right to grant sublicenses, under the GSK Technology licensed hereunder solely to continue to make, have made, use, sell, offer for sale and import the applicable Returned Licensed Product or EXEL Product, as the case may be, in such country, for so long as it continues to do so.

(b) Following expiration of the Term in its entirety pursuant to Section 12.1.2, subject to the terms and conditions of this Agreement, GSK shall have a non-exclusive, fully-paid, right and license, with the right to grant sublicenses, under the EXEL Technology licensed hereunder solely to continue to make, have made, use, sell, offer for sale and import all Licensed Products in the Territory, for so long as it continues to do so. Following the expiration of the Term in its entirety pursuant to Section 12.1.2, subject to the terms and conditions of this Agreement, EXEL shall have a non-exclusive, fully-paid, right and license, with the right to grant sublicenses, under GSK Technology licensed hereunder solely to continue to make, have made, use, sell, offer for sale and import the applicable Returned Licensed Product, or EXEL Product, as the case may be, for so long as it continues to do so.

12.6.2 Upon Unilateral Termination by GSK.

(a) For Failure of Performance Requirements. [*]

(b) Discretionary. [*]

(c) Licensed Product by Licensed Product. In the event of a termination of this Agreement by GSK pursuant to Section 12.3.3 with respect to a given Licensed Product in a given country(ies): (1) such Licensed Product in such country(ies) shall be deemed to be a Returned Licensed Product under Section 5.5; and (2) thereafter, the terms and conditions of this Agreement shall apply with respect to such Returned Licensed Product in such country(ies).

12.6.3 Upon Termination by GSK for Cause. In the event of a termination of this Agreement in its entirety by GSK: (A) pursuant to Section 12.2.1 upon Material Breach by EXEL; or (B) pursuant to Section 12.4 upon the insolvency of EXEL:

[*]

12.6.4 Upon Termination by EXEL for Cause. In the event of a

termination of this Agreement in its entirety: (A) by EXEL pursuant to Section 12.2.1 upon Material Breach by GSK; or (B) pursuant to Section 12.4 upon the insolvency of GSK:

[*]

12.6.5 Accrued Rights; Surviving Obligations.

(a) Termination, relinquishment or expiration of this Agreement for any reason shall be without prejudice to any rights that shall have accrued to the benefit of any Party prior to such termination, relinquishment or expiration including, without limitation, the payment obligations under Article 6 hereof and any and all damages arising from any breach hereunder. Such termination, relinquishment or expiration shall not relieve any Party from obligations which are expressly indicated to survive termination of this Agreement.

(b) In addition to the provisions of this Agreement which expressly survive as set forth in this Article 12 or elsewhere in this Agreement, all of the Parties' rights and obligations under, and/or the provisions contained in, Sections 6.5, 6.6, 6.7, 12.5, 12.6, 13.1.2, and Articles 1, 8 (except for Sections 8.1.2 and 8.1.5), 9, 11 and 14 shall survive the expiration, termination or relinquishment of this Agreement.

ARTICLE 13

CHANGE OF CONTROL

13.1 MAJOR PHARMACEUTICAL COMPANY. In the event of a Change of Control of EXEL (each such event, a "SUBJECT TRANSACTION"), and the surviving Person (each, a "SUBSEQUENTLY AFFILIATED COMPANY") is a Major Pharmaceutical Company:

13.1.1 Automatic Effect. In all cases hereunder, regardless of whether GSK elects to terminate this Agreement or not, in accordance with Section [*] 13.1.2, effective [*] the consummation of such Subject Transaction:

[*]

13.1.2 GSK Right to Terminate. In the event that such Subject Transaction occurs prior to the expiration of the Development Term, or the Extension Period, if any, then GSK shall have the right, upon written notice to EXEL within [*] of the consummation of such Change of Control, to terminate this Agreement. In the event GSK so elects to terminate this Agreement:

[*]

13.1.3 Effect of No Termination. In the event GSK elects not to terminate this Agreement as set forth in Section 13.1.2, then:

[*]

13.1.4 Major Pharmaceutical Company Defined. As used in Section 13.1 and 13.2, a "MAJOR PHARMACEUTICAL COMPANY" shall mean any Person that, together with its Affiliates, has [*].

13.2 BIOTECHNOLOGY COMPANY. If the Subsequently Affiliated Company is a Biotechnology Company:

13.2.1 Automatic Effect. Effective [*] the consummation of such Subject Transaction:

13.2.2 Biotechnology Company Defined. As used herein, a "BIOTECHNOLOGY COMPANY" shall mean any Person other than a Major Pharmaceutical Company.

ARTICLE 14

MISCELLANEOUS

14.1 PUBLICITY. Neither Party shall originate any written publicity, news release or other announcement or statement relating to the announcement or terms of this Agreement (collectively, a "WRITTEN DISCLOSURE"), without the prompt prior review and written approval of the other Party, which approval shall not be unreasonably withheld or delayed. Notwithstanding the foregoing, either Party may make any public Written Disclosure it believes in good faith based upon the advice of counsel is required by applicable law, rule or regulation or any listing or trading agreement concerning its or its Affiliates' publicly traded securities; provided, however, that such Written Disclosure shall minimize to the extent possible the financial information disclosed, and that prior to making such Written Disclosure, the disclosing Party shall provide to the other Party a copy of the materials proposed to be disclosed and provide the receiving Party with an opportunity to promptly review the Written Disclosure and provide comments within [*] of the proposed drafts of the Written Disclosure. Notwithstanding the foregoing, the Parties shall agree upon a press release to announce the execution of this Agreement, together with a corresponding question & answer outline for use in responding to inquiries about the Agreement; thereafter, GSK and EXEL may each disclose to Third Parties the information contained in such press release and question & answer outline without the need for further approval by the other.

14.2 DISPUTE RESOLUTION. Prior to the commencement of any litigation under this Agreement, the Executive Officer of the Party considering commencement of such litigation shall notify the Executive Officer of the other Party that such litigation is being contemplated. For at least [*] following the delivery of such notice, the Parties' Executive Officers shall use good faith efforts to make themselves available to discuss the dispute and attempt to resolve the

matter. If the dispute is not resolved within such [*], the Parties agree to submit the dispute for non-binding mediation (with the understanding that the role of the mediator shall not be to render a decision but to assist the Parties in reaching a mutually acceptable resolution), which shall occur within a period of not more than [*]. If the dispute is not resolved within such [*], either Party may commence litigation with respect to the subject matter of the dispute and with respect to any other claims it may have and thereafter neither Party hereto shall have any further obligation under this Section 14.2.

14.3 GOVERNING LAW; JURISDICTION. This Agreement and any dispute arising from the performance or breach hereof shall be governed by and construed and enforced in accordance with the laws of the State of New York, U.S.A., without reference to conflicts of laws principles.

14.4 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT. EACH PARTY HERETO (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THAT FOREGOING WAIVER, AND (ii) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND ANY RELATED INSTRUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 14.4.

14.5 ASSIGNMENT. This Agreement shall not be assignable by either Party to any Third Party hereto without the written consent of the other Party hereto. Notwithstanding the foregoing, either Party may assign this Agreement, without the written consent of the other Party, to an Affiliate or to an entity that acquires all or substantially all of the business or assets of such Party to which this Agreement pertains (whether by merger, reorganization, acquisition, sale or otherwise), and agrees in writing to be bound by the terms and conditions of this Agreement. No assignment and transfer shall be valid and effective unless and until the assignee/transferee shall agree in writing to be bound by the provisions of this Agreement. The terms and conditions of this Agreement shall be binding on and inure to the benefit of the permitted successors and assigns of the Parties.

14.6 REGULATORY REVIEW.

14.6.1 Tolling of Payment Obligations. If the exercise by GSK of any Development Election under Section 4.3 requires the making of filings under the Hart-Scott-Rodino Antitrust Improvements Act (the "HSR ACT"), or under any similar premerger notification provision in the European Union or any other jurisdiction, then all rights and obligations related to the exercise of such Development Election shall be tolled until the applicable waiting period has expired or been terminated or until approval or clearance from the reviewing authority has been received, and each Party agrees to diligently make any such filings and respond to any request for information to expedite review of such transaction.

14.6.2 Resolution of Regulatory Authority Opposition. If the antitrust enforcement authorities in the U.S. make a second request under the HSR Act, or any antitrust enforcement authority in another jurisdiction commences an investigation into the exercise by GSK of a Development Election, then the Parties shall, in good faith, cooperate with each other and take reasonable actions to attempt to: (A) resolve all enforcement agency concerns about the transaction under investigation; and (B) diligently oppose any enforcement agency opposition to such transaction. In the event the enforcement agency files a formal action to oppose the transaction, the Parties shall confer in good faith to determine the appropriate strategy for resolving the enforcement agency opposition, including without limitation, and where appropriate, the renegotiation of their obligations under this Agreement with respect to that Development Election, with the objective of placing each Party, to the maximum extent possible, in the same economic position that each Party would have occupied if GSK had been permitted to exercise such Development Election. Notwithstanding the foregoing, nothing in this Section 14.6 shall require either party to divest any assets.

14.7 PERFORMANCE WARRANTY. Each Party hereby acknowledges and agrees that it shall be responsible for, and irrevocably, absolutely and unconditionally guarantees, the full and timely performance as and when due under, and observance of all the covenants, terms, conditions and agreements set forth in this Agreement by its Affiliate(s) and Sublicensees.

14.8 FORCE MAJEURE. No Party shall be held liable or responsible to the other Party nor be deemed to be in default under, or in breach of any provision of, this Agreement for failure or delay in fulfilling or performing any obligation of this Agreement when such failure or delay is due to force majeure, and without the fault or negligence of the Party so failing or delaying. For purposes of this Agreement, force majeure is defined as causes beyond the control of the Party, including, without limitation, acts of God; acts, regulations, or laws of any government; war; civil commotion; destruction of production facilities or materials by fire, flood, earthquake, explosion or storm; labor disturbances; epidemic; and failure of public utilities or common carriers. In the event of force majeure EXEL or GSK, as the case may be, shall immediately notify the other Parties of such inability and of the period for which such inability is expected to continue. The Party giving such notice shall thereupon be excused from such of its obligations under this Agreement as it is thereby disabled from performing for so long as such Party is so disabled, up to a maximum of ninety (90) days, after which time the Party not affected by the force majeure, may terminate this Agreement. To the extent possible, each Party shall use reasonable efforts to minimize the duration of any force majeure.

14.9 NOTICES. Any notice or request required or permitted to be given under

or in connection with this Agreement shall be deemed to have been sufficiently given if in writing and personally delivered or sent by certified mail (return receipt requested), facsimile transmission (receipt verified), or overnight express courier service (signature required), prepaid, to the Party for which such notice is intended, at the address set forth for such Party below:

If to EXEL,

addressed to: Exelixis, Inc.
170 Harbor Way
PO Box 511
South San Francisco, CA 94083
Attention: Chief Executive Officer
Telephone: [*]
Telecopy: [*]

with a copy to: Cooley Godward llp
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306
Attention: Barbara Kosacz, Esq.
Telephone: [*]
Telecopy: [*]

If to GSK,

addressed to: SmithKline Beecham Corporation,
doing business as GlaxoSmithKline
2301 Renaissance Blvd. (Bldg. #510)
King of Prussia, PA 19406
Attention: Vice President, Alliance and Joint Venture Management
Telephone: [*]
Telecopy: [*]

with a copy to: GlaxoSmithKline
Corporate Legal Department
One Franklin Plaza
200 N. 16th Street / FP 2360
Philadelphia, PA 19103
Attention: Senior Vice President and Associate
General Counsel-R&D Legal Operations
Telephone: [*]
Telecopy: [*]

or to such other address for such Party as it shall have specified by like notice to the other Parties, provided that notices of a change of address shall be effective only upon receipt thereof. If delivered personally or by facsimile transmission, the date of delivery shall be deemed to be the date on which such notice or request was given. If sent by overnight express courier service, the date of delivery shall be deemed to be the next business day after such notice or request was deposited with such service. If sent by certified mail, the date of delivery shall be deemed to be the third business day after such notice or request was deposited with the U.S. Postal Service.

14.10 EXPORT CLAUSE. Each Party acknowledges that the laws and regulations of the United States restrict the export and re-export of certain commodities and technical data of United States origin. Each Party agrees that it will not export or re-export any restricted commodities or any restricted technical data of the other Party in any form without any necessary United States and foreign government licenses.

14.11 WAIVER. Neither Party may waive or release any of its rights or interests in this Agreement except in writing. The failure of either Party to assert a right hereunder or to insist upon compliance with any term or condition of this Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition. No waiver by either Party of any condition or term in any one or more instances shall be construed as a continuing waiver of such condition or term or of another condition or term.

14.12 SEVERABILITY. If any provision hereof should be held invalid, illegal or unenforceable in any jurisdiction, the Parties shall negotiate in good faith a valid, legal and enforceable substitute provision that most nearly reflects the original intent of the Parties and 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. Such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction.

14.13 ENTIRE AGREEMENT. This Agreement, including the schedules and exhibits hereto, together with the Stock Purchase Agreement and the Loan Agreement, set forth all the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties hereto and supersede and terminate all prior agreements and understanding between the Parties. There are no covenants, promises, agreements, warranties, representations, conditions or understandings, either oral or written, between the Parties other than as set forth herein and therein. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the Parties hereto unless reduced to writing and signed by the respective authorized officers of the Parties.

14.14 INDEPENDENT CONTRACTORS. Nothing herein shall be construed to create any relationship of employer and employee, agent and principal, partnership or joint venture between the Parties. Each Party is an independent contractor.

Neither Party shall assume, either directly or indirectly, any liability of or for the other Party. Neither Party shall have the authority to bind or obligate the other Party and neither Party shall represent that it has such authority.

14.15 HEADINGS. Headings used herein are for convenience only and shall not in any way affect the construction of or be taken into consideration in interpreting this Agreement.

14.16 USE OF NAME. Except as otherwise provided herein, no Party shall have any right, express or implied, to use in any manner the name or other designation of the other Parties or any other trade name, trademark or logos of the other Parties for any purpose in connection with the performance of this Agreement.

14.17 BOOKS AND RECORDS. Any books and records to be maintained under this Agreement by a Party or its Affiliates or Sublicensees shall be maintained in accordance with U.S. generally accepted accounting principles, consistently applied, except that the same need not be audited.

14.18 FURTHER ACTIONS. Each Party shall execute, acknowledge and deliver such further instruments, and do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

14.19 PARTIES IN INTEREST. All of the terms and provisions of this Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties hereto and their respective permitted successors and assigns.

14.20 CONSTRUCTION OF AGREEMENT. The terms and provisions of this Agreement represent the results of negotiations between the Parties and their representatives, each of which has been represented by counsel of its own choosing, and neither of which has acted under duress or compulsion, whether legal, economic or otherwise. Accordingly, the terms and provisions of this Agreement shall be interpreted and construed in accordance with their usual and customary meanings, and each of the Parties hereto hereby waives the application in connection with the interpretation and construction of this Agreement of any rule of law to the effect that ambiguous or conflicting terms or provisions contained in this Agreement shall be interpreted or construed against the Party whose attorney prepared the executed draft or any earlier draft of this Agreement.

14.21 SUPREMACY. In the event of any express conflict or inconsistency between this Agreement and the DOP or any Development Candidate Plan, the terms of this Agreement shall control.

14.22 COUNTERPARTS. This Agreement may be signed in counterparts, each and every one of which shall be deemed an original, notwithstanding variations in format or file designation which may result from the electronic transmission, storage and printing of copies of this Agreement from separate computers or printers. Facsimile signatures shall be treated as original signatures.

* - * - * - *

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

EXELIXIS, INC.	SMITHKLINE BEECHAM CORPORATION
By: /s/ George Scangos	By: /s/ T. Yamada
Name: George Scangos	Name: Tachi Yamada
Title: President & CEO	Title: Director
Date: 10/28/2002	Date: 10/28/2002

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

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SCHEDULE 1.62
EXEL PATENTS

[*]

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

SCHEUDLE 1.65
EXISTING BIOTHERAPEUTIC 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 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

SCHEDULE 1.66
EXISTING COMPOUNDS
[*]

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

SCHEDULE 1.67
EXISTING TARGETS

#	TARGET
	[*]

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SCHEDULE 1.68

EXISTING THIRD PARTY COLLABORATIONS

[*]

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SCHEDULE 3.2.3(f)

MINIMUM INFORMATION REQUIREMENTS
FOR EXEL'S PERIODIC REPORTS

[*]

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SCHEDULE 4.2

CRITERIA TO BE
INCLUDED IN PRODUCT REPORTS

[*]

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

SCHEDULE 5.1.1

SAMPLE GSK INTERNAL
DEVELOPMENT ACTIVITIES

[*]

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

SCHEDULE 6.3.4

EXAMPLES OF APPLICATION OF
MILESTONE AND ROYALTY PAYMENTS

[*]

[*] = CERTAIN CONFIDENTIAL INFORMATION CONTAINED IN THIS DOCUMENT, MARKED BY BRACKETS, HAS BEEN OMITTED AND FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24B-2 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED.

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

Exhibit 10.37

STOCK PURCHASE AND STOCK ISSUANCE AGREEMENT

BETWEEN

SMITHKLINE BEECHAM CORPORATION
AND

EXELIXIS, INC.

DATED AS OF
OCTOBER 28, 2002

TABLE OF CONTENTS

LIST OF SCHEDULES

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

STOCK PURCHASE AND STOCK ISSUANCE AGREEMENT

THIS STOCK PURCHASE AND STOCK ISSUANCE AGREEMENT (the "Stock Purchase Agreement") is made and entered into as of October 28, 2002 (the "Effective Date") by and between EXELIXIS, INC., a Delaware corporation, having its principal place of business at 170 Harbor Way, P.O. Box 511, South San Francisco, California 94083 ("Exelixis"), and SMITHKLINE BEECHAM CORPORATION, a Pennsylvania corporation doing business as GlaxoSmithKline ("GSK"). Exelixis and GSK are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

RECITALS

A. Exelixis and GSK have entered into that certain Product Development and Commercialization Agreement of even date herewith (the "Development Agreement") and the Loan and Security Agreement of even date herewith (the "Loan Agreement") (this Stock Purchase Agreement, Development Agreement and Loan Agreement, are collectively referred to herein as the "Transaction Documents") and, in connection with, and as a condition of entering into the Development Agreement, the Parties desire to enter into this Stock Purchase Agreement providing for the purchase of capital stock of Exelixis by GSK.

B. Exelixis desires to sell to GSK, and GSK desires to make an initial purchase from Exelixis of Two Million (2,000,000) shares (the "Initial Shares") of Exelixis' common stock, par value $0.001 per share (the "Common Stock"), upon the Initial Closing (as defined in Section 3.1).

C. Exelixis and GSK desire to provide for the possibility of additional purchases by GSK of up to [*] shares of Common Stock, at Exelixis' option, in accordance with the terms and conditions set forth herein, subject to the reduction of the number of shares as provided in Section 2.2.

D. Exelixis and GSK desire to provide for the issuance of additional shares of Common Stock that may be issued, at Exelixis' option, such option to be dependent on terms and conditions contained in the Loan Agreement and this Stock Purchase Agreement, in repayment of any outstanding loan amounts under the Loan Agreement (the "Stock Repayment Shares").

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, do hereby agree as follows:

ARTICLE I
DEFINITIONS

Unless otherwise defined in this Stock Purchase Agreement, all capitalized terms shall have the meanings given them in the Development Agreement or the Loan Agreement. As used in this Stock Purchase Agreement, the following terms shall have the following respective meanings:

1.1 "Affiliate" shall mean any Person, whether de jure or de facto, which directly or indirectly through one (1) or more intermediaries controls, is controlled by or is under common control with, a Party to this Stock Purchase Agreement. A Person shall be deemed to "control" another Person if it (i) owns, directly or indirectly, beneficially or legally, at least fifty percent (50%) of the outstanding voting securities or capital stock (or such lesser percentage which is the maximum allowed to be owned by a Person in a particular jurisdiction) of such other Person, or has other comparable ownership interest with respect to any Person other than a corporation; or (ii) has the power, whether pursuant to contract, ownership of securities or otherwise, to direct the management and policies of the Person.

1.2 "Change of Control" shall mean a transaction in which [*].

1.3 "Closing" shall have the meaning set forth in Section 3.4.2.

1.4 "Common Stock" shall have the meaning set forth in Recital B.

1.5 "Deferral Notice" shall have the meaning set forth in Section 7.1.4(b)

1.6 "Deferral Period" shall have the meaning set forth in Section 7.1.4(b)

1.7 "Development Term" shall have the meaning set forth in Section 3.1.1 of the Development Agreement, as it may be amended from time to time.

1.8 "DWAC" shall have the meaning set forth in Section 3.4.3.

1.9 "Effective Date" shall have the meaning set forth in the introductory paragraph.

1.10 "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations promulgated thereunder.

1.11 "Exercise Notice" shall have the meaning set forth in Section 3.3.1.

1.12 "Expanded Program Option" shall have the meaning set forth in Section 2.3.1.

1.13 "Expanded Program Option Shares" shall have the meaning set forth in Section 2.3.1.

1.14 "Extension Period" shall have the meaning set forth in Section 3.1.2 of the Development Agreement, as it may be amended from time to time.

1.15 "Fair Market Value" shall have the meaning set forth in Section 2.4.

1.16 "Financial Statements" shall have the meaning set forth in Section 4.5.2.

1.17 "Form 10-K" shall mean an annual report filed by Exelixis with the SEC pursuant to Section 13 or 15(d) of the Exchange Act.

1.18 "Form 10-Q" shall mean a quarterly report filed by Exelixis with the SEC pursuant to Section 13 or 15(d) of the Exchange Act.

1.19 "Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

1.20 "HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

1.21. "Initial Closing" shall have the meaning set forth in Section 3.1.

1.22 "Initial Shares" shall have the meaning set forth in Recital B.

1.23 "Intellectual Property" shall have the meaning set forth in the Loan Agreement.

1.24 "Legal Proceeding" shall mean any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, governmental or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Authority or any arbitrator or arbitration panel.

1.25 "Limited Program Option" shall have the meaning set forth in Section 2.3.2.

1.26 "Limited Program Option Shares" shall have the meaning set forth in Section 2.3.2.

1.27 "Limited Release Date" shall have the meaning set forth in Section 7.4.2.

1.28 "Loan Documents" shall have the meaning set forth in Section 1.45 of the Loan Agreement.

1.29 "Material Adverse Effect" shall mean any material adverse effect upon (a) the validity or enforceability of this Stock Purchase Agreement or any of the transactions contemplated by this Stock Purchase Agreement, (b) on the business, operations, condition (financial or otherwise), performance or properties of Exelixis taken as a whole, or (c) upon the ability of Exelixis to fulfill any of its obligations under this Stock Purchase Agreement.

1.30 "Material Agreement" shall mean any agreement which is filed by Exelixis as part of its SEC Filings.

1.31 "Material Breach" shall have the meaning set forth in Section 12.2.1 of the Development Agreement.

1.32 "Material Event" shall have the meaning set forth in Section 7.1.4.

1.33 "National Securities Market" shall mean the Nasdaq National Market System, The Nasdaq SmallCap Market and any other national public securities exchange.

1.34 "Officer's Certificate" shall have the meaning set forth in Section 6.1.2.

1.35 "Operating Documents" shall mean Exelixis' amended and restated certificate of incorporation, as filed with the State of Delaware, amended and restated bylaws, and all modifications and amendments thereto.

1.36 "Option" shall have the meaning set forth in Section 2.3.

1.37 "Option Closing Date" shall have the meaning set forth in Section 3.3.2.

1.38 "Option Exercise Date" shall have the meaning set forth in Section 3.3.1.

1.39 "Option Shares" shall have the meaning set forth in Section 2.3.2.

1.40 "Permitted Transferee" shall have the meaning set forth in Section 7.4.3.

1.41 "Person" means an individual, corporation, partnership, limited liability company, joint venture, association, trust, unincorporated organization or other entity.

1.42 "Registrable Shares" shall have the meaning set forth in Section

7.1.1(a).

1.43 "Registration Expenses" shall have the meaning set forth in Section 7.1.3.

1.44 "Resale Registration Statement" shall have the meaning set forth in Section 7.1.1(a).

1.45 "Registration Trigger Date" shall have the meaning set forth in Section 7.1.1(a).

1.46 "Restricted Period" shall have the meaning set forth in Section 7.4.1.

1.47 "Rule 144" shall have the meaning set forth in Section 5.3.

1.48 "SEC" means the United States Securities and Exchange Commission.

1.49 "SEC Affiliate" shall have the meaning ascribed to the term "affiliate" under Rule 144 of the Securities Act.

1.50 "SEC Filings" shall have the meaning set forth in Section 4.5.1.

1.51 "Securities Act" means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder.

1.52 "Selling Expenses" shall have the meaning set forth in Section 7.1.3.

1.53 "Shares" shall have the meaning set forth in Section 2.1.

1.54 "Standstill Period" shall have the meaning set forth in Section 7.5.

1.55 "Stock Repayment" shall have the meaning set forth in Section 2.4.

1.56 "Stock Repayment Amount" shall have the meaning set forth in Section 2.4.

1.57 "Stock Repayment Closing Date" shall have the meaning set forth in Section 3.4.2.

1.58 "Stock Repayment Notice" shall have the meaning set forth in Section 3.4.1.

1.59 "Stock Repayment Shares" shall have the meaning set forth in Recital D

1.60 "Transaction Documents" shall have the meaning set forth in Recital A.

1.61 "Third Party" shall mean any Person other than GSK or Exelixis and their respective Affiliates.

1.62 "Trading Day" means a day on which the principal National Securities Market on which Exelixis Common Stock is trading or listed is open for trading.

1.63 "United States" or "U.S." shall mean the United States of America.

ARTICLE 2
AUTHORIZATION AND ISSUANCE OF THE SHARES

2.1 Authorization. Exelixis has, or shall have prior to the applicable issuance, authorized the issuance and sale of the Initial Shares, the Option Shares and the Stock Repayment Shares (collectively, the "Shares") pursuant to the terms and conditions hereof.

2.2 Issuance and Sale of the Initial Shares. Subject to the terms and conditions of this Stock Purchase Agreement, on the date of the Initial Closing, Exelixis shall issue and sell to GSK, and GSK shall purchase from Exelixis, the Initial Shares, at a purchase price per share equal to Seven Dollars ($7.00) per share, or a total purchase price of Fourteen Million Dollars ($14,000,000.00) in the aggregate.

2.3 Issuance, Sale, Pricing and Conditions of the Option Shares. Subject to the terms and conditions set forth in this Section 2.3 and in Sections 2.5 and 3.3 hereof, Exelixis, in its sole discretion, shall have an option to issue and sell to GSK (the "Option"), and upon the exercise of the Option by Exelixis, GSK shall be obligated to purchase from Exelixis, the Expanded Program Option Shares or the Limited Program Option Shares as follows.

2.3.1 The Expanded Program Option. Subject to the terms and conditions hereof and Section 2.3.2 below, if GSK selects its Expanded Program Option pursuant to Section 3.5.1(b) of the Development Agreement, Exelixis shall have the Option to require GSK to purchase from Exelixis up to [*] shares of Common Stock (the "Expanded Program Option Shares"), at a purchase price per share equal to [*] of the average of the opening and closing sale prices of Common Stock as reported by the National Securities Market on which the Common Stock trades or is listed for the first twenty (20) consecutive Trading Days following the date which is two (2) Trading Days after Exelixis' filing of its most recent Form 10-Q or Form 10-K; provided, however, that in the event that the per share price of the Expanded Program Option Shares would result in an aggregate payment by GSK of greater than [*], then the number of Expanded Program Option Shares shall be reduced to the nearest such number of whole shares and payment shall approach as closely as possible, but not exceed, [*]. Exelixis shall exercise its option to require GSK to purchase the Expanded Program Option Shares, if at all, not later than thirty (30) Trading Days after the date that GSK selects the Expanded Program Option, by notifying GSK of the number of shares it wishes GSK to purchase. The purchase of the Expanded Program Option Shares shall close on the date which is fifteen (15) Trading Days after the date of such Exercise

Notice.

2.3.2 The Limited Program Option. Notwithstanding Section 2.3.1 above, if GSK selects or is deemed to have selected the Limited Program Option pursuant to Section 3.5.1(a) of the Development Agreement, Exelixis shall have the Option to require GSK to purchase from Exelixis up to [*] shares of Common Stock (the "Limited Program Option Shares"), (the Expanded Program Option Shares or the Limited Program Option Shares, each sometimes referred to as the "Option Shares"), instead of the Expanded Program Option Shares at a purchase price per share equal to [*] of the average of the opening and closing sale prices of Common Stock as reported by the National Securities Market on which the Common Stock trades or is listed for the first twenty (20) consecutive Trading Days following the date which is two (2) Trading Days after Exelixis' filing of its most recent Form 10-Q or Form 10-K; provided, however, that in the event that the per share price of the Limited Program Option Shares would result in an aggregate payment by GSK of greater than [*], then the number of Limited Program Option Shares shall be reduced to the nearest such number of whole shares and payment shall approach as closely as possible, but not exceed, [*]. Exelixis shall exercise its option to require GSK to purchase the Limited Program Option Shares, if at all, not later than thirty (30) Trading Days after the date GSK selects or is deemed to have selected the Limited Program Option, by notifying GSK of the number of shares it wishes GSK to purchase. The purchase of the Limited Program Option Shares shall close on the date which is fifteen (15) Trading Days after the date of such Exercise Notice.

2.4 Issuance of the Stock Repayment Shares. Subject to the terms and conditions set forth in this Stock Purchase Agreement and the Loan Agreement, Exelixis shall have an option to issue to GSK the Stock Repayment Shares in payment of all or any portion of the then due principal amount of any Advance (as defined in the Loan Agreement) and all accrued interest relating thereto up to and including any of the Payment Dates described in Section 5.1(a) of the Loan Agreement (the "Stock Repayment Amount") (each such instance being hereinafter referred to as a "Stock Repayment"). The number of shares of Common Stock comprising the Stock Repayment Shares issuable in connection with Stock Repayments shall be equal to the quotient of the applicable Stock Repayment Amount divided by the Fair Market Value (as defined below) of one share of Common Stock. No fractional shares shall be issued in connection with a Stock Repayment. The "Fair Market Value" of the Common Stock shall be deemed to be the average of the opening and closing sale prices of the Common Stock as reported by the National Securities Market on which the Common Stock trades or is listed for the first twenty (20) consecutive Trading Days immediately following the date which is two (2) Trading Days after Exelixis filed its most recent Form 10-Q or Form 10-K prior to the date of the Stock Repayment Notice.

2.5 Conditional Limitation on Ownership. Notwithstanding anything to the contrary contained in this Stock Purchase Agreement, the total number of shares of Common Stock owned by GSK acquired pursuant to the Transaction Documents shall at all times be less than twenty percent (20%) of Exelixis' then outstanding Common Stock, as reported in Exelixis' most recent Form 10-Q or Form 10-K. In the event that any purchase of Option Shares or the acceptance of Stock Repayment Shares would cause GSK to be a holder of twenty percent (20%) or more of Exelixis' then outstanding Common Stock, GSK shall be relieved of its obligations to make such purchase(s) or accept such Stock Repayment Shares to the extent that the Shares acquired by GSK pursuant to the Transaction Documents would be equal to or exceed such twenty percent (20%) threshold. For clarification, the twenty percent (20%) ownership test shall be calculated in each instance immediately prior to the purchase of the Option Shares or the acceptance of any Stock Repayment Shares but shall include the number of Shares being purchased or accepted.

ARTICLE 3
CLOSING; DELIVERY; NOTICE

3.1 Initial Closing. The closing of the purchase and sale of the Initial Shares (the "Initial Closing") shall be held on November 1, 2002 at 10:00 a.m., California time, or within five (5) calendar days of such date as all applicable consents and approvals of Governmental Authorities required to be obtained in connection with the Transaction Documents have been obtained, including without limitation, the expiration or termination of the HSR Act waiting period, if any, or on such date Exelixis and GSK may otherwise agree.

3.2 Payment and Delivery of the Initial Shares.

3.2.1 Payment. Subject to the terms and conditions of this Stock Purchase Agreement, on the date of the Initial Closing, GSK shall pay the purchase price of the Initial Shares, as determined pursuant to Section 2.2 hereof, by wire transfer in immediately available funds to the account of Exelixis, in accordance with the wire instructions provided to GSK by Exelixis.

3.2.2 Delivery. Subject to the terms and conditions of this Stock Purchase Agreement, on the date of the Initial Closing, Exelixis shall deliver to GSK a copy of the instructions from Exelixis to Exelixis' stock transfer agent dated no later than the date of the Initial Closing, which directs Exelixis' transfer agent to prepare and deliver to GSK a stock certificate representing the Initial Shares as soon as possible, but in no event later than ten (10) Trading Days following the Initial Closing.

3.3 Payment and Delivery of the Option Shares.

3.3.1 Notice. Subject to the terms and conditions of this Stock Purchase Agreement, if Exelixis elects, in its sole discretion, to exercise the Option, then no later than thirty (30) Trading Days after either (i) the date GSK selects the Expanded Program Option pursuant to the Development Agreement or (ii) the date GSK selects or is deemed to have selected the Limited Program Option pursuant to the Development Agreement (either such date, the "Option

Exercise Date"), Exelixis shall deliver to GSK written notice of such exercise (the "Exercise Notice"), as applicable.

3.3.2 Payment. GSK shall pay the purchase price of the Option Shares, as applicable, as determined pursuant to Section 2.2 hereof, on or prior to the date which is fifteen (15) Trading Days after the date of the Exercise Notice (an "Option Closing Date"). Such purchase price shall be paid by wire transfer in immediately available funds to the account of Exelixis, in accordance with the wire instructions provided to GSK by Exelixis.

3.3.3 Delivery. Upon receipt of the applicable purchase price, Exelixis shall issue instructions, dated not later than the Option Closing Date, to Exelixis' stock transfer agent directing Exelixis' transfer agent to prepare and deliver to GSK a stock certificate representing the applicable number of Option Shares, as soon as possible, but in no event later than two (2) Trading Days following the Option Closing Date.

3.4 The Stock Repayment Shares.

3.4.1 Notice. Subject to, and in accordance with, the terms and conditions of this Stock Purchase Agreement and the Loan Agreement, if Exelixis elects to issue any of the Stock Repayment Shares, Exelixis shall deliver to GSK written notice of such election (the "Stock Repayment Notice") no later than thirty (30) days prior to a Payment Date (as defined in Section 5.1 of the Loan Agreement). Each Stock Repayment Notice shall set forth the Stock Repayment Amount applicable to each respective Stock Repayment and the closing date for such Stock Repayment.

3.4.2 Stock Repayment Closings. Each closing date of a Stock Repayment shall be referred to as a "Stock Repayment Closing Date," and together with the Initial Closing and the Option Closing Date shall be collectively referred to herein as a "Closing"; provided, however, that each Stock Repayment Closing Date shall be the applicable Payment Date under Section 5.1 of the Loan Agreement, unless the Parties otherwise mutually agree.

3.4.3 Delivery; Satisfaction of Obligation. At least three (3) Trading Days in advance of any Stock Repayment Closing Date, Exelixis shall issue instructions as follows:

(a) if GSK is not a SEC Affiliate of Exelixis, then Exelixis shall issue instructions to Exelixis' stock transfer agent directing Exelixis' transfer agent to prepare and deliver to the account of GSK by an automated share transfer through the Depository Trust Company system ("DWAC"), that number of shares of Exelixis representing the applicable Stock Repayment Shares no later than the Stock Repayment Closing Date; or

(b) if GSK is a SEC Affiliate of Exelixis as of the applicable Stock Repayment Closing Date, then Exelixis shall issue instructions to Exelixis' stock transfer agent, directing the transfer agent to prepare and deliver to Exelixis a stock certificate evidencing that number of shares representing the applicable Stock Repayment Shares, as soon as possible, but in no event later than one (1) Trading Day prior to the applicable Stock Repayment Closing Date, which stock certificate shall be delivered by Exelixis to GSK on the applicable Stock Repayment Closing Date; provided however, that Exelixis may only issue Stock Repayment Shares in accordance with Section 5.6 of the Loan Agreement.

(c) Subject to GSK's receipt of the stock certificate or DWAC transfer, as the case may be, for the Stock Repayment Shares, the outstanding Obligations (as defined in the Loan Agreement) due under the terms of the Loan Agreement prior to such Stock Repayment shall be deemed repaid to the extent of the applicable Stock Repayment Amount.

3.5 Location. Each Closing shall be held at the principal offices of Cooley Godward LLP, 3175 Hanover Street, Palo Alto, California, or at such other place as Exelixis and GSK may agree.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF EXELIXIS

Exelixis hereby represents and warrants to GSK as of the Effective Date, the Initial Closing, the Option Closing Date and Stock Repayment Closing Date, as applicable, as follows:

4.1 Organization, Good Standings and Qualification. Exelixis:

(a) is a corporation duly organized, validly existing, authorized to exercise all its corporate powers, rights and privileges, and in good standing under the laws of the State of Delaware;

(b) has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted; and

(c) is duly qualified as a foreign corporation and in good standing in each jurisdiction in which the failure to so qualify would have a Material Adverse Effect.

4.2 Authorization; Due Execution. Exelixis has the requisite corporate power and authority to enter into the Transaction Documents and to perform its obligations under the terms of the Transaction Documents. All corporate action on the part of Exelixis, its officers, directors and stockholders necessary for the authorization, execution and delivery of the Transaction Documents has been taken. This Stock Purchase Agreement has been and shall be duly authorized, executed and delivered by Exelixis and, upon due

execution and delivery by GSK of this Stock Purchase Agreement, will be a valid and binding agreement of Exelixis, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or by equitable principles.

4.3 Capital Stock. At September 30, 2002, the authorized capital stock of Exelixis consisted of 100,000,000 shares of Common Stock, of which 57,196,682 shares were outstanding, and 10,000,000 shares of preferred stock, $0.001 par value per share, of which no shares were outstanding. Except for shares of capital stock issued pursuant to employee benefit plans, no shares of capital stock of Exelixis have been issued, other than as reported in the most recent SEC Filing which includes information regarding Exelixis' capital stock. All of the outstanding shares of Exelixis' capital stock are validly issued, fully paid and nonassessable and were issued in compliance with all applicable federal and state securities laws. Except as set forth in the SEC Filings, as defined below, and in the Transaction Documents, Exelixis has not agreed to register the sale of any of its securities under the Securities Act, and there are no outstanding subscriptions, options, warrants, calls, contracts, demands, commitments, conversion rights or other agreements or arrangements of any character or nature whatever under which Exelixis is or may be obligated to issue its Common Stock, preferred stock or warrants or options to purchase Common Stock or preferred stock. Except as set forth in the SEC Filings, no holder of any security of Exelixis is entitled to any rights of first refusal, preemptive or similar rights to purchase any securities of Exelixis (including, without limitation, the Shares). In the event GSK's beneficial ownership of Exelixis' shares of Common Stock exceeds five percent (5%), Exelixis represents and warrants, except as otherwise disclosed on Schedule 4.3, there are no outstanding subscriptions, options, warrants, calls, contracts, demands, commitments, convertible securities, proxy or stockholder agreements, or other agreements or arrangements of any character or nature whatever, other than in connection with this Stock Purchase Agreement, pursuant to which Exelixis is obligated to issue any securities of any kind representing an ownership interest in it. Neither the offer nor the issuance or sale of the Shares constitutes an event under any anti-dilution provisions of any securities issued (or issuable pursuant to outstanding rights, warrants or options) by Exelixis or any agreements with respect to the issuance of securities by Exelixis, which will either increase the number of securities issuable pursuant to such provisions or decrease the consideration per share to be received by Exelixis pursuant to such provisions.

4.4 Validity of Shares. The Shares, when issued, sold and delivered in accordance with the terms of, and for the consideration set forth in, this Stock Purchase Agreement, shall be duly authorized and validly issued and outstanding, fully paid, nonassessable, and free and clear of all pledges, liens, encumbrances and restrictions other than the restrictions on transfer set forth in Sections 5.3 and 7.4.

4.5 SEC Filings; Financial Statements.

4.5.1 SEC Filings. Exelixis has timely filed with the SEC all reports, registration statements and other documents required to be filed by it (the "SEC Filings") under the Securities Act and the Exchange Act. The SEC Filings were prepared in accordance and, as of the date on which each such SEC Filing was filed with the SEC, complied in all material respects with the applicable requirements of the Securities Act, the Exchange Act, or the Sarbanes-Oxley Act of 2002, as the case may be. None of such SEC Filings, including, without limitation, any Financial Statements, exhibits and schedules included therein and documents incorporated therein by reference, at the time filed, declared effective or mailed, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Except to the extent information contained in any of the SEC Filings has been revised, corrected or superseded by any Exelixis' press releases provided to GSK or a later filing of any such form, report or document, none of the SEC Filings currently contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

4.5.2 Financial Statements. Each of the financial statements (including, in each case, any notes, exhibits and schedules thereto) contained in the SEC Filings was prepared (i) in the case of Forms 10-Q, in accordance with United States generally accepted accounting principles as promulgated by the SEC under Regulation S-X (ii) in the case of Forms 10-K, in accordance with United States generally accepted accounting principles, including those promulgated by the SEC under Regulation S-X, with such principles applied on a consistent basis throughout the periods indicated and (iii) in the case of any other SEC Filing which contains financial statements, in accordance with United States generally accepted accounting principles as promulgated by the SEC under Regulation S-X (the "Financial Statements"). The Financial Statements comply in all material respects with applicable accounting requirements and rules and regulations of the SEC, and each fairly presented the financial position, results of operations and changes in the financial position of Exelixis as of the respective dates thereof and for the respective periods indicated therein.

4.5.3 No Material Adverse Effect. Except as disclosed in Exelixis' most recent SEC Filings, specifically including, but not limited to, the Financial Statements contained in such SEC Filings, if any, or other information provided to GSK in contemplation of the Transaction Documents, there has not been (i) any Material Adverse Effect, (ii) other than as contemplated in the Transaction Documents, any obligation, direct or contingent, that is material to Exelixis considered as one enterprise, incurred by Exelixis, except obligations incurred in the ordinary course of business, (iii) any dividend or distribution of any kind declared, paid or made on the capital stock of Exelixis, or (iv) any loss or damage (whether or not insured) to the physical property of Exelixis

which has been sustained which has a Material Adverse Effect.

4.6 Litigation. Other than as described in the SEC Filings, there are no material Legal Proceedings pending or, to Exelixis' knowledge, threatened; nor, except as disclosed on Schedule 4.6, are there any formal inquiries or notices which may lead to the institution of such Legal Proceedings, against Exelixis or its properties, assets or business, which if adversely decided, would, individually or in the aggregate, have a Material Adverse Effect or prevent or adversely affect the transactions contemplated by this Stock Purchase Agreement.

4.7 Governmental Consents. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state, local or provincial governmental authority on the part of Exelixis is required in connection with the consummation of the transactions contemplated by this Stock Purchase Agreement, except for such approvals or consents required under the HSR Act, if any, and such other notices required or permitted to be filed with certain state and federal securities commissions after the Effective Date, which notices will be filed on a timely basis.

4.8 Compliance with Applicable Laws and Other Instruments. Exelixis is not in violation of or default under its Operating Documents or, except as disclosed in the SEC Filings, of any Material Agreement to which it is a party or by which it is bound, or to its knowledge or to the knowledge of its executive officers, of any provision of federal or state law, or any judgment, order, writ, decree, statute, rule or regulation applicable to Exelixis, the violation of which, with respect to each of the above clauses, would have a Material Adverse Effect. Neither the execution or delivery of, nor the performance of or compliance with this Stock Purchase Agreement, the issuance of the Shares nor the consummation of the transactions contemplated by this Stock Purchase Agreement will, with or without the giving of notice or passage of time, result in any breach of, or constitute a default under, or result in the imposition of any lien or encumbrance upon any asset or property of Exelixis pursuant to, any Material Agreement to which Exelixis is a party or by which it or any of its properties, assets or rights is bound or affected or to its knowledge any provision of federal or state law or any judgment, order, writ, decree, statute, rule or regulation applicable to Exelixis the violation of which would have a Material Adverse Effect, and will not violate the Exelixis' Operating Documents.

4.9 Compliance with Environmental Laws. Except as disclosed in the SEC Filings, Exelixis is not, to its knowledge, in violation of any applicable statute, law or regulation relating to the environment or occupational health and safety which would have a Material Adverse Effect, and no material expenditures are or will be required in order to comply with any such existing statute, law or regulation. To its knowledge, Exelixis does not have any material liability to any Governmental Authority or other Third Party arising under or as a result of any such past or existing statute, law or regulation.

4.10 Taxes. Exelixis, and its majority-owned subsidiaries have filed all necessary federal, state and foreign income and franchise tax returns and have paid or accrued all taxes shown as due thereon, and Exelixis has no knowledge of any tax deficiency which has been or might be asserted or threatened against it or its majority-owned subsidiaries which would have a Material Adverse Effect.

4.11 Insurance. Exelixis, and its majority-owned subsidiaries maintain insurance of the types and in the amounts generally deemed adequate for its business, including, but not limited to, insurance covering all real and personal property owned or leased by Exelixis and its majority-owned subsidiaries against theft, damage, destruction, acts of vandalism and all other risks customarily insured against, all of which insurance is in full force and effect.

4.12 Properties. Exelixis has good and marketable title to all of the properties and assets reflected as owned in the Financial Statements included in the SEC Filings, and such properties and assets are not subject to any lien, mortgage, pledge, charge or encumbrance of any kind except (i) those, if any, reflected in such Financial Statements, or (ii) those which are not material in amount and do not adversely affect the use made and promised to be made of such property by Exelixis. Exelixis holds its leased properties under valid and binding leases, with such exceptions as are not materially significant in relation to the business of Exelixis. Except as disclosed in the SEC Filings, Exelixis owns or leases all such properties as are necessary to its operations as now conducted or as proposed to be conducted.

4.13 Intellectual Property. To the best of the knowledge of Exelixis and its majority-owned subsidiaries (other than Artemis Pharmaceuticals GmbH), respectively, Exelixis, and such majority-owned subsidiaries (other than Artemis Pharmaceuticals GmbH): (i) own, or have obtained licenses or rights to use, all of the Intellectual Property necessary to carry out Exelixis' and its majority-owned subsidiaries (other than Artemis Pharmaceuticals GmbH) respective businesses as currently conducted or as Exelixis contemplates conducting its business from time to time in the future and as contemplated by the Transaction Documents; (ii) are not aware of any notice asserting any ownership rights to the Intellectual Property; (iii) are not aware of sales of any products that would constitute an infringement by Third Parties of the Intellectual Property; (iv) are aware of no pending or threatened action, suit, proceeding or claim by a Third Party challenging the ownership rights in, validity or scope of, the Intellectual Property; and (v) are not aware of any pending or threatened action, suit, proceeding or claim by a Third Party asserting that Exelixis or its majority-owned subsidiaries (other than Artemis Pharmaceuticals GmbH) infringe or otherwise violate any patent, trademark, copyright, trade secret or other proprietary right of any Third Party as would reasonably be expected to result in a Material Adverse Effect.

4.14 Effect of Representations and Warranties. None of the representations, warranties or statements made to GSK in the Stock Purchase Agreement or in connection with the Stock Purchase Agreement contain any untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements made not misleading.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF GSK; RESTRICTIONS ON TRANSFER OF THE SHARES

5.1 Representations and Warranties. GSK hereby represents and warrants to Exelixis, as of the Effective Date, the Initial Closing, the Option Closing Date and Stock Repayment Closing Date, as applicable, as follows:

5.1.1 Corporate Organization and Authority. GSK is a corporation duly organized, validly existing, authorized to exercise all its corporate powers, rights and privileges, and in good standing under the laws of Pennsylvania.

5.1.2 Authorization; Due Execution. GSK has the requisite corporate power and authority to enter into this Stock Purchase Agreement and the Transaction Documents and to perform its obligations under the terms of this Stock Purchase Agreement and the other Transaction Documents. All corporate action on the part of GSK, its officers, directors and stockholders necessary for the authorization, execution and delivery of this Stock Purchase Agreement and the Transaction Documents has been taken. This Stock Purchase Agreement has been and shall be duly authorized, executed and delivered by GSK and, upon due execution and delivery by Exelixis of this Stock Purchase Agreement shall be a valid and binding agreement of GSK, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or by equitable principles.

5.1.3 Investment Only. This Stock Purchase Agreement is made with GSK in reliance upon its representations to Exelixis, which by GSK's execution of this Stock Purchase Agreement GSK hereby confirms, that the Shares to be received by GSK shall be acquired for investment for GSK's own account, not as a nominee or agent, and not with a view to the sale or distribution of any part thereof, and that GSK does not have any present intention of selling, granting any participation in or otherwise distributing the same. By executing this Stock Purchase Agreement, GSK further represents that it has no contract, undertaking, agreement or arrangement with any Person to sell, transfer or grant participation to such Person or to any third Person, with respect to any of the Shares.

5.1.4 Experience. GSK represents that it: (i) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its prospective investment in the Shares; (ii) has received all the information it has requested from Exelixis and considers necessary or appropriate for deciding whether to purchase the Shares; (iii) has had the opportunity to discuss Exelixis' business and financial affairs with its management; (iv) has the ability to bear the economic risks of its prospective investment; and (v) is able, without materially impairing its financial condition, to hold the Shares for an indefinite period of time and to suffer a complete loss on its investment.

5.1.5 Accredited Purchaser. GSK certifies that it presently is, and shall as of the Effective Date, the Initial Closing, the Option Closing Date or Stock Repayment Closing Date, as applicable, be, an "accredited investor" within the meaning of Regulation D of the rules and regulations promulgated under the Securities Act.

5.2 No Registration. GSK understands that the Shares, other than the Stock Repayment Shares, have not been registered under the Securities Act on the grounds that the offer and sale of securities contemplated by this Stock Purchase Agreement are exempt from registration pursuant to Section 4(2) of the Securities Act, and that Exelixis' reliance upon such exemption is predicated upon GSK's representations set forth in this Stock Purchase Agreement.

5.3 Limitations on Transfer. GSK covenants that, subject to other restrictions on transfer set forth elsewhere in this Stock Purchase Agreement, in no event shall it dispose of any of the Shares (other than pursuant to Rule 144 promulgated by the SEC under the Securities Act ("Rule 144") or any similar or analogous rule), unless and until (a) GSK shall have notified Exelixis of the proposed disposition, and (b) if requested by Exelixis, GSK shall have furnished Exelixis with an opinion of counsel reasonably satisfactory in form and substance to Exelixis and Exelixis' counsel, in the reasonable exercise of their judgment, to the effect that (i) such disposition shall not require registration under the Securities Act and (ii) appropriate action necessary for compliance with the Securities Act and any applicable state, local or foreign law has been taken. Notwithstanding the foregoing, GSK may sell the Stock Repayment Shares at any time and may transfer any Shares to a Permitted Transferee.

5.4 Legend. Each certificate representing the Shares, other than the Stock Repayment Shares, shall be endorsed with substantially the following legends:

(i) THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED UNLESS THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT COVERING SUCH SECURITIES, THE TRANSFER IS MADE IN COMPLIANCE WITH RULE 144 PROMULGATED UNDER SUCH ACT, OR THE COMPANY RECEIVES AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY STATING THAT SUCH SALE, TRANSFER OR ASSIGNMENT IS EXEMPT FROM THE REGISTRATION AND DELIVERY REQUIREMENTS OF SUCH ACT; and

(ii) THE SECURITIES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO A LOCK-UP AGREEMENT AND MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED OTHER THAN IN ACCORDANCE WITH THE TERMS OF THAT CERTAIN STOCK PURCHASE AND STOCK ISSUANCE AGREEMENT, DATED OCTOBER 28, 2002, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMPANY; and

(iii) ANY LEGEND REQUIRED TO BE PLACED ON THE STOCK CERTIFICATES UNDER APPLICABLE STATE SECURITIES LAWS.

ARTICLE 6
CONDITIONS TO CLOSING

6.1 Conditions to Obligations of GSK to Consummate each Closing. The obligation of GSK to consummate each Closing and to purchase and pay for, or otherwise accept, as applicable, the Shares being issued pursuant to this Stock Purchase Agreement is subject to the satisfaction or GSK's waiver, on or prior to each Closing, of each of the following conditions, as applicable:

6.1.1 Exelixis' representations and warranties contained in this Stock Purchase Agreement, as updated by Exelixis' most recent SEC Filings, are and will be true and correct as of the date of the Initial Closing and each of the Option Closing Dates or Stock Repayment Closing Dates, as applicable, as though made on and as of that date.

6.1.2 An officer's certificate executed by Exelixis' Chief Executive Officer or Chief Financial Officer shall have been delivered to GSK (the "Officer's Certificate") in the form attached hereto as Exhibit "A" certifying, among other things, that the representations and warranties contained in this Stock Purchase Agreement are true and correct as of the Closing Date and that no events which had a Material Adverse Effect, occurred during the period used to calculate the purchase price of the Shares subject to the Closing.

6.1.3 The Transaction Documents shall have been executed and delivered by Exelixis.

6.1.4 Exelixis and GSK shall have obtained all consents (including, without limitation, the expiration or termination of the HSR Act waiting period, if any, and all governmental or regulatory consents, approvals or authorizations required in connection with the valid execution and delivery of this Stock Purchase Agreement or any Closing hereunder), permits and waivers necessary or appropriate for consummation of the transactions contemplated by this Stock Purchase Agreement.

6.1.5 No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any law, rule, regulation, executive order, decree, injunction or other order which is then in effect and has the effect of making illegal the purchase of, or payment for, the Shares by GSK or otherwise preventing the consummation of any of the transactions contemplated under this Stock Purchase Agreement.

6.1.6 There shall be no Legal Proceeding challenging this Stock Purchase Agreement or the transactions contemplated by this Stock Purchase Agreement, or seeking to prevent or delay the consummation of any Closing, instituted and pending before any court or Government Authority.

6.1.7 The Common Stock of Exelixis shall be trading or listed on a National Securities Market.

6.1.8 Exelixis shall not be insolvent, filed a petition for voluntary bankruptcy or have become the subject of an involuntary bankruptcy proceeding, made an assignment for the benefit of creditors, been voluntarily or involuntarily dissolved or has had a receiver, trustee or other court officer appointed for its property.

6.1.9 A Change of Control shall not have occurred as described in Section 13.1 of the Development Agreement.

6.1.10 All Stock Repayment Shares issued to GSK pursuant to Section 2.4 of this Stock Purchase Agreement shall have been registered under the Securities Act on any SEC registration statement form used to register shares that Exelixis is eligible to use prior to GSK's acceptance of such Stock Repayment Shares and shall be immediately available for transfer or disposal by GSK, subject to GSK not being deemed a SEC Affiliate of Exelixis, in which case the stock certificates shall contain appropriate legends.

6.1.11 GSK shall have received an opinion of Cooley Godward LLP, dated as of the date of the Initial Closing or an applicable Closing, in substantially the form attached hereto as Exhibit "B".

6.1.12 Exelixis shall have promptly delivered to GSK copies of any amendments or modifications to its Operating Documents certified by the Secretary of State of Delaware, and, with respect to the bylaws, the Secretary of Exelixis.

6.1.13 With respect to the Stock Repayment Shares, the Development Agreement shall not have been terminated by GSK pursuant to Sections 12.2.1, 12.3.1 or 12.4 of the Development Agreement.

6.1.14 There shall not have occurred a Material Breach by Exelixis that has not been cured in accordance with the provisions of Section 12.2.1 of the Development Agreement.

6.2 Conditions to Obligations of Exelixis to Consummate each Closing. The obligations of Exelixis to consummate each Closing and to sell and issue the Shares is subject to the satisfaction or Exelixis' waiver, on or prior

to each Closing, of each of the following conditions, as applicable:

6.2.1 GSK's representations and warranties contained in this Stock Purchase Agreement are true and correct as of the date of the Initial Closing and each of the Option Closing Dates or Stock Repayment Closing Dates, as applicable, as though made on and as of that date.

6.2.2 The Transaction Documents shall have been executed and delivered by GSK.

6.2.3 Exelixis and GSK shall have obtained all consents (including without limitation, the expiration or termination of the HSR Act waiting period, if any, and all governmental or regulatory consents, approvals or authorizations required in connection with the valid execution and delivery of this Stock Purchase Agreement or any Closing hereunder), permits and waivers necessary or appropriate for consummation of the transactions contemplated under this Stock Purchase Agreement.

6.2.4 No Governmental Authority shall have enacted, issued, promulgated, enforced, or entered any law, rule, regulation, executive order, decree, injunction or other order which is then in effect and has the effect of making illegal the purchase of, or payment for, the Shares by GSK or otherwise preventing the consummation of any of the transactions contemplated under this Stock Purchase Agreement.

6.2.5 There shall be no Legal Proceeding challenging this Stock Purchase Agreement or the transactions contemplated by this Stock Purchase Agreement, or seeking to prevent or delay the consummation of any Closing, instituted and pending before any court or Government Authority.

ARTICLE 7
ADDITIONAL AGREEMENTS; LOCK UP; STANDSTILL

7.1 Registration of Shares.

7.1.1 Registration Requirements.

(a) Required Registration. In the event that any of the Initial Shares or the Option Shares (the "Registrable Shares") issued pursuant to this Stock Purchase Agreement have not been held by GSK, or a Permitted Transferee of GSK, for over one (1) year (if GSK is not a SEC Affiliate under Rule 144) or over two (2) years (if GSK is a SEC Affiliate under Rule 144), at such time as they become available for resale in accordance with the terms and conditions of Section 7.4 hereof (the "Registration Trigger Date"), Exelixis shall either: (i) work diligently using its reasonable efforts, and as soon as reasonably practicable after the Registration Trigger Date (but in no event later than forty-five (45) days after the Registration Trigger Date), to file with the SEC a registration statement on Form S-3, covering the Registrable Shares (the "Resale Registration Statement"), and shall secure the effectiveness of the Resale Registration Statement as soon as reasonably practicable thereafter or (ii) for shares held at least two (2) years, provide GSK with a replacement stock certificate without legends in a form ready for transfer or disposal or deliver the shares to the account of GSK by an automated share transfer through the DWAC in uncertificated form and remove any stop transfer order attached thereto in order to ensure that such shares are freely tradable.

(b) Effectiveness. Subject to Section 7.1.4, Exelixis shall be obligated to maintain the effectiveness of the Resale Registration Statement and any registration statement filed in connection with the issuance of the Stock Repayment Shares (together with the Resale Registration Statement referred to in this Section 7.1 as the "Registration Statements") with the SEC until the earlier of (i) the sale of all of the Registrable Shares or (ii) the time all otherwise unsold Registrable Shares may be sold pursuant to Rule 144(k).

(c) Repurchase. If Exelixis is unable to cause the Resale Registration Statement to become effective within one hundred eighty (180) days of the Registration Trigger Date, Exelixis, subject to applicable law, shall, if GSK so requests in writing not later than ninety (90) days after the expiration of such one hundred eighty (180) day period, purchase from GSK the Registrable Shares for a purchase price equal to GSK's purchase price for such Registrable Shares. Such repurchase shall be effected not later than thirty (30) days after Exelixis' receipt of GSK's request therefor; provided, however, that if, at any time prior to the date such repurchase is being effected, such Registrable Shares may be sold pursuant to Rule 144, then Exelixis' obligation to so repurchase shall be of no force and effect.

7.1.2 Incidental Registration. If Exelixis at any time (but subject to Section 7.4 hereof) 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 or S-8 or another form not available for registering Registrable Shares for sale to the public), each such time it will promptly give written notice of its intentions to GSK (an "Incidental Registration"). Upon the written request of GSK, received by Exelixis within ten (10) days after the giving of any such notice by Exelixis, to register any of its securities which are not yet registered under the Securities Act (which request shall state the intended method of disposition thereof), Exelixis will use its reasonable efforts to cause the Registrable Shares 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 Exelixis, all to the extent requisite to permit the sale or other disposition by GSK (in accordance with its written request) of such Registrable Shares so registered. In the event that any registration pursuant to this Section shall be, in whole or in part, an underwritten public offering of Common Stock, the number of shares of Registrable Shares to be included in such an underwriting may be reduced if and

to the extent that the managing underwriter shall be of the opinion that such inclusion would adversely affect the marketing of the securities to be sold by Exelixis; and subject to the foregoing, any reduction of the number of shares of Registrable Shares shall be accomplished by excluding all or a portion of the shares proposed to be included by holders of Registrable Shares and other securities with registration rights who have elected to participate in such registration, with such reduction in the number of shares in the offering required by the managing underwriter because of market conditions to be borne pro-rata by all holders of Registrable Shares and other securities who elected to participate in such registration, with each holder of Registrable Shares and other securities that is participating in the offering sharing the reduction in the ratio that the number of shares proposed to be registered by such holder of Registrable Shares or other securities bears to the total number of shares of Registrable Shares or other securities proposed to be registered by all holders of Registrable Shares or other securities. Notwithstanding the foregoing provisions, Exelixis may withdraw any registration statement referred to in this Section 7.1.2 without thereby incurring any liability to the holders of Registrable Shares.

7.1.3 Registration Expenses. Exelixis shall pay all Registration Expenses (as defined below) in connection with any registration, qualification or compliance hereunder, and GSK shall pay all Selling Expenses (as defined below) that relate to the Registrable Shares or the Stock Repayment Shares, as applicable. "Registration Expenses" shall mean all expenses, except for Selling Expenses, incurred by Exelixis in complying with the registration provisions herein described, including, without limitation, all registration, qualification, compliance and filing fees, printing expenses, fees and disbursements of counsel for Exelixis, blue sky fees and expenses and accounting fees (including the expense of any special audits incident to or required by any such registration). "Selling Expenses" shall mean all fees of counsel for GSK, selling commissions, underwriting fees and stock transfer taxes applicable to the Registrable Shares or the Stock Repayment Shares, as applicable.

7.1.4 Registration Suspension. Exelixis shall, upon (i) the issuance by the SEC of a stop order suspending the effectiveness of the Registration Statements or the initiation of proceedings with respect to the Registration Statements under Section 8(d) or 8(e) of the Securities Act, (ii) the occurrence of any event or the existence of any fact (a "Material Event") as a result of which the Registration Statements or the related preliminary or final prospectuses shall contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or (iii) the occurrence or existence of any pending corporate development that, in the reasonable discretion of Exelixis, makes it appropriate to suspend the availability of the Registration Statements and the related prospectuses:

(a) in the case of clause (ii) above, subject to the clause (iii), as promptly as practicable prepare and file, if necessary pursuant to applicable law, a post-effective amendment to the Registration Statements or a supplement to the related prospectuses or any document incorporated therein by reference or file any other required document that would be incorporated by reference into the Registration Statements and the related prospectuses so that the Registration Statements and the related prospectuses do not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, as thereafter delivered to the purchasers of the Registrable Shares or the Stock Repayment Shares, as applicable, being sold thereunder, and, in the case of a post-effective amendment to the Registration Statements, subject to the next sentence, use its reasonable efforts to cause it to be declared effective as promptly as is practicable, and

(b) give notice to GSK that the availability of the Registration Statements is suspended (a "Deferral Notice") and, upon receipt of any Deferral Notice, GSK agrees not to sell any Registrable Shares or the Stock Repayment Shares, as applicable, pursuant to the Registration Statements until such time as GSK receives copies of the supplemented or amended prospectuses provided for in clause (a) above, or until it is advised in writing by Exelixis that the prospectuses may be used, and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in such prospectuses. Exelixis shall use all reasonable efforts to ensure that the use of the prospectuses may be resumed (x) in the case of clauses (i) and (ii) above, as promptly as is practicable, and (y) in the case of clause (iii) above, as soon as, in the reasonable judgment of Exelixis, public disclosure of such Material Event would not be prejudicial to or contrary to the interests of Exelixis or, if necessary to avoid unreasonable burden or expense, as soon as practicable thereafter. Exelixis shall be entitled to exercise its right under this Section 7.1.4 to suspend the availability of each of the Registration Statements or any related prospectuses no more than two (2) times in any twelve (12) month period, and any such period during which the availability of the Registration Statements and any related prospectuses is suspended (the "Deferral Period") shall not exceed thirty (30) days. The period of any such Deferral Period shall be added to the period of time Exelixis has agreed to keep the Registration Statements effective. Exelixis shall use all reasonable efforts to limit the duration and number of any Deferral Periods. GSK hereby agrees that upon receipt of any Deferral Notice from Exelixis, GSK shall, and shall cause each of its officers, directors, employees, affiliates, advisors, agents and representatives to, keep confidential all nonpublic information set forth in such notice including the existence or terms of such Deferral Notice.

7.1.5 Registration Procedures. In the case of any registration effected by Exelixis pursuant to Section 7.1, Exelixis shall use all reasonable efforts:

(a) to respond promptly to any comments of the SEC relating to the Registration Statements, and to prepare and file with the SEC such amendments (including post-effective amendments) and supplements to the Registration Statements and the related prospectuses as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of the Registrable Shares or the Stock Repayment Shares, as applicable, covered by the Registration Statements;

(b) to furnish such number of Registration Statements and other documents incident thereto, including any amendment of or supplement to the Registration Statements or related prospectuses, as GSK may reasonably request to facilitate the public sale or other disposition of all or any of the Registrable Shares or the Stock Repayment Shares, as applicable; and

(c) to file the documents required of Exelixis and otherwise use all reasonable efforts to register and qualify the Registrable Shares or the Stock Repayment Shares, as applicable, covered by the Registration Statements under such other securities or blue sky laws of such jurisdictions as shall be reasonably appropriate in the opinion of Exelixis; provided, however, that Exelixis shall not be required to qualify to do business or to file a general consent to service of process in any state in which it is not now so qualified or has not so consented except as may be required by the Securities Act.

7.1.6 Indemnification.

(a) Indemnification by Exelixis. Exelixis agrees to indemnify and hold harmless GSK (and its officers, directors, Affiliates and agents), from and against any and all losses, claims, damages, liabilities or expenses (or actions or proceedings in respect thereof) to which any of them may become subject (under the Securities Act or otherwise) insofar as such losses, claims, damages, liabilities or expenses (or actions or proceedings in respect thereof) arise out of, or are based upon (i) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, in the Registration Statements (on the respective effective dates thereof), or the related prospectuses and any amendments or supplements thereto, or (ii) any failure by Exelixis to fulfill any undertaking included in the Registration Statements. Exelixis shall, as incurred, reimburse the indemnified parties herein for any legal or other expenses reasonably incurred in investigating, defending or preparing to defend any such claims, actions or proceedings in respect thereof; provided, however, that the indemnity agreement contained in this Section 7.1.6 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or expense, if such settlement is effected without the consent of Exelixis (which such consent shall not be unreasonably withheld) and, provided, further, that Exelixis shall not be liable in any such case to the extent that such loss, claim, damage, liability or expense arises out of, or is based upon (A) any untrue statement or omission of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, in the Registration Statements (on the respective effective dates thereof), or the related prospectuses and any amendments or supplements thereto, made in reliance upon and in conformity with written information furnished to Exelixis by GSK specifically for use in preparation of such document, or (B) an untrue statement or omission in the related prospectuses and any amendments or supplements thereto, that is corrected in any subsequent prospectus, or supplement or amendment thereto, that was delivered to GSK prior to the sale or sales from which a loss or liability arose.

(b) Indemnification by GSK. GSK agrees to indemnify and hold harmless Exelixis (and its officers, directors, Affiliates and agents), from and against any losses, claims, damages, liabilities or expenses (or actions or proceedings in respect thereof) to which any of them may become subject (under the Securities Act or otherwise) insofar as such losses, claims, damages, liabilities or expenses (or actions or proceedings in respect thereof) arise out of, or are based upon any untrue statement or omission of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, in the Registration Statements (on the respective effective dates thereof), or the related prospectuses and any amendments or supplements thereto, made in reliance upon and in conformity with written information furnished to Exelixis by or on behalf of GSK specifically for use in preparation of such document; provided, however, that the indemnity agreement contained in Section 7.1.6 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or expense, if such settlement is effected without the consent of GSK (which such consent shall not be unreasonably withheld) and that GSK shall not be liable in any such case for any (A) untrue statement or omission in the Registration Statements or the related prospectuses and any amendments or supplements thereto, which statement or omission has been corrected, in writing, by GSK and delivered to Exelixis ten (10) days before the sale from which such loss occurred, or (B) untrue statement or omission in the related prospectuses and any amendments or supplements thereto or that is corrected in any subsequent prospectus, or amendment or supplement thereto, and delivered to GSK prior to the sale or sales from which a loss or liability arose. GSK shall, as incurred, reimburse the indemnified parties herein for any legal or other expenses reasonably incurred in investigating, defending or preparing to defend any such claims, actions or proceedings in respect thereof.

(c) Indemnification Procedure. Promptly after receipt by any indemnified party of a notice of a claim or the beginning of any action in respect of which indemnity is to be sought against an indemnifying party pursuant to this Section 7.1.6(c), such indemnified party shall notify the indemnifying party in writing of such claim or of the commencement of such action, and, subject to the provisions hereinafter stated, in case any such action shall have been brought against an indemnified party and the indemnifying

party shall have been notified thereof, the indemnifying party shall be entitled to participate therein, and, to the extent that it shall wish, to assume the defense of such action, with counsel reasonably satisfactory to the indemnified party. After notice from the indemnifying party to such indemnified party of the indemnifying party's election to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party for any legal expenses subsequently incurred by such indemnified party in connection with the defense thereof; provided, however, that if there exists or shall exist a conflict of interest that would make it inappropriate in the reasonable judgment of the indemnified party for the same counsel to represent both the indemnified party and such indemnifying party or any affiliate or associate thereof, the indemnified party shall be entitled to retain its own counsel at the expense of such indemnifying party. Failure of any indemnifying party to give notice as provided herein shall not relieve the indemnifying party of its obligations under this Section 7.1.6. No indemnifying party, in the defense of any such claim or action, except with the consent of each indemnified party, shall consent to entry of any judgment or enter into any settlement.

(d) Other Liability. The obligations of Exelixis and GSK under Section 7.1 shall be in addition to any liability which Exelixis and GSK may otherwise have to each other.

7.2 Filings. Exelixis covenants and agrees to use all reasonable efforts to: (i) make and keep public information available, as those terms are understood and defined in Rule 144, (ii) file with the SEC in a timely manner all reports and other documents required of Exelixis under the Securities Act and Exchange Act, and (iii) provide GSK, upon written request, with written assurance that Exelixis has made and kept such public information available and has timely filed all reports and other documents required of Exelixis under the Securities Act and Exchange Act.

7.3 Other Actions. Upon the terms and subject to the conditions hereof, each of the Parties hereto shall in good faith, use reasonable efforts to take, or cause to be taken, all appropriate action, and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transaction contemplated under this Stock Purchase Agreement, including, without limitation, using reasonable efforts to obtain all licenses, permits, consents, approvals, authorizations, qualifications and orders of Governmental Authorities and parties to contracts with Exelixis as are necessary for the execution, delivery and performance of this Stock Purchase Agreement.

7.4 Lock Up and Selling Restrictions.

7.4.1 Subject to Section 7.9, GSK agrees that for a period of [*] following the date of the Initial Closing or [*] following the Option Closing Date, as applicable, (the "Restricted Period"), neither GSK, nor any of its Affiliates, shall offer, sell, contract to sell, pledge, grant an option to purchase, make a short sale or otherwise dispose of any Initial Shares or Option Shares held by GSK or any of its Affiliates, or grant an option or other rights to any Person to acquire any Initial Shares or Option Shares, without the prior written consent of Exelixis.

7.4.2 GSK agrees that in each full calendar year from and after the earlier to occur of (i) the expiration of the Restricted Period or (ii) [*] (either such date, the "Limited Release Date"), GSK and/or its Affiliates shall not offer, sell, contract to sell, pledge, grant an option to purchase, make a short sale or otherwise dispose of greater than [*] of the total number of any Initial Shares and Option Shares purchased by GSK pursuant to this Stock Purchase Agreement. For periods after the Limited Release Date of less than a full calendar year, GSK shall be permitted to dispose of that pro-rata number of Initial Shares and Option Shares which shall be determined by multiplying [*] of the total number of Initial Shares and Option Shares, purchased by GSK by a fraction, the numerator of which is total number of days in that given year from the Limited Release Date to the last calendar day in such year and denominator of which is three hundred and sixty-five (365). The restrictions imposed by this Section 7.4.2 shall terminate on [*], subject to extension by [*] if the Restricted Period is extended pursuant to the provisions set forth in Section 7.4.4 of this Stock Purchase Agreement.

7.4.3 During the Restricted Period, the consent of Exelixis shall not be required for the transfers by GSK of all or a portion of the Shares to its Affiliates (a "Permitted Transferee"); provided, however, that such Affiliate agrees to become a party to, and be bound by, all of the terms and conditions of this Stock Purchase Agreement by duly executing and delivering to Exelixis an Instrument of Adherence in the form attached as Exhibit "C" hereto.

7.4.4 Notwithstanding anything to the contrary contained in this Section 7.4 or Section 7.9 hereof, in the event of termination of the Development Agreement by either: (A) GSK pursuant to Section 12.3.2 of the Development Agreement; or (B) Exelixis (i) pursuant to Section 12.2.1 of the Development Agreement upon Material Breach by GSK; or, (ii) pursuant to Section 12.4 of the Development Agreement upon the insolvency of GSK, as set forth in Section 12.6.4 of the Development Agreement, in each of clause (A), (B)(i) or (B)(ii), the Restricted Period shall be extended for a period of [*] following the effective date of such termination by GSK or Exelixis, as applicable.

7.5 Standstill. Subject to Section 7.6, prior to [*] (the "Standstill Period"), neither GSK nor any of its Affiliates shall, in any manner, directly or indirectly, except as agreed by Exelixis in writing or as provided expressly under this Stock Purchase Agreement:

7.5.1 make, effect, initiate, cause or participate in any acquisition of beneficial ownership of any securities or any assets of Exelixis or any securities or any assets of any Exelixis' majority-owned subsidiaries or any

other Affiliate of Exelixis;

7.5.2 form, join or participate in a "group" (as defined in the Exchange Act) with respect to the beneficial ownership of any securities of Exelixis;

7.5.3 agree or offer to take, or encourage or propose (publicly or otherwise) the taking of any action referred to in subsections 7.5.1 or 7.5.2 of this Section 7.5; or

7.5.4 assist, induce or encourage any other Person to take any action of the type referred to in subsections 7.5.1, 7.5.2 or 7.5.3 of this Section 7.5.

7.6 Conditions Eliminating Standstill. Notwithstanding the restrictions set forth in Section 7.5, the obligations of GSK during the Standstill Period as set forth in Section 7.5 shall not apply and will have no force or effect under the following circumstances; provided, however, that neither GSK, nor any of it Affiliates, shall take any action that would impair GSK's obligations to purchase, or otherwise accept, the Shares under the terms of this Stock Purchase Agreement: [*]

7.7 Conditions Eliminating Lock Up. Notwithstanding the restrictions set forth in Section 7.4.1, the obligations of GSK during the Restricted Period as set forth in Section 7.4.1 shall not apply and will have no force or effect under the following circumstances: [*]

7.8 Use of Proceeds. Exelixis shall use the proceeds received from the issuance of the Shares for the funding of activities contemplated in the Development Agreement over the course of its term.

7.9 Exelixis Repurchase Option. In the event of termination of the Development Agreement by either (A) GSK pursuant to Section 12.3.2 of the Development Agreement or (B) Exelixis pursuant to Section 12.2.1 of the Development Agreement upon Material Breach by GSK or pursuant to Section 12.4 of the Development Agreement upon the insolvency of GSK, as set forth in Section 12.6.4 of the Development Agreement, Exelixis shall have the right, but not the obligation, subject to applicable law, to repurchase from GSK, for a [*] period following notice by the terminating Party that it is terminating the Development Agreement, any or all of the Initial Shares or Option Shares held by GSK at the time of such termination as follows:

7.9.1 In the event of termination by GSK pursuant to Section 12.3.2 of the Development Agreement, then Exelixis may repurchase any or all of the Initial Shares or Option Shares then held by GSK at a price per share equal to [*], as applicable.

7.9.2 In the event of termination by Exelixis pursuant to Section 12.2.1 of the Development Agreement upon Material Breach by GSK or Section 12.4 of the Development Agreement upon GSK's insolvency, then in accordance with the provisions set forth in Section 12.6.4 of the Development Agreement, Exelixis may repurchase any or all of the Initial Shares or Option Shares then held by GSK at a price per share equal to [*] of the Repurchase Market Value of such shares as of the effective date of such termination. The "Repurchase Market Value" of the Common Stock shall be deemed to be the average of the opening and closing sale prices of the Common Stock as reported by the National Securities Market on which the Common Stock trades or is listed for the [*] consecutive Trading Days immediately preceding and the [*] consecutive Trading Days immediately following the effective date of termination of such Development Agreement.

7.9.3 Exelixis shall give GSK a written notice, of not less than [*] Trading Days, of its intent to effect a repurchase pursuant to either Section 7.9.1 or Section 7.9.2, which notice shall specify the number of shares being repurchased, the aggregate repurchase price determined and payable in accordance with the terms set forth in Section 7.9.1 or Section 7.9.2, as applicable, and the time, place and date for settlement of such repurchase. On such settlement date, Exelixis shall deliver to GSK the repurchase price for the shares being repurchased in accordance with the terms set forth in Section 7.9.1 or Section 7.9.2, as applicable, and GSK shall surrender to Exelixis the stock certificate(s) or other evidence representing such shares. Upon delivery of the notice and payment of the repurchase price pursuant to this Section 7.9.3, Exelixis shall become the legal and beneficial owner of the shares being repurchased and all rights and interest therein or related thereto, and Exelixis shall have the right to transfer to its own name the shares being repurchased.

ARTICLE 8
MISCELLANEOUS

8.1 Publicity. Neither Party shall originate any written publicity, news release or other announcement or statement relating to the announcement or terms of this Stock Purchase Agreement except in compliance with the provisions set forth in Section 14.1 of the Development Agreement. Notwithstanding anything to the contrary set forth above, the provisions of this Section 8.1 shall not apply to Exelixis' SEC Filings.

8.2 Dispute Resolution. Prior to the commencement of any litigation under this Stock Purchase Agreement, the Parties shall follow the provisions set forth in Section 14.2 of the Development Agreement.

8.3 Governing Law. This Stock Purchase Agreement and any dispute arising from the performance or breach hereof shall be governed by and construed and enforced in accordance with the laws of the State of Delaware, U.S.A., without reference to conflicts of laws principles.

8.4 Assignment. This Stock Purchase Agreement may be assigned by GSK to an Affiliate without the written consent of Exelixis; but shall not be assignable by Exelixis, to an Affiliate, or by either Party to any Third Party, without the prior written consent of the other Party hereto. Notwithstanding the foregoing, either Party may assign this Stock Purchase Agreement, without the written consent of the other Party, to an Affiliate or to an entity that acquires all or substantially all of the business or assets of such Party (whether by merger, reorganization, acquisition, sale or otherwise), and agrees in writing to be bound by the terms and conditions of the Stock Purchase Agreement. No assignment and transfer shall be valid and effective unless and until (a) the assignee/transferee shall agree in writing to be bound by the provisions of the Stock Purchase Agreement, (b) with respect to an assignment or transfer by Exelixis, the Loan Documents are assigned/transferred to the same assignee/transferee concurrently with this Stock Purchase Agreement and (c) with respect to an assignment or transfer by Exelixis, the assignee or transferee shall have executed and recorded such documents as may be required in the reasonable judgment of GSK to perfect GSK's interest in the Collateral (as that term in defined in the Loan Agreement) under the Loan Documents. The terms and conditions of the Stock Purchase Agreement shall be binding on and inure to the benefit of the permitted successors and assigns of the Parties.

8.5 Performance Warranty. Each Party hereby warrants and guarantees the performance of any and all obligations by its Affiliate(s).

8.6 Notices. Any notice or request required or permitted to be given under or in connection with this Stock Purchase Agreement shall be deemed to have been sufficiently given if in writing and personally delivered or sent by certified mail (return receipt requested), facsimile transmission (receipt verified), or overnight express courier service (signature required), prepaid, to the Party for which such notice is intended, at the address set forth for such Party below:

If to Exelixis,
addressed to:
Exelixis, Inc.
170 Harbor Way
PO Box 511
South San Francisco, CA 94083
Attention: Chief Financial Officer
Telephone: [*]
Telecopy: [*]

with a copy to:
Cooley Godward LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306
Attention: Robert L. Jones, Esq.
Telephone: [*]
Telecopy: [*]

If to GSK,
addressed to:
SmithKline Beecham Corporation,
doing business as GlaxoSmithKline
2301 Renaissance Blvd. (Bldg. #510)
King of Prussia, Pennsylvania 19406
Attention: Vice President, Alliance and
Joint Venture Management
Telephone: [*]
Telecopy: [*]

with a copy to:
GlaxoSmithKline
Corporate Legal Department
One Franklin Plaza
200 N. 16th Street / FP 2355 (DP)
Philadelphia, PA 19103
Attention: Vice President
and Associate General Counsel
Telephone: [*]
Telecopy: [*]

or to such other address for such Party as it shall have specified by like notice to the other Parties, provided that notices of a change of address shall be effective only upon receipt thereof. If delivered personally or by facsimile transmission, the date of delivery shall be deemed to be the date on which such notice or request was given. If sent by overnight express courier service, the date of delivery shall be deemed to be the next business day after such notice or request was deposited with such service. If sent by certified mail, the date of delivery shall be deemed to be the third business day after such notice or request was deposited with the U.S. Postal Service.

8.7 Force Majeure. No Party shall be held liable or responsible to the other Party nor be deemed to be in default under, or in breach of any provision of, this Stock Purchase Agreement for failure or delay in fulfilling or performing any obligation of this Stock Purchase Agreement when such failure or delay is due to force majeure, and without the fault or negligence of the Party so failing or delaying. For purposes of this Stock Purchase Agreement, force majeure is defined as causes beyond the control of the Party, including, without limitation, acts of God; acts, regulations, or laws of any government; war; civil commotion; destruction of production facilities or materials by fire, flood, earthquake, explosion or storm; labor disturbances; epidemic; and failure of public utilities or common carriers. In the event of force majeure, Exelixis or GSK, as the case may be, shall immediately notify the other Party of such inability and of the period for which such inability is expected to continue. The Party giving such notice shall thereupon be excused from such of its obligations under this Stock Purchase Agreement as it is thereby disabled from performing for so long as such Party is so disabled, up to a maximum of ninety

(90) days, after which time, the Party not affected by the force majeure, may terminate this Stock Purchase Agreement. To the extent possible, each Party shall use reasonable efforts to minimize the duration of any force majeure.

8.8 Waiver. Neither Party may waive or release any of its rights or interests in this Stock Purchase Agreement except in writing. The failure of either Party to assert a right hereunder or to insist upon compliance with any term or condition of this Stock Purchase Agreement shall not constitute a waiver of that right or excuse a similar subsequent failure to perform any such term or condition. No waiver by either Party of any condition or term in any one or more instances shall be construed as a continuing waiver of such condition or term or of another condition or term.

8.9 Severability. If any provision hereof should be held invalid, illegal or unenforceable in any jurisdiction, the Parties shall negotiate in good faith a valid, legal and enforceable substitute provision that most nearly reflects the original intent of the Parties and 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. Such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction.

8.10 Entire Agreement. This Stock Purchase Agreement, together with the schedules and exhibits hereto, and the accompanying Development Agreement and Loan Agreement set forth all the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties hereto and supersede and terminate all prior agreements and understanding between the Parties. There are no covenants, promises, agreements, warranties, representations, conditions or understandings, either oral or written, between the Parties other than as set forth herein and therein. No subsequent alteration, amendment, change or addition to this Stock Purchase Agreement shall be binding upon the Parties hereto unless reduced to writing and signed by the respective authorized officers of the Parties.

8.11 Headings. Headings used herein are for convenience only and shall not in any way affect the construction of or be taken into consideration in interpreting this Stock Purchase Agreement.

8.12 Use of Name. Any rights or restrictions concerning the use of the name or other designation of the Parties or any other trade name, trademark or logos of the Parties for any purpose shall be governed by the provision pertaining thereto as set forth in the Development Agreement.

8.13 Further Actions. Each Party shall execute, acknowledge and deliver such further instruments, and do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Stock Purchase Agreement. The Parties shall cooperate fully in obtaining any governmental approvals or consents as may be necessary in order to carry out the purposes and intent of this Stock Purchase Agreement, including without limitation any filings and approvals as may be required under the HSR Act.

8.14 Survival of Representations and Warranties. All representations and warranties contained herein shall survive the execution and delivery of this Stock Purchase Agreement, any investigation at any time made by or on behalf of GSK, and the sale and issuance of the Shares and payment therefor until the earlier of (a) the resale of any Shares issued pursuant to this Stock Purchase Agreement, or (b) the first anniversary of the last Closing.

8.15 Parties in Interest. All of the terms and provisions of this Stock Purchase Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties hereto and their respective permitted successors and assigns.

8.16 Construction of Agreement. The terms and provisions of this Stock Purchase Agreement represent the results of negotiations between the Parties and their representatives, each of which has been represented by counsel of its own choosing, and neither of which has acted under duress or compulsion, whether legal, economic or otherwise. Accordingly, the terms and provisions of this Stock Purchase Agreement shall be interpreted and construed in accordance with their usual and customary meanings, and each of the Parties hereto hereby waives the application in connection with the interpretation and construction of this Stock Purchase Agreement of any rule of law to the effect that ambiguous or conflicting terms or provisions contained in this Stock Purchase Agreement shall be interpreted or construed against the Party whose attorney prepared the executed draft or any earlier draft of this Stock Purchase Agreement.

8.17 Counterparts. This Stock Purchase Agreement may be signed in counterparts, each and every one of which shall be deemed an original, notwithstanding variations in format or file designation which may result from the electronic transmission, storage and printing of copies of this Stock Purchase Agreement from separate computers or printers. Facsimile signatures shall be treated as original signatures.

8.18 Finder's Fees.

8.18.1 Exelixis (i) represents and warrants that it has retained no investment bankers, finders or brokers in connection with the transactions contemplated by this Stock Purchase Agreement and (ii) hereby agrees to indemnify and to hold GSK harmless of and from any costs, expenses or liability for any commission or compensation in the nature of a finder's fee to any investment banker, finder, broker or other Person or firm (including legal fees and other costs and expense of defending against such liability or asserted liability) for which it, or any of its employees or representatives, are responsible.

8.18.2 GSK (i) represents and warrants that it has retained no investment bankers, finders or brokers in connection with the transactions contemplated by this Stock Purchase Agreement and (ii) hereby agrees to indemnify and hold Exelixis harmless of and from any costs, expenses or liability for any commission or compensation in the nature of a finder's fee to any investment banker, finder, broker or other Person or firm (including legal fees and other costs and expense of defending against such liability or asserted liability) for which it, or any of its employees or representatives, are responsible.

8.19 Waiver of Jury Trial. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLCABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS STOCK AGREEMENT. EACH PARTY HERETO (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THAT FOREGOING WAIVER, AND (ii) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS STOCK AGREEMENT AND ANY RELATED INSTRUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.19.

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IN WITNESS WHEREOF, the Parties have executed this Stock Purchase Agreement by their duly authorized representatives as of the date first written above.

EXELIXIS, INC.	SMITHKLINE BEECHAM CORPORATION
By: /s/ Bob Myers	By: /s/ Donald F. Parman
Title: Executive Vice President, Pharmaceuticals	Title: Vice President & Secretary

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

SCHEDULE 4.3

SCHEDULE OF OUTSTANDING SECURITIES

Not applicable at the Initial Closing.

SCHEDULE 4.6

DISCLOSURE OF OUTSTANDING LITIGATION

None.

EXHIBIT A

FORM OF OFFICER'S CERTIFICATE

TO: SMITHKLINE BEECHAM CORPORATION

I am the duly appointed [Chief Financial Officer] of Exelixis, Inc., a Delaware corporation ("Exelixis"), and am duly authorized to execute this certificate for and on behalf of Exelixis. For the purposes of this certificate, "Stock Purchase Agreement" means the Stock Purchase and Stock Issuance Agreement dated as of October 28, 2002 by and between SmithKline Beecham Corporation and Exelixis and, unless the context otherwise requires, the capitalized terms used in this certificate shall have the meanings ascribed to them in the Stock Purchase Agreement.

I do hereby certify in my capacity as [Chief Financial Officer] of Exelixis, on behalf of Exelixis and not in my personal capacity, as follows.

1. The representations and warranties of Exelixis as set forth in the Stock Purchase Agreement are true and correct as of the Closing Date, as if made as of such date; and

2. No events which have had a Material Adverse Effect on Exelixis have occurred during the period used to calculate the purchase price of the shares of Common Stock of Exelixis subject to the Closing.

DATED at _____, California, this __ day of _____, 200_.

EXELIXIS, INC.
by its authorized signatory:

_____

EXHIBIT B

FORM OF COOLEY GODWARD LLP OPINION

1. Exelixis, Inc. (the "Company") has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware. The Company is qualified as a foreign corporation to do business and is in good standing in the State of California and, to the best of our knowledge, is not required to qualify as a foreign corporation to do business in any other jurisdiction in the United States.

2. The Company has the corporate power and authority to own or lease its property and to conduct its business as currently conducted and as described in the SEC Filings, and to enter into the Stock Purchase Agreement, issue the Shares and to carry out and perform its obligations under the Stock Purchase Agreement.

3. The Stock Purchase Agreement has been duly authorized, executed and delivered by, and is a legal, valid and binding agreement of, the Company, enforceable in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency or similar laws affecting creditors' rights generally and subject to general principles of equity and to limitations on availability of equitable relief, including specific performance, and except as rights to indemnification in Section 7.1.6 thereof may be limited under applicable law.

4. The Shares have been duly authorized and, when issued and delivered in accordance with the terms of the Stock Purchase Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or, to our knowledge, similar rights.

5. With respect to the issuance of Initial Shares and Option Shares: Based upon the representations, warranties and agreements of SmithKline Beecham Corporation (the "Purchaser") in Article 5 of the Stock Purchase Agreement, the offer and sale of the Shares to the Purchaser under the Stock Purchase Agreement are exempt from the registration requirements of the Securities Act.

   With respect to the issuance of Stock Repayment Shares: The registration statement covering the Shares was declared effective under the Securities Act at _____ [a.m./p.m.] on _____, 20__, and, to our knowledge, no stop order suspending the effectiveness of such registration statement has been issued and, to our knowledge, no proceeding by the SEC for that purpose is pending.

6. The execution and delivery of the Stock Purchase Agreement will not result in any violation of, be in conflict with, or constitute a default under (i) any provision of the Company's Amended and Restated Certificate of Incorporation or Amended and Restated Bylaws or (ii) any provision of any judgment, decree or order to which the Company is a party or by which it is bound and of which we have knowledge.

EXHIBIT C

INSTRUMENT OF ADHERENCE

Reference is hereby made to that certain Stock Purchase and Stock Issuance Agreement, dated as of October 28, 2002, between Exelixis, Inc., a Delaware corporation ("Exelixis"), and SmithKline Beecham Corporation ("GSK"), as may be amended and in effect from time to time (the "Stock Purchase Agreement"). Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Agreement.

The undersigned, in order to become the owner or holder of _____ shares (the "Transferred Shares") of Common Stock of Exelixis, hereby agrees that, from and after the date hereof, the undersigned has become a party to the Stock Purchase Agreement in the capacity of a Permitted Transferee with respect to such Transferred Shares, and is entitled to all of the benefits under, and is subject to all of the obligations, restrictions and limitations set forth in, the Stock Purchase Agreement that are applicable to Permitted Transferees. This Instrument of Adherence shall take effect and shall become a part of the Stock Purchase Agreement immediately upon execution.

Executed under seal as of the date set forth below under the laws of _____.

Signature:_____
Name:
Title:

Accepted:

Exelixis, Inc.

By:_____
Name:
Title:
Date:

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

Exhibit 10.38

LOAN AND SECURITY AGREEMENT

BETWEEN

SMITHKLINE BEECHAM CORPORATION

AND

EXELIXIS, INC.

DATED AS OF

OCTOBER 28, 2002

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

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (the "Loan Agreement") is executed as of the 28th day of October, 2002 (the "Effective Date") by and between Exelixis, Inc., a Delaware corporation ("Exelixis"), and SmithKline Beecham Corporation, a Pennsylvania corporation, doing business as GlaxoSmithKline ("GSK"). Exelixis and GSK are each referred to herein by name or as a "Party" or, collectively, as "Parties".

RECITALS

A. Exelixis and GSK have entered into that certain Product Development and Commercialization Agreement of even date herewith (the "Development Agreement") and that certain Stock Purchase and Stock Issuance Agreement of even date herewith (the "Stock Purchase Agreement");

B. In connection with, and as a condition of, Exelixis and GSK entering into the Development Agreement and the Stock Purchase Agreement, Exelixis and GSK have agreed to enter into this Loan Agreement pursuant to which Exelixis may obtain during the Development Term (as defined below), from time to time, certain loans from GSK, subject to the terms and conditions stated herein for amounts up to the Maximum Loan Amount (as defined below); and

C. GSK is willing to provide such loans to, and in favor of, Exelixis, subject to the terms and conditions of this Loan Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereto agree as follows:

ARTICLE 1
DEFINITIONS

Unless otherwise defined in this Loan Agreement, all capitalized terms shall have the meanings given them in the Development Agreement or the Stock Purchase Agreement, as applicable. As used in this Loan Agreement, the following terms shall have the following respective meanings:

1.1 "Advance" shall mean a loan made, or to be made, pursuant to Article 2, which may be in the form of a General Advance or a Product Specific Advance.

1.2 "Affiliate" shall mean any Person, whether de jure or de facto, which directly or indirectly through one (1) or more intermediaries controls, is controlled by, or is under common control with, a Party to the Loan Documents. A Person shall be deemed to "control" another Person if it (a) owns, directly or indirectly, beneficially or legally, at least fifty percent (50%) of the outstanding voting securities or capital stock (or such lesser percentage which is the maximum allowed to be owned by a Person in a particular jurisdiction) of such other Person, or has other comparable ownership interest with respect to any Person other than a corporation; or (b) has the power, whether pursuant to

contract, ownership of securities or otherwise, to direct the management and policies of the Person.

1.3 "Biotechnology Company" shall mean any Person other than a Major Pharmaceutical Company.

1.4 "Borrowing Date" shall mean any Business Day on which an Advance occurs.

1.5 "Borrowing Notice" shall have the meaning assigned to such term in Section 2.2.

1.6 "Business Day" shall mean any day, other than a Saturday, Sunday or other day in which commercial banks are authorized or required in the United States to be closed.

1.7 "Capital Equipment" shall have the meaning assigned to such term in Section 3.1.5.

1.8 "Change in Control" shall mean a transaction in which [*].

1.9 "Change in Control Rate of Interest" shall mean the fixed rate of interest per annum equal to [*].

1.10 "Collateral" shall have the meaning assigned to such term in Section 3.1.

1.11 "Common Stock" shall mean the common stock of Exelixis, par value $0.001 per share.

1.12 "Contract Year" shall mean a year of 365 days (or 366 in a leap year) beginning on the Effective Date and ending one (1) year thereafter and so on year-by-year during the Term. "Contract Year One" shall mean the first such year; "Contract Year Two" shall mean the second such year, and so on, year-by-year.

1.13 "Default Rate of Interest" shall mean the fixed rate of interest per annum equal to [*].

1.14 "Deposit Account" shall have the meaning assigned to such term in Section 3.1.3.

1.15 "Development Agreement" shall have the meaning assigned to such term in the Recitals.

1.16 "Development Candidate" shall have the meaning assigned to such term in the Development Agreement.

1.17 "Development Candidate Inventory" shall have the meaning assigned to such term in Section 3.1.4.

1.18 "Development Compound" shall have the meaning assigned to such term in the Development Agreement.

1.19 "Development Expiration Date" shall mean the earliest of the following: [*]

1.20 "Development Program" shall have the meaning assigned to such term in the Development Agreement.

1.21 "Development Term" shall have the meaning assigned to such term in the Development Agreement.

1.22 "Dollars" and the sign "$" shall mean the lawful money of the United States.

1.23 "DWAC" shall have the meaning assigned to such term in Section 5.6.4(a).

1.24 "Effective Date" shall mean the date of this Loan Agreement set forth in the Preamble.

1.25 "Environmental Laws" shall mean any federal, state, county, municipal or other laws, ordinances or regulations pertaining to health or the environment.

1.26 "ERISA" shall mean the Employee Retirement Income Security Act of 1974,
as amended.

1.27 "Event of Default" shall mean any of those conditions or events listed in Article 12.

1.28 "Exchange Act" shall have the meaning assigned to such term in Section 7.4.

1.29 "Excluded Collateral" shall mean [*].

1.30 "Executive Officers" shall mean the Chief Executive Officer of Exelixis, or such other person holding a similar position designated by Exelixis from time to time, and the Chairman, Research and Development, Pharmaceuticals of GSK, or such other person holding a similar position designated by GSK from time to time.

1.31 "Expanded Program Option" shall have the meaning assigned to such term

in the Development Agreement.

1.32 "Extension Period" shall have the meaning assigned to such term in the Development Agreement.

1.33 "Fair Market Value" shall have the meaning assigned to such term in Section 5.6.1.

1.34 "GAAP" shall mean United States generally accepted accounting principles (including principles of consolidation), in effect from time to time, consistently applied.

1.35 "General Advance(s)" shall mean a loan pursuant to the terms of Section
2.1.1 that GSK agrees to provide to Exelixis solely for research and development activities pursuant to the terms and conditions of the Development Agreement.

1.36 "Governmental Entity" shall mean any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

1.37 "HSR Act" shall mean the Hart-Scott Rodino Antitrust Improvements Act of 1976, as amended.

1.38 "Included Compounds" shall have the meaning assigned to such term in the Development Agreement.

1.39 "Initial Advance" shall have the meaning assigned to such term in Section 6.1.

1.40 "Intellectual Property" shall have the meaning assigned to such term in Section 3.1.2.

1.41 "Legal Proceeding" shall mean any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, governmental or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Entity or any arbitrator or arbitration panel.

1.42 "LIBOR" shall mean, with respect to the Default Rate of Interest or Change in Control Rate of Interest, the London inter-bank offered rate at which United States Dollar deposits for a period equal to six (6) months are offered as such rate is published in The Wall Street Journal on the date an Event of Default or Change in Control occurs.

1.43 "Limited Program Option" shall have the meaning assigned to such term in the Development Agreement.

1.44 "Loan Agreement" shall mean this loan and security agreement together with all recitals and exhibits, schedules and attachments hereto, as each of them may be amended, modified, supplemented, or restated from time to time.

1.45 "Loan Documents" shall mean collectively, this Loan Agreement, the Note, the UCC Financing Statement(s), the Patent Office Filing(s), the Securities Account Control Agreement and any other agreements, certificates or instruments executed now or hereafter evidencing, describing, certifying or securing the Obligations, as such documents may be amended, modified, supplemented or restated from time to time.

1.46 "Major Pharmaceutical Company" shall mean any Person that, together with its Affiliates, has annual worldwide pharmaceutical sales of [*] or more.

1.47 "Material Adverse Effect" shall mean any material adverse effect (a) upon the validity, or enforceability of the Loan Documents (b) on any of the transactions contemplated by the Loan Documents, (c) on the business, operations, condition (financial or otherwise), performance or properties of Exelixis taken as a whole, or (d) upon the ability of Exelixis to fulfill any Obligations.

1.48 "Maturity Date" shall mean the date that is three (3) years from the Development Expiration Date.

1.49 "Maximum Loan Amount" shall mean the maximum principal loan amount of either (a) Eighty-Five Million Dollars ($85,000,000) if GSK does not select the Expanded Program Option or [*].

1.50 "National Securities Market" shall mean the Nasdaq National Market System, the Nasdaq Small Cap Market and any other national public securities exchange.

1.51 "Note" shall mean the promissory note together with all recitals and exhibits, schedules and attachments thereto, executed by Exelixis in favor of GSK, substantially in the form of Exhibit A attached hereto, as may be amended, modified, supplemented or restated from time to time.

1.52 "Obligations" shall mean all Advances, Total Advance Amount, liabilities, obligations, covenants and duties arising under the Loan Documents owed by Exelixis to GSK whether direct or indirect, absolute or contingent.

1.53 "Operating Documents" shall mean Exelixis' amended and restated certificate of incorporation, as currently filed with the State of Delaware and

its amended and restated bylaws in current form, each with all future modifications and amendments thereto.

1.54 "OSHA" shall mean the federal Occupational Safety and Health Act, as amended.

1.55 "Party" or "Parties" shall have the meaning assigned to such term in the Preamble.

1.56 "Patents" shall have the meaning assigned to such term in Section 3.1.1.

1.57 "Patent Office Filing" shall mean any and all patent collateral mortgage agreements and cover sheets between GSK and Exelixis and its Affiliates which grant GSK a security interest, first in priority, in the Patents by filing such patent collateral mortgage agreements with the United States and foreign Patent and Trademark Offices, substantially in the form of Exhibit B attached hereto, as may be amended, modified, supplemented or restated from time to time.

1.58 "Payment Date" shall mean any of the dates on which payment of the Advances and accrued interest is due as set forth in Section 5.1.

1.59 "Person" shall mean any individual, corporation, firm, partnership or other entity.

1.60 "Proceeds" shall have the meaning assigned to such term in the UCC.

1.61 "Product Specific Advance(s)" shall mean a loan pursuant the terms set forth in Section 2.1.2 that GSK agrees to advance to Exelixis solely for research and development activities with respect to a particular Development Compound that Exelixis elects to become a Development Candidate pursuant to the terms and conditions of the Development Agreement.

1.62 "Repayment Period" shall mean the [*] period immediately following the Development Expiration Date.

1.63 "SEC" shall mean the United States Securities and Exchange Commission.

1.64 "SEC Affiliate" shall have the meaning ascribed to the term "affiliate" under Rule 144 of the Securities Act.

1.65 "SEC Filings" shall have the meaning assigned to such term in Section 7.4.

1.66 "Securities Account Control Agreement" shall mean [*], as such securities account control agreement may be amended, modified, supplemented or restated from time to time.

1.67 "Securities Act" shall have the meaning assigned to such term in Section 7.4.

1.68 "Stock Purchase Agreement" shall have the meaning assigned to such term in the Recitals.

1.69 "Stock Repayment" shall have the meaning assigned to such term in Section 5.6.1.

1.70 "Stock Repayment Amount" shall have the meaning assigned to such term in Section 5.6.1.

1.71 "Stock Repayment Closing Date(s)" shall mean the Business Day set forth in the Stock Repayment Notice as the stock repayment closing date; provided that each such stock repayment closing date shall be no later than the applicable Payment Date.

1.72 "Stock Repayment Notice" shall have the meaning assigned to such term in Section 5.6.1.

1.73 "Stock Repayment Shares" shall mean the shares of Common Stock issuable by Exelixis to GSK to pay all or any portion of the then outstanding principal balance of the Advances and all accrued interest thereon pursuant to Section 5.6.

1.74 "Tangible Net Worth" shall have the meaning assigned to such term in Section 11.2.

1.75 "Term" shall mean the period from the Effective Date until the later of (a) the Maturity Date or (b) when the aggregate principal balance of all Advances outstanding and any interest accrued thereon has been paid.

1.76 "Third Party" shall mean any entity other than Exelixis or GSK or an Affiliate of Exelixis or GSK.

1.77 "Total Advance Amount" shall have the meaning assigned to such term in Section 5.1 hereof.

1.78 "Trading Day" shall mean a day in which the National Securities Markets are open for trading.

1.79 "Transaction Documents" shall mean this Loan Agreement, the Development Agreement and the Stock Purchase Agreement, as such documents may be amended, modified, supplemented or restated from time to time.

1.80 "UCC" shall mean the Uniform Commercial Code as the same may from time to time be in effect in Exelixis' state of incorporation; provided, however, in

the event that, by reason of mandatory provisions of law, such as may be the case with the Deposit Account, any or all of the attachment, perfection or priority of GSK's security interest in any Collateral shall be governed by the Uniform Commercial Code as in effect in a jurisdiction other than Exelixis' state of incorporation, in which case, the term "UCC" shall mean the Uniform Commercial Code as in effect at such time in such other jurisdiction for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

1.81 "UCC Financing Statement(s)" shall mean a record or records composed of an initial financing statement and any filed record relating to the initial financing statement filed in Exelixis' state of incorporation or elsewhere to perfect GSK's lien on the Collateral.

1.82 "United States" or "U.S." shall mean the United States of America.

1.83 "Working Capital" shall have the meaning assigned to such term in Section 11.2.

Accounting Terms. All accounting terms not specifically defined in the Loan Documents shall be determined and construed in accordance with GAAP.

Other Definitional Provisions. Where the context herein requires, the singular number shall be deemed to include the plural, the masculine gender shall include the feminine and neuter genders, and vice versa. The words "hereof," "herein" and words of similar import when used in this Loan Agreement shall refer to this Loan Agreement as a whole and not to any particular provision of this Loan Agreement. All section, schedule or exhibit references are to this Loan Agreement unless otherwise specified. All terms used herein and defined in the UCC shall have the meaning given therein unless otherwise defined herein.

ARTICLE 2
AMOUNT AND TERMS OF CREDIT

2.1 Commitment. Subject to Exelixis' observance of, and performance with, all terms, conditions, warranties, representations and covenants of the Loan Documents, in the absence of an Event of Default, GSK agrees to make Advances to Exelixis up to the Maximum Loan Amount, in increments of Five Million Dollars ($5,000,000) or greater, from time to time, from the Effective Date until the Development Expiration Date; provided, however, GSK has no obligation whatsoever to make Advances to Exelixis which exceed Eighty-Five Million Dollars ($85,000,000) prior to such time as GSK selects the Expanded Program Option and, if GSK fails to select the Expanded Program Option, then GSK shall not be obligated to make any further Advances to Exelixis after Contract Year Two; [*]. Exelixis hereby irrevocably authorizes GSK to make (or cause to be made) appropriate notations regarding (a) the Borrowing Date, (b) the amount and type (i.e., General or Product Specific) of the Advance and (c) the total Product Specific Advances advanced as of the Borrowing Date for each Development Candidate or the total General Advances advanced as of the Borrowing Date, as the case may be, and in substantially the form set forth on Schedule 1 attached to the Note, which notations, if made, shall be rebuttably presumptive evidence of, inter alia, such information set forth therein. The aggregate amount of all Advances made from time to time from the Effective Date to the Development Expiration Date shall not at any time exceed the applicable Maximum Loan Amount. If Advances are prepaid pursuant to Section 5.5 or if milestone payments are credited against Advances pursuant to Section 5.4, such sums shall not be available for future Advances. Subject to Article 6, Advances shall be made as follows:

2.1.1 General Advances. Subject to Section 2.1, commencing on the Effective Date and prior to January 1, 2003, GSK agrees to make available General Advances to Exelixis in an amount up to Twenty-Five Million Dollars ($25,000,000) and, after the First Contract Year and prior to the Development Expiration Date, GSK agrees to make available additional General Advances to Exelixis in amounts up to Twenty Million Dollars ($20,000,000);[*]; and

2.1.2 Product Specific Advances. Subject to Section 2.1, upon, or at any time after, a Development Compound is selected by Exelixis as a Development Candidate pursuant to Section 3.3.2 of the Development Agreement, GSK agrees to make available to Exelixis one or more Product Specific Advances with respect to such Development Candidate[*].

2.2 Borrowing Notices. Subject to this Article 2, Exelixis may notify GSK to make available an Advance (each such notice, a "Borrowing Notice") by delivering to GSK a written request substantially in the form of Exhibit D attached hereto. The Borrowing Notice shall state the amount, the Borrowing Date of such Advance (which Borrowing Date must be a Business Day not earlier than fifteen (15) Business Days after the Borrowing Notice is effective pursuant to Section 16.5) and all other documents and instruments required pursuant to the terms and conditions of the Loan Documents. GSK is entitled to rely upon the Borrowing Notice and the covenants of Exelixis' officers who sign such Borrowing Notices. If GSK requires additional documentation pursuant to Section 6.2.8, GSK shall provide a list to Exelixis not less than five (5) Business Days prior to the Borrowing Date.

2.3 Disbursement of Advances. Subject to the terms and conditions of the Loan Documents, GSK shall make available to Exelixis the Advance requested by Exelixis on the Borrowing Date specified in each applicable Borrowing Notice by wire transfer to the Deposit Account.

ARTICLE 3
SECURITY INTEREST

3.1 Grant of Security Interest. To secure the payment and performance

by Exelixis of the Obligations to GSK, Exelixis and, to the extent applicable, its Affiliates hereby pledge, set over, assign, deliver and grant a first and only priority security interest to GSK in all of Exelixis' and, to the extent applicable, its Affiliates' right, title and interest in the following assets, wherever located and whether now existing or hereafter created and whether now owned or hereafter acquired, of every description, tangible and intangible (the "Collateral"):

3.1.1 [*];

3.1.2 [*];

3.1.3 Deposit Account. That certain deposit account with a mutually agreed upon bank or financial institution, initially [*], more particularly described on Schedule 3.1.3 (the "Deposit Account") maintained by Exelixis into which the proceeds of the Advances, including without limitation investment property, shall be deposited and, subject to Section 9.5, maintained, with all dividends and distributions, whether payable in cash, securities or other investment property accruing on the balance therein, all of which are described and governed by the Control Agreement;

3.1.4 [*];

3.1.5 Capital Equipment. All capital equipment (currently defined as equipment with a purchase price per item in excess of Five Thousand Dollars ($5,000)), purchased by Exelixis with the proceeds of the Advances, having a specific use solely to perform the activities contemplated under the Development Agreement, in all cases however and wherever arising (the "Capital Equipment"); and

3.1.6 Proceeds. All Proceeds and products of the Intellectual Property, the Deposit Account, the Development Candidate Inventory and/or the Capital Equipment.

ARTICLE 4
INTEREST

4.1 Interest

4.1.1 Advances Each Advance shall bear interest on the sum of the unpaid principal balance thereof outstanding on each day until repaid, at a rate per annum equal to four percent (4.0%).

4.1.2 Default Rate of Interest. Notwithstanding the rate of interest specified in Section 4.1.1, effective immediately upon the occurrence of an Event of Default under Article 12, and for so long thereafter as any such Event of Default shall be continuing and to the extent permitted by law, the aggregate principal balance of all Advances then outstanding and, to the extent permitted by applicable law, any accrued interest thereon, shall bear interest at the Default Rate of Interest. Exelixis hereby acknowledges that (a) such Default Rate of Interest is a material inducement to GSK to make Advances available to Exelixis; (b) GSK would not have made the Advances available to Exelixis in the absence of the agreement of Exelixis to pay such Default Rate of Interest; (c) such Default Rate of Interest represents compensation for increased risk to GSK that the Advances will not be repaid and (d) such Default Rate of Interest is not a penalty and represents a reasonable estimate of (i) the cost to GSK in allocating its resources (both personnel and financial) to the administration and collection of the Advances and (ii) compensation to GSK for losses that are difficult to ascertain.

4.1.3 Change of Control Rate of Interest. In the event of termination of the Development Agreement as provided in Sections 13.1.2(d)(i) or 13.1.2(d)(ii) of the Development Agreement, the aggregate principal balance of all Advances then outstanding and, to the extent permitted by applicable law, any accrued interest thereon, shall bear interest at the Change of Control Rate of Interest from and after the date of such termination.

4.1.4 Interest Computations. All interest chargeable under the Loan Documents shall be computed on the basis of a three hundred sixty (360) day year for the actual number of days elapsed.

ARTICLE 5
REPAYMENT

5.1 Repayment. Payment hereunder may be made by Exelixis in cash pursuant to Section 5.3, Common Stock pursuant to Section 5.6, or by a combination of the foregoing. Unless earlier paid through offsets pursuant to Section 5.4 or pursuant to Section 5.5 below, all Advances made hereunder, together with all accrued and unpaid interest, shall be due and payable to GSK on the earlier of [*], or (b) demand made in accordance with Section 13.1.

5.2 Payments on Non-Business Day. In the event that any payment of principal, interest, fees or any other amounts payable by Exelixis pursuant to the Loan Documents shall become due on any day which is not a Business Day, such due date shall be extended to the next succeeding Business Day, and, to the extent applicable, interest shall continue to accrue and be payable at the applicable rate for and during any such extension.

5.3 Cash Payment Procedures. All sums payable by Exelixis to GSK in cash under the Loan Documents, whether principal, interest, or otherwise, shall be paid in lawful money of the United States and payable in immediately available funds, when due, by wire transfer to an account of GSK as GSK may reasonably direct, without setoff, deduction or counterclaim (except as provided in Section 5.4 below).

5.4 Milestone Payments. Upon the satisfaction of the conditions set forth therein, GSK is obligated to make certain milestone payments to Exelixis pursuant to the terms of the Development Agreement. All Product Acceptance Milestone payments under Section 6.2.1 of the Development Agreement and commercialization milestone payments under Section 6.2.3 of the Development Agreement to be made to Exelixis may, at GSK's option, be immediately credited against the Advances and accrued interest then outstanding under the Note, by direct offset. All such credits shall be applied first to expenses or charges, then to accrued interest, and then to principal on the date such milestone payments are first due and payable. Any such credits to the Total Advanced Amount shall not entitle Exelixis to obtain any additional Advances. During the Repayment Period, milestone payments shall be applied to payments due in the direct order of maturity. GSK shall promptly provide Exelixis in writing a reconciliation of the amount of each such credit and its application to the amounts payable under the Note.

5.5 Optional Cash Prepayments. Exelixis may prepay, in cash, the unpaid principal amount of any Advance in whole or in part without penalty or premium at any time and from time to time, in cash only, and as provided for in Section 5.3. Partial prepayments shall be applied first to expenses and charges, then to interest and then to principal, and during the Repayment Period, to payments due in direct order of maturity.

5.6 Repayment By Common Stock.

5.6.1 Exercise of Issuance Rights. Subject to Section 5.6.6, prior to a Payment Date, upon notice to GSK pursuant to Section 5.6.3 (a "Stock Repayment Notice"), Exelixis shall have the option to issue to GSK the Stock Repayment Shares in payment of all or any portion of the then outstanding principal amount of any Advance, and all accrued interest relating thereto up to and including the Payment Date (the "Stock Repayment Amount") (each such instance being hereinafter referred to as "Stock Repayment"). The number of shares of Common Stock comprising the Stock Repayment Shares issuable in connection with Stock Repayments shall be equal to the quotient of the applicable Stock Repayment Amount divided by the Fair Market Value (as defined below) of one share of Common Stock. No fractional shares shall be issued in connection with a Stock Repayment. The "Fair Market Value" of the Common Stock shall be deemed to be the average of the opening and closing sale prices of the Common Stock as reported by the National Securities Market on which the Common Stock trades or is listed for the first twenty (20) consecutive Trading Days immediately following the date which is two (2) Trading Days after Exelixis filed its most recent periodic disclosure on Form 10-Q or Form 10-K prior to the date of each Stock Repayment Notice.

5.6.2 Limitation on Ownership. Notwithstanding anything to the contrary contained in this Loan Agreement, the total number of shares of Common Stock owned by GSK that have been acquired pursuant to the Transaction Documents shall at all times be less than twenty percent (20%) of Exelixis' then outstanding Common Stock, as reported in the most recent quarterly or annual report form of Exelixis filed with the SEC. In the event that any purchase of Option Shares (as defined in the Stock Purchase Agreement) or Stock Repayment Shares would cause GSK to be a holder of twenty percent (20%) or more of Exelixis' then outstanding Common Stock, GSK shall be relieved of its obligations to make such purchase(s) or from accepting such repayment in lieu of cash, to the extent of the overage.

5.6.3 Stock Repayment Notice. A Stock Repayment Notice substantially in the form attached hereto as Exhibit E shall be delivered pursuant to the notice provisions set forth in Section 16.5 not later than thirty (30) days prior to a Stock Repayment Closing Date. Each such Stock Repayment Notice shall state the Stock Repayment Amount applicable to the Stock Repayment.

5.6.4 Delivery of Stock Repayment Shares. At least three (3) Trading Days in advance of any Stock Repayment Closing Date, Exelixis shall issue instructions as follows:

(a) If GSK is not an SEC Affiliate of Exelixis, then Exelixis shall issue instructions to Exelixis' stock transfer agent directing Exelixis' transfer agent to prepare and deliver to the account of GSK by an automated share transfer through the Depository Trust Company system ("DWAC"), that number of shares of Common Stock representing the applicable Stock Repayment Shares no later than the Stock Repayment Closing Date;

(b) If GSK is an SEC Affiliate of Exelixis as of the applicable Stock Repayment Closing Date, then Exelixis shall issue instructions to Exelixis' stock transfer agent, directing the transfer agent to prepare and deliver to Exelixis a stock certificate representing that number of shares of Common Stock representing the applicable Stock Repayment Shares, as soon as possible, but in no event later than one (1) Trading Day prior to the applicable Stock Repayment Closing Date, which stock certificate shall be delivered by Exelixis to GSK on the applicable Stock Repayment Closing Date; provided however, that Exelixis may only issue Stock Repayment Shares in accordance with this Section 5.6; or

c) Subject to GSK's receipt of the stock certificate or DWAC transfer, as the case may be, for the Stock Repayment Shares, the outstanding Obligations prior to such Stock Repayment shall be deemed repaid to the extent of the applicable Stock Repayment Amount.

5.6.5 No Rights as Stockholders. GSK shall not be entitled to any voting rights or other rights as a stockholder of Exelixis except as otherwise provided in the Stock Purchase Agreement.

5.6.6 Conditions Precedent to Each Issuance of Stock Repayment

Shares. The right of Exelixis to issue Stock Repayment Shares shall be subject to the following conditions precedent and if Exelixis is unable to satisfy such conditions precedent on the date of the Stock Repayment Notice, then Exelixis shall make such payment due in cash pursuant to Section 5.3:

(a) satisfaction of each of the conditions set forth in Sections 5.6.1, 5.6.2 and 5.6.3;

(b) no Event of Default shall have occurred and be continuing or would reasonably be likely to be caused by the making of such Stock Repayment;

(c) satisfaction of each of the conditions set forth in Section 6.1 of the Stock Purchase Agreement;

(d) no Change of Control as described in Section 13.1 of the Development Agreement shall have occurred; and

(e) no termination of the Development Agreement shall have occurred; provided, however, if the Development Agreement is terminated by Exelixis pursuant to Section 12.2.1 of the Development Agreement for a Material Breach (as defined in the Development Agreement) by GSK or by GSK pursuant to Section 12.3.2 then this Section 5.6.6(e) shall not be a condition precedent to Exelixis' right to issue Stock Repayment Shares.

ARTICLE 6
CONDITIONS PRECEDENT

6.1 Conditions Precedent to Initial Advance. In addition to all of the obligations set forth in the Loan Documents, GSK will not make the initial Advance (the "Initial Advance") under and pursuant to this Loan Agreement unless and until the following conditions and obligations have been satisfied, all in form and substance satisfactory to GSK:

6.1.1 Loan Documents. Exelixis shall have duly executed and delivered the Loan Documents, all in form and substance satisfactory to GSK.

6.1.2 Supporting Documents. Exelixis shall deliver or cause to be delivered to GSK the following documents:

(a) a copy of the Operating Documents and a good standing certificate of Exelixis from the State of Delaware and for each jurisdiction in which it is qualified to transact business;

(b) an incumbency certificate with certified resolutions of the board of directors of Exelixis, signed by an authorized officer of Exelixis, authorizing the execution, delivery and performance of the Loan Documents (including Borrowing Notices);

(c) a legal opinion of counsel to Exelixis addressed to GSK regarding such matters as GSK and its counsel may reasonably request; and

(d) UCC searches, federal, state and local judgment searches, federal and state tax lien searches, bankruptcy searches, pending suit searches, searches with the United States and foreign Patent & Trademark Offices, and all other applicable lien searches showing no existing security interests in or liens on the Collateral other than liens permitted pursuant to Section 10.1.

6.1.3 Perfection of Liens. UCC Financing Statements, the Control Agreement, and filings with the United States and foreign Patent & Trademark Offices covering the Collateral shall have been duly executed, recorded or filed with the appropriate parties in the manner and places required by law to establish, preserve, protect and perfect the interests and rights created or intended to be created by the Loan Documents; and all taxes, fees and other charges in connection with the execution, delivery and filing of the Loan Documents shall have been duly paid.

6.2 Conditions Precedent to All Advances. The following conditions, in addition to any other requirements, including those for the Initial Advance hereunder, shall have been met or performed by the Borrowing Date and each Borrowing Notice shall be deemed to be a representation that all such conditions have been satisfied:

6.2.1 Borrowing Notice. Exelixis shall have delivered to GSK a Borrowing Notice;

6.2.2 No Event of Default. No Event of Default, and no event which, with the passage of time, or the giving of notice, or both, would be reasonably likely to give rise to an Event of Default, shall have occurred and be continuing, or be reasonably likely to be caused by the making of the Advance in question, and Exelixis shall have delivered an officer's certification to such effect, which may be incorporated in the Borrowing Notice;

6.2.3 No Termination under the Development Agreement. There has been no termination of the Development Agreement;

6.2.4 Correctness of Representations. All representations and warranties made by Exelixis herein shall be true and correct in all material respects with the same effect as though the representations and warranties had been made on and as of the proposed Borrowing Date, and Exelixis has delivered an officer's certificate to such effect, which may be incorporated in the Borrowing Notice;

6.2.5 No Material Adverse Effect. There has been no event which would be reasonably be likely to have a Material Adverse Effect;

6.2.6 Limitations Not Exceeded. The proposed Advance shall not cause the outstanding Total Advance Amount to exceed the applicable Maximum Loan Amount and/or the limits specified in Sections 2.1.1 and 2.1.2;

6.2.7 Use of Proceeds. Exelixis shall have delivered to GSK a certification from an officer of Exelixis that the proceeds of the Advance are to be utilized by Exelixis solely in furtherance of the obligations of Exelixis under the Development Agreement over the course of the Term, which certification may be incorporated in the Borrowing Notice;

6.2.8 Additional Documents. Exelixis shall have delivered to GSK all additional opinions, documents, certificates and other assurances that GSK or its counsel may reasonably request pursuant to Section 2.2; and

6.2.9 Change of Control. There shall have been no Change of Control as described in Section 13.1 of the Development Agreement.

6.3 Condition Precedent to Disbursement of Second General Advance. The obligation of GSK to make any second General Advance shall be subject to the satisfaction of the following condition precedent on or before any such second General Advance:

6.3.1 Exelixis Expenditures. Exelixis shall have delivered to GSK a certification from an officer of Exelixis that Exelixis has spent not less than Twenty Million Dollars ($20,000,000) in furtherance of Exelixis' obligations under the Development Agreement from sources other than GSK to Exelixis under the Development Agreement, the Stock Purchase Agreement and this Loan Agreement, which certification may be incorporated in the Borrowing Notice.

6.4 Conditions Precedent to Disbursement of All Product Specific Advances. The obligation of GSK to make any Product Specific Advance shall be further subject to the satisfaction of the following conditions precedent on or before any such Product Specific Advance:

6.4.1 Exelixis' Selection of a Development Candidate. In the event that a Development Candidate meets and continues to meet the Developability Criteria established by the Collaboration Committee for the advancement to Development Candidate status and Exelixis selects Development Compound to become a Development Candidate under the Development Program, Exelixis shall notify GSK, in writing of such selection, which notification shall be within no more than thirty (30) days after such selection; and

6.4.2 Marketable Title to Development Candidate Intellectual Property. Exelixis shall provide a representation in the Borrowing Notice for each Product Specific Advance that, other than the security interest of GSK, the title to the Intellectual Property pertaining to such Development Candidate is free and clear of all assignments, mortgages, pledges, liens, security interests, leases, claims or any other encumbrances.

ARTICLE 7
REPRESENTATIONS AND WARRANTIES OF EXELIXIS

Exelixis hereby represents and warrants to GSK as of the Effective Date and as of each Borrowing Date that:

7.1 Organization, Good Standing and Qualification. Exelixis is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business. The spelling and the identification of Exelixis on the signature page hereof are accurate in all respects and consistent with Exelixis' registration. Exelixis is duly qualified to transact business as a corporation and is in good standing in each jurisdiction in which qualification is required by law. Exelixis has full corporate power and authority to own its property and to carry on business in all jurisdictions where it is doing business. Exelixis possesses all licenses, permits, franchises, patents, copyrights, trademarks, and trade names, or rights thereto, to conduct its business substantially as now conducted and as presently proposed to be conducted, and is not in violation of rights of others with respect to the foregoing. GSK has been provided with a true copy of Exelixis' Operating Documents which are in full force and effect. GSK may rely on the accuracy and the integrity of the Operating Documents filed with the SEC and all amendments thereto which have not been filed with the SEC as of each Borrowing Date shall be certified to GSK by a duly authorized officer of Exelixis in the Borrowing Notice. There has been no certificate of dissolution filed or cancellation filed on the behalf of Exelixis nor has Exelixis been dissolved by any event such as death, retirement, resignation, expulsion, bankruptcy or dissolution of any shareholder, partner or member or event which would cause the dissolution of Exelixis pursuant to applicable law.

7.2 Authorization; Due Execution. Exelixis has the requisite corporate power and authority to execute, deliver and carry out the Loan Documents and to perform its obligations under the terms of the Loan Documents and, at the time of a Stock Repayment pursuant to Section 5.6, will have the requisite corporate power to issue Stock Repayment Shares. All corporate action on the part of Exelixis, its officers, directors and stockholders necessary for the authorization, execution and delivery of the Loan Documents has been taken. The Loan Documents have been and shall be duly authorized, executed and delivered by Exelixis and, upon due execution and delivery by GSK of the Loan Documents (as applicable) will each be a valid and binding agreement of Exelixis, enforceable in accordance with its respective terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or by equitable principles.

7.3 Valid Issuance of Stock. The Stock Repayment Shares, when issued, sold and delivered in accordance with the terms of Section 5.6, will be duly and validly authorized and issued, fully paid, and nonassessable and will be issued

in compliance with all applicable federal and state securities laws.

7.4 SEC Filings. Exelixis has timely filed with the SEC all reports, registration statements and other documents required to be filed by it (the "SEC Filings") under the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder (the "Securities Act") and the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder (the "Exchange Act"). The SEC Filings were prepared in accordance and, as of the date on which each such SEC Filing was filed with the SEC, complied in all material respects, with the applicable requirements of the Securities Act, the Exchange Act, and, to the best of its knowledge, the Sarbanes-Oxley Act of 2002, as the case may be. None of such SEC Filings, including, without limitation, any financial statements, exhibits and schedules included therein and documents incorporated therein by reference, at the time filed, declared effective or mailed, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Except to the extent information contained in any of the SEC Filings has been revised, corrected or superseded by a later filing of any such form, report or document, none of the SEC Filings currently contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

7.5 Governmental Consents. No consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state, local or provincial Governmental Entity on the part of Exelixis is required in connection with the consummation of the transactions contemplated by the Loan Documents, except for such approvals or consents required under the HSR Act and such other notices required or permitted to be filed with certain state and federal securities commissions after the Effective Date, which notices will be filed on a timely basis.

7.6 No Conflict. Exelixis' execution, delivery and performance of the Loan Documents does not violate any provision of Exelixis' Operating Documents, as amended, any provision of any Third Party agreement, order, writ, judgment, injunction, decree, determination or award to which Exelixis is a party or by which it is bound, or, to Exelixis' knowledge, any law, rule or regulation currently in effect having applicability to Exelixis.

7.7 Litigation. Except as disclosed in the SEC Filings, there are no judgments, lawsuits, judicial proceedings, investigations or complaints pending or overtly threatened against Exelixis, by any Third Party or Governmental Entity, for amounts in excess of Five Million Dollars ($5,000,000) relating to any aspect of Exelixis' business or properties or its ability to consummate the transactions contemplated by the Loan Documents.

7.8 Compliance with Law. Exelixis is in compliance with all material respects with all laws, including, without limitation ERISA, OSHA, Environmental Laws and the other governmental rules and regulations applicable to its business and properties. Exelixis is in compliance with all requirements of the Americans with Disabilities Act of 1990, 42 U.S.C. 12101 et seq., including, but not limited to, those regulations promulgated by the Architectural and Transportation Barrier Compliance Board at 36 CFR 1191 et seq. and by the Department of Justice at 28 CFR 36 et seq.

7.9 Title to the Collateral. To its knowledge, Exelixis has good and marketable title and rights to the Intellectual Property, except for the security interest granted to GSK by Exelixis pursuant to the Loan Documents. Exelixis has good and marketable title and rights to the Development Candidate Inventory, Capital Equipment and Deposit Account except for the security interest granted to GSK by Exelixis pursuant to the Loan Documents. As of the Effective Date, title to the Collateral and all rights thereunder shall be exclusively vested in Exelixis with no rights whatsoever to the Collateral vested in any Affiliate. Exelixis has the right and corporate power to grant the security interests in and to the Collateral provided by or referred to in the Loan Documents. Except as herein provided, none of the Collateral is or is about to become subject to any other assignment, mortgage, pledge, lien, security interest, lease or encumbrance by virtue of the execution or performance of the Loan Documents. No lien or claim has been attached to or made against the Collateral for: (a) tax liabilities which have been assessed against Exelixis which remain unpaid; or (b) damages or cleanup and removal costs, as those terms are defined by any Environmental Laws arising from an intentional or unintentional act or omission of Exelixis or any previous owner or operator of its real or personal property resulting in the releasing, spilling, pumping, pouring, emitting, emptying, discharging or dumping of hazardous substances, hazardous wastes, pollutants or other related substances as those terms are defined by any Environmental Laws which would create a Material Adverse Effect.

7.10 No Event of Default/Breach. Exelixis has reviewed the Transaction Documents and represents that no Event of Default has occurred and is continuing under the Loan Documents and no breach by Exelixis has occurred and is continuing under the Development Agreement.

7.11 Intellectual Property. To the best of the knowledge of Exelixis and its majority-owned subsidiaries (other than Artemis Pharmaceuticals GmbH), respectively, Exelixis, and such majority-owned subsidiaries (other than Artemis Pharmaceuticals GmbH): (i) own, or have obtained licenses or rights to use, all of the Intellectual Property necessary to carry out Exelixis' and its majority-owned subsidiaries (other than Artemis Pharmaceuticals GmbH) respective businesses as currently conducted or as Exelixis contemplates conducting its business from time to time in the future and as contemplated by the Transaction Documents; (ii) are not aware of any notice asserting any ownership rights to

the Intellectual Property; (iii) are not aware of sales of any products that would constitute an infringement by Third Parties of the Intellectual Property; (iv) are aware of no pending or threatened action, suit, proceeding or claim by a Third Party challenging the ownership rights in, validity or scope of, the Intellectual Property; and (v) are not aware of any pending or threatened action, suit, proceeding or claim by a Third Party asserting that Exelixis or its majority-owned subsidiaries (other than Artemis Pharmaceuticals GmbH) infringe or otherwise violate any patent, trademark, copyright, trade secret or other proprietary right of any Third Party as would reasonably be expected to result in a Material Adverse Effect.

7.12 Effect of Representations and Warranties. None of the representations, warranties or statements made to GSK in the Loan Documents or in connection with the Loan Documents contain any untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements made not misleading.

ARTICLE 8
REPRESENTATIONS AND WARRANTIES OF GSK

GSK hereby represents and warrants to Exelixis as of the Effective Date that:

8.1 Authorization; Due Execution. GSK has the requisite corporate power and authority to enter into this Loan Agreement and to perform its obligations under the terms of the Loan Documents and, at the time of each Stock Repayment pursuant to Section 5.6, will have the requisite corporate power to accept the Stock Repayment Shares. All corporate action on the part of GSK, its officers, directors and stockholders necessary for the authorization, execution and delivery of the Loan Documents have been taken. The Loan Documents have been duly authorized, executed and delivered by GSK, and, upon due execution and delivery by Exelixis, the Loan Documents will be a valid and binding agreement of GSK, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or by equitable principles.

ARTICLE 9
COVENANTS

Exelixis covenants and agrees to comply with the following covenants at all times during which Advances are outstanding:

9.1 Keeping of Books. Keep proper books of record and account in which full and correct entries shall be made of all of its financial transactions and its assets and businesses in accordance with GAAP so as to permit the filing of its financial information with the SEC in accordance with all applicable SEC rules and regulations. Exelixis shall keep accurate records of the Collateral, which records are at all times to be physically located at the address of Exelixis or its Affiliates set forth on the signature page hereto or on Schedule 9.1. All tangible Collateral shall be physically located at the address set forth on the signature page hereto or on Schedule 9.1, and Exelixis agrees to promptly inform GSK of all changes to the location of the tangible Collateral.

9.2 SEC Reporting Requirements. Furnish to GSK, or cause to be furnished to GSK, as soon as available and in no event later than three (3) Business Days after they are sent, made available or filed, copies of all SEC Filings.

9.3 Maintenance of Rights and Existence. Maintain and preserve in full force and effect all rights, contracts, licenses, leases, privileges, franchises and other authority necessary for the proper conduct of its business except where the lapsing of any of the foregoing would not cause or result in a Material Adverse Effect. Exelixis shall continue to be duly licensed or qualified to do business in each jurisdiction in which qualification is required by law except where such lack of qualification would not have a Material Adverse Effect, and to continue to be in good standing and to preserve its legal existence.

9.4 Governmental and Other Approvals. Apply for, obtain, and maintain in effect, as applicable, all authorizations, consents, approvals, licenses, qualifications, exemptions, filings, declarations and registrations (whether with any court, governmental agency, regulatory authority, National Securities Market or otherwise) which are necessary in connection with the execution, delivery and performance by Exelixis of the Loan Documents and the transactions consummated or to be consummated thereunder.

9.5 Use of Proceeds. Use the proceeds of the Advances hereunder in furtherance of the obligations of Exelixis under the Development Agreement over the course of the Term.

9.6 Further Assurances. In addition to the obligations and documents which the Loan Documents expressly requires Exelixis and, to the extent applicable, its Affiliates to execute, acknowledge, deliver and perform, Exelixis shall execute and acknowledge (or cause to be executed and acknowledged) and deliver to GSK all documents, and take all actions, that may be reasonably requested by GSK from time to time to confirm the rights created or now or hereafter intended to be created under the Loan Documents or otherwise to carry out the purposes of the Loan Documents and the transactions contemplated hereunder and thereunder. Exelixis hereby agrees to execute, file and/or deliver (or cause its Affiliates, as applicable, to execute, file and/or deliver) to GSK the Patent Office Filings and such other security agreements as GSK shall deem necessary or appropriate from time to time. The security interest pledged, set over, assigned and granted by Exelixis and, to the extent applicable, its Affiliates to GSK shall be a first and only priority security interest pursuant to applicable law, and Exelixis shall take all such action (or cause its Affiliates to take all such action) to create and perfect for the benefit of GSK a first priority security

interest in the Collateral; and in the case of Capital Equipment being purchased, a purchase-money security interest pursuant to Section 9.15.

9.7 Compliance with the Laws. Exelixis shall comply with all laws, including without limitation, Environmental Laws, ordinances, rules and regulations, now or hereafter in effect, applicable to it, of any Governmental Entity applicable to its business and properties, the noncompliance with which would reasonably be expected to cause a Material Adverse Effect.

9.8 Litigation. Exelixis shall promptly notify GSK (a) of any litigation, actions, proceedings, claims or investigations pending or threatened against Exelixis, wherein claimant seeks to recover [*], (b) of the entry of any judgment [*] against Exelixis; (c) the entry of any liens, other than the permitted liens (as set forth in Section 10.1) against the Collateral; or (d) upon learning of any circumstances or transactions that would reasonably be expected to be a violation of any Environmental Laws.

9.9 Payment of Taxes. Exelixis shall pay and discharge, as they become due, all taxes, assessments, debts, claims and other governmental or non-governmental charges lawfully imposed upon it or incurred by it or its properties and assets, except taxes, assessments, debts, claims and charges contested in good faith in appropriate proceedings, and provide GSK, if reasonably requested, with evidence of said taxes, assessments, debts, claims, and charges, and of payment thereof.

9.10 Access to Records and Property. Upon reasonable prior written notice, Exelixis shall give any representatives of GSK or independent contractors selected by GSK reasonable access during normal business hours (and after an Event of Default and while it is continuing at any time) to examine, audit, copy or make extracts from, any and all books, records and documents in its possession relating to the Collateral and to inspect any of its properties wherever located.

9.11 Preservation of Title to Collateral. Exelixis agrees to immediately notify GSK of any material loss or damage to, or any occurrence which would materially and adversely affect the security interest of GSK in and to the Collateral. The Collateral shall be free and clear of all assignments, mortgages, pledges, liens, security interests, leases, or encumbrances, except as otherwise provided in this Loan Agreement. Exelixis shall continue to maintain good and marketable title to the Collateral, except as otherwise provided in the Loan Documents, at the sole expense of Exelixis.

9.12 Insurance. Exelixis shall maintain, at its cost, adequate insurance (a) against liability and other risks associated with the activities contemplated under the Development Agreement and (b) to protect the value of the Collateral, in such amounts and on such terms as are reasonably customary in the biotechnology industry for the activities to be conducted by it under the Development Agreement. Such insurance policy shall name GSK as an additional insured party as its interest may appear in such insurance policies. At a minimum, Exelixis shall maintain, at its cost, a general liability policy providing coverage of at least One Million Dollars ($1,000,000) per occurrence, Two Million Dollars ($2,000,000) in the aggregate and Five Million Dollars ($5,000,000) excess. Exelixis shall provide to GSK evidence of such insurance policy, upon request.

9.13 Intellectual Property. To the extent the Collateral consists of Intellectual Property, Exelixis shall be required to (and shall cause, to the extent applicable, its Affiliates to): (a) comply with all applicable laws from any applicable Governmental Entity regulating the maintenance and quality of the Intellectual Property; (b) execute such documents and take such other actions necessary to extend the Collateral to any now existing or newly issued Intellectual Property, including, without limitation, promptly disclosing to GSK the existence of any new Intellectual Property created by any Affiliate and causing such Affiliate to become a party to this Loan Agreement solely for the purposes of the requirements, restrictions and limitations set forth in Sections 3.1.1, 3.1.2, 3.1.6, 9.11, and 9.13 of this Loan Agreement; (c) maintain the rights to use the Intellectual Property consistent with the Development Agreement; and (d) execute such documents to permanently assign to GSK all of Exelixis' rights to the Intellectual Property upon the occurrence of an Event of a Default. Among other things, Exelixis shall (and shall cause its Affiliates to) execute assignments to GSK following an Event of Default.

9.14 Fees and Expenses in Protecting Rights. If in the Event of Default, GSK employs counsel or any other professionals or consultants for advice or other representation: (a) with respect to the Collateral, the Obligations of Exelixis to GSK or the Loan Documents; (b) to represent GSK in any litigation, contest, dispute, suit or proceeding or to commence, defend or intervene or to take any other action in or with respect to any litigation, contest, dispute, suit or proceeding (whether instituted by GSK, Exelixis or any other Third Party) in any way or respect relating to the Collateral, the Obligations of the Exelixis to GSK, the Loan Documents; (c) to protect, collect, sell, liquidate or otherwise dispose of the Collateral; (d) to attempt to or to enforce GSK's liens and security interests in the Collateral; and/or (e) in otherwise protecting, enforcing or exercising its interests, rights or remedies created by, connected with or provided in the Loan Documents, or performance pursuant to the Loan Documents; then, the reasonable attorneys' fees, costs and expenses arising from such services, and all other expenses, costs, charges and other fees of GSK in any way or respect arising in connection with or relating to any of the events described in this Section 9.14 shall be added to the amount of the Obligations of Exelixis to GSK, and shall be payable on demand. Any amounts due hereunder not paid on demand shall bear interest from the date of demand at the Default Rate of Interest. Any of the amounts payable hereunder by Exelixis may be paid by GSK, and if and when so paid, shall be deemed to be a General Advance.

9.15 Capital Equipment. If at any time Exelixis purchases Capital Equipment, Exelixis shall promptly, and in any event no later than ten (10) days

after such purchase, notify GSK so that GSK may file any and all necessary documentation including a UCC Financing Statement within twenty (20) days after the acquisition of such Capital Equipment, and take all other reasonably necessary steps to perfect a purchase-money security interest in the Capital Equipment. Exelixis agrees to execute all necessary documentation and to cooperate with GSK in perfecting GSK's security interest in such Capital Equipment.

9.16 Deposit Account and Investment Property. Exelixis shall maintain (a) the Deposit Account for the General and Product Specific Advances and (b) the money in the Deposit Account as invested in the permitted types of securities set forth on Schedule 9.16 attached hereto and made a part hereof. The Deposit Account shall be maintained at a mutually agreed upon bank or financial institution pursuant to the Control Agreement.

9.17 Duration of Covenants. The covenants made in this Article 9 are to be true, accurate and complete for the duration of the Term of the Loan Documents, including, without limitation, at the time of each Advance.

ARTICLE 10
COVENANTS REGARDING PROHIBITED TRANSACTIONS

In order to induce GSK to execute the Loan Documents, Exelixis makes the following negative covenants at all times in which there are outstanding Advances:

10.1 Permitted Liens. Neither Exelixis nor it Affiliates shall incur, create or permit to exist any mortgage, assignment, pledge, hypothecation, security interest, lien or other encumbrance on any of the Collateral, whether now owned or hereafter acquired, except (a) liens for taxes not delinquent; (b) those liens in favor of GSK created by the Loan Documents; and (c) those liens, such as carrier, warehousemen, unemployment or retirement liens, arising by operation of law in the ordinary course of business if subordinated on terms acceptable to GSK or reserves are established to the satisfaction of GSK.

10.2 Impairment of Title to Collateral. Neither Exelixis nor its Affiliates shall sell, conditionally sell, sell on approval, consign, lease, encumber, transfer, remove from its premises any Collateral without the prior written consent of GSK.

10.3 Settlements. Exelixis shall not compromise, settle or adjust any claims in a material amount relating to the Intellectual Property, without the prior written consent of GSK.

10.4 Change of Location or Name. Exelixis' taxpayer identification and organizational identification numbers are set forth on the signature page. Exelixis' chief executive office and principal place of business are presently located at the address set forth on the signature page. Exelixis shall not change the place where its books and records are maintained, change its name, change its state of incorporation, change the location of its chief executive office or principal place of business, as such terms are now or hereafter defined in the UCC, or transact business under any other name without prior written notice to GSK. Within four (4) months of any permitted change, Exelixis shall authenticate or otherwise cooperate in any action deemed necessary by GSK to maintain its rights and security interests as provided in the Loan Documents.

10.5 Inconsistent Agreement. Neither Exelixis nor its Affiliates shall enter into any agreement containing any provision that would be violated by the performance of Exelixis' obligations under the Loan Documents.

10.6 Violation of Representations, Warranties and Covenants. Exelixis shall not take any action or omit to take any action which is reasonably likely to render any of its representations, warranties or covenants to be untrue or incapable of performance.

ARTICLE 11
FINANCIAL COVENANTS

Exelixis covenants and agrees to comply with the following financial covenants during the Term:

11.1 Working Capital. Exelixis shall not cause or permit Working Capital to be less than [*], the term "Working Capital" meaning, as of the time of any determination thereof, the amount determined in accordance with GAAP, by which the current assets of Exelixis exceed its current liabilities.

11.2 Tangible Net Worth. Exelixis shall not cause or permit Tangible Net Worth to be less than [*], the term "Tangible Net Worth" meaning, as of the time of any determination thereof, total stockholder equity less good will and other intangible assets as reported by Exelixis in its SEC Filings prepared in accordance with GAAP.

ARTICLE 12
EVENTS OF DEFAULT

12.1 Events of Default. The occurrence or existence of any of the following conditions or events shall constitute an "Event of Default" hereunder:

12.1.1 Failure to Pay. Exelixis shall fail to pay (a) within three (3) Business Days following the date due under Article 5 or (b) within ten (10) Business Days of any demand pursuant to Section 13.1.1 of any principal, interest or other sums due to GSK;

12.1.2 Other Defaults under the Loan Documents. Any default or breach in the observance or performance of any of the other conditions,

representations, warranties, covenants or agreements of Exelixis set forth in the Loan Documents, and continuance thereof for a period of thirty (30) days;

12.1.3 Termination of Development Agreement. GSK or Exelixis, as the case may be, shall terminate the Development Agreement pursuant to Sections 12.2.1, 12.3.1, 12.3.2, or 12.4 thereof;

12.1.4 Other Specific Events.

(a) [*];

(b) the submission to GSK of any materially false or fraudulent statement by Exelixis, in connection with this Loan Agreement;

(c) upon any Material Adverse Effect;

(d) [*]; or

(e) a reportable event under ERISA which continues for ten (10) days after such occurrence; or

12.1.5 Insolvency; Bankruptcy. If (i) Exelixis becomes insolvent or generally fails to pay, or admits in writing its inability to pay, its debts as they mature, or applies for, consents to, or acquiesces in the appointment of a trustee, receiver, liquidator, conservator or other custodian for itself, or a substantial part of its property, or makes a general assignment for the benefit of creditors; (ii) Exelixis files a voluntary petition in bankruptcy or a trustee, receiver, liquidator, conservator or other custodian is appointed for Exelixis or for a substantial part of its property, and the same is not discharged within sixty (60) days; (iii) any bankruptcy, reorganization, debt arrangement, or other proceedings under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding, is instituted by or against Exelixis, and the same is consented to or acquiesced by Exelixis, or otherwise remains undismissed for sixty (60) days; or (iv) any warrant of attachment is issued against any substantial part of the property of Exelixis which is not released within sixty (60) days of service thereof.

ARTICLE 13
GSK'S RIGHTS AND REMEDIES UPON DEFAULT

13.1 Rights and Remedies. Upon the occurrence of, and during the continuance of, an Event of Default, GSK may, at its election, without notice of its election and without demand, do any one or more of the following, all of which are authorized by Exelixis:

13.1.1 declare all Obligations, evidenced by the Loan Documents, immediately due and payable (provided, that upon the occurrence of an Event of Default described in Section 12.1.5, all Obligations shall become immediately due and payable without any action by GSK);

13.1.2 cease advancing money or extending credit to or for the benefit of Exelixis under this Loan Agreement;

13.1.3 cease accepting Stock Repayments pursuant to Section 5.6;

13.1.4 institute legal or deficiency proceedings or otherwise enforce its rights to collect the Total Advance Amount with all accrued interest thereon against Exelixis which becomes immediately due and payable. If a judgment is entered in favor of GSK, the lien of the judgment relates back to the earliest date of perfection of GSK's security interests hereunder;

13.1.5 charge, setoff and withdraw from any credit balance which Exelixis may then have with GSK or with any Affiliate thereof, such amounts as may be necessary to satisfy the Total Advance Amount with all accrued interest thereon;

13.1.6 terminate and cancel any existing commitment to Exelixis for future Advances;

13.1.7 with or without judicial process, to the extent permitted by law, and subject to the final sentence of this Section 13.1.7, (i) to seize the Collateral or to require Exelixis to assemble the Collateral or (ii) to render the Collateral unusable without need for GSK to post a bond or security or (iii) demand Exelixis to make the Collateral available at a GSK designated place for sale, license or other disposition by GSK (and if such disposition is to GSK, at a public auction unless the Collateral is that customarily sold on a recognized market or the subject of widely distributed standard price quotations) (iv) exercise its rights to seize the Collateral and any remedies set forth under the Control Agreement and/or the Patent Office Filing to satisfy the Obligations with all accrued interest thereon without any right of Exelixis to adjourn such disposition. Any such sale, license or other disposition may be made of the Collateral in its present condition or following any commercially reasonable preparation or processing at the expense of Exelixis. Notwithstanding anything contained herein, GSK shall have no immediate right to proceed against any of the Excluded Collateral if GSK alleges an Event of Default pursuant to Sections 12.1.2, 12.1.4(b) or 12.1.4(c), prior to the completion of the dispute resolution process in accordance with Section 16.2, undertaken to determine the existence of such alleged Event of Default pursuant to such sections, and if such dispute resolution process conclusively determines the existence of an Event of Default by Exelixis under such sections, then, GSK shall be entitled to proceed against the Excluded Collateral; or

13.1.8 to effectuate collection of any Collateral comprising accounts, GSK may reassign any such account, to Exelixis (without recourse to GSK) and require Exelixis to proceed with such legal or other action, at Exelixis' sole

liability, cost and expense, in which event all amounts collected by Exelixis on such items are to, nevertheless, be treated as Proceeds of Collateral. In furtherance of GSK's rights and remedies hereunder, Exelixis hereby grants a power of attorney to GSK to endorse Exelixis' name on checks, notes, acceptances, drafts and any other documents or instruments requiring Exelixis' endorsement, to change the address where Exelixis' mail should be sent and to open all mail and to do such other acts and things necessary to effectuate the purposes of the Loan Documents when so permitted by the terms of the Loan Documents.

13.2 Application of Proceeds of Disposition of Collateral. The proceeds of any sale, license or other disposition of the Collateral are to be applied to satisfy the following items in the following order:

13.2.1 First, to GSK's expenses in preserving its interests and rights hereunder, to expenses incurred by GSK in realizing upon security interests created or referred to herein, and expenses of GSK in enforcing and defending its rights as set forth in Article 14;

13.2.2 Second, to the Total Advance Amount with all accrued interest thereon and any expenses not satisfied under Section 13.2.1;

13.2.3 Third, any excess or amounts remaining are to be paid to any subordinate security interest or lien if the holder thereof supplies proof of its interest or lien and if the holder thereof makes an authenticated demand therefor before distribution and any balance thereafter shall be paid to Exelixis unless GSK reasonably determines that reserves are warranted to implement the indemnification provisions in Article 15; and

13.2.4 Fourth, a transferee who purchases, licenses or otherwise receives the benefits of a disposition of Collateral after an Event of Default takes free of all Exelixis' rights and the rights of any subordinate security interest or lien. A transferee is entitled to the recording of a transfer statement to document public notice of such disposition.

13.3 Notice of Disposition of Collateral. GSK shall give authenticated reasonable notice to Exelixis and any other party entitled thereto under applicable law of the time and place of a public sale, license or other disposition of the Collateral. Authenticated notice is presumed to be reasonable (a) if given ten (10) days prior to such disposition, (b) if sent to the chief executive officer and, if none, to the address of Exelixis set forth in Section 16.5 and (c) if it contains a statement of the Collateral and its intended disposition, the time and place of disposition and a statement that Exelixis is entitled to an accounting of such disposition. GSK may disclaim any warranties that may apply to any sale, lease, license or other disposition of the Collateral.

13.4 Marshalling of Assets. GSK has no obligation whatsoever to proceed first against any of the Collateral before proceeding against any other of the Collateral. It is expressly understood and agreed that all of the Collateral stands as equal security for Obligations and any interest accrued thereon and that GSK has the right to proceed against or dispose of any/or all of the Collateral or other collateral in any order as GSK, in its sole discretion, determines.

13.5 Waiver of Defaults. No Event of Default shall be waived by GSK except in a written instrument specifying the scope and terms of such waiver and signed by an authorized officer of GSK, and such waiver shall be effective only for the specific times and purposes given. No single or partial exercise of any right, power or privilege hereunder, nor any delay in the exercise thereof, shall preclude other or further exercise of GSK's rights. No waiver of any Event of Default shall extend to any other or further Event of Default. No forbearance on the part of GSK in enforcing any of GSK's rights or remedies hereunder or any of the Transaction Documents shall constitute a waiver of any of its rights or remedies.

13.6 Remedies Cumulative. GSK's rights and remedies under the Loan Documents and all other Transaction Documents shall be cumulative. GSK shall have all other rights and remedies not expressly set forth herein as provided under applicable law, or in equity. No exercise by GSK of one right or remedy shall be deemed an election, and no waiver by GSK of any Event of Default on Exelixis' part shall be deemed a continuing waiver. No delay by GSK shall constitute a waiver, election, or acquiescence by it. No waiver by GSK shall be effective unless made in a written document signed on behalf of GSK and then shall be effective only in the specific instance and for the specific purpose for which it was given.

13.7 Waiver. Exelixis waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees at any time held by GSK on which Exelixis may in any way be liable.

ARTICLE 14
GSK'S RIGHTS AND REMEDIES EXCLUSIVE OF DEFAULT

Exclusive of an Event of Default, GSK possesses the following rights and remedies:

14.1 UCC. At all times prior to and following an Event of Default, GSK is entitled to all the rights and remedies of a secured party under the UCC as now or hereafter enacted;

14.2 Preservation of Collateral. At any time prior to and following an Event of Default, GSK, without notice, in its sole reasonable discretion, may

take any and all action which, in its sole reasonable discretion, is necessary and proper to preserve the Collateral, or GSK's interests under this Loan Agreement, including without limitation, those duties of Exelixis imposed by this Loan Agreement. Any sums so expended by GSK are to be secured by the Collateral and treated as though additional Advances for purposes of calculating the Total Advance Amount. Such sums (including reasonable attorneys' fees) are to be payable on demand with interest at the Default Rate of Interest repaid by Exelixis. GSK may also demand that escrow accounts be established to fund anticipated future expenditures; or

14.3 Power of Attorney. GSK is hereby irrevocably appointed and authenticated by Exelixis as its lawful attorney and agent in fact to file, authenticate or execute financing statements and other documents and agreements as GSK may deem necessary for the purpose of perfecting any security interests, or liens under any applicable law. All acts by GSK or its designee are hereby ratified and approved, and neither GSK, nor its designee, shall be liable for any acts of omission or commission, or for any error of judgment or mistake unless the result of gross negligence of willful misconduct. The powers of attorney granted to GSK in this Loan Agreement are coupled with an interest and are irrevocable during the Term.

ARTICLE 15
INDEMNIFICATION

15.1 Indemnification of GSK. Exelixis agrees to and hereby indemnify and hold GSK harmless from and against, and to reimburse GSK with respect to, any and all claims, demands, causes of action, losses, damages, liabilities, costs and expenses (including consequential damages, attorneys' fees and court costs) of any and every kind or character, known or unknown, fixed or contingent, asserted against or incurred by GSK at any time and from time to time by reason of or arising out of:

15.1.1 the breach of any representation, warranty or covenant of Exelixis set forth in the Loan Documents;

15.1.2 the failure of Exelixis to perform any obligation herein required to be performed by Exelixis; or

15.1.3 the ownership, construction, operation, use and maintenance of the Collateral other than by GSK.

15.1.4 Duration of Indemnity. This covenant survives for the Term notwithstanding whether Exelixis has been released and discharged or whether GSK becomes the owner of the Collateral.

ARTICLE 16
MISCELLANEOUS

16.1 Publicity. Neither Party shall originate any written publicity, news release or other announcement or statement relating to the announcement or terms of this Loan Agreement except as otherwise provided in Section 14.1 of the Development Agreement.

16.2 Dispute Resolution. Prior to the commencement of any litigation under this Loan Agreement, the Executive Officer of the Party considering commencement of such litigation shall notify the Executive Officer of the other Party that such litigation is being contemplated. For at least [*] following the delivery of such notice, the Parties' Executive Officers shall use good faith efforts to make themselves available to discuss the dispute and attempt to resolve the matter. If the dispute is not resolved within such [*], the Parties agree to submit the dispute for non-binding mediation (with the understanding that the role of the mediator shall not be to render a decision but to assist the Parties in reaching a mutually acceptable resolution), which shall occur within a period of not more than [*]. If the dispute is not resolved within such [*], either Party may commence litigation with respect to the subject matter of the dispute and with respect to any other claims it may have and thereafter neither Party hereto shall have any further obligation under this Section 16.2.

16.3 Choice of Law. This Loan Agreement and any dispute arising from the performance or breach hereof shall be governed by and construed and enforced in accordance with the laws of State of New York, U.S.A., unless such dispute is governed under the laws of the UCC in which case the UCC shall apply, without reference to conflicts of laws principles.

16.4 Subordination. The Obligations are expressly made subordinate in right of payment to all other obligations and indebtedness of Exelixis existing as of the Effective Date and listed on Schedule 16.4 and all refinancings (in an amount equal to or less than the original indebtedness), extensions, and renewals thereof. For the sake of clarity, this Section 16.4 applies only to GSK rights and remedies under Section 13.1.4 and not to GSK's rights under Section 13.1.7.

16.5 Notices. Any notice or request required or permitted to be given under or in connection with this Loan Agreement shall be deemed to have been sufficiently given if in writing and personally delivered or sent by certified mail (return receipt requested), facsimile transmission (receipt verified), or overnight express courier service (signature required), prepaid, to the Party for which such notice is intended, at the address set forth for such Party below:

If to Exelixis, addressed to: Exelixis, Inc.
170 Harbor Way
PO Box 511
South San Francisco, CA 94083
Attention: Chief Financial Officer

Telephone: [*]
Telecopy: [*]

with a copy to: Cooley Godward LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306
Attention: Robert Jones, Esq.
Telephone: [*]
Telecopy: [*]

If to GSK, addressed to: SmithKline Beecham Corporation,
doing business as GlaxoSmithKline
2301 Renaissance Blvd. (Bldg #510)
King of Prussia, Pennsylvania 19406
Attention: Vice President, Alliance
and Joint Venture Management
Telephone: [*]
Telecopy: [*]

with a copy to: GlaxoSmithKline
Corporate Legal Department
One Franklin Plaza
200 N. 16th Street / FP 2355 (DP)
Philadelphia, PA 19103
Attention: Senior Vice President and
Associate General Counsel
Telephone: [*]
Telecopy: [*]

or to such other address for such Party as it shall have specified by like notice to the other Parties, provided that notices of a change of address shall be effective only upon receipt thereof. If delivered personally or by facsimile transmission, the date of delivery shall be deemed to be the date on which such notice or request was given. If sent by overnight express courier service, the date of delivery shall be deemed to be the next business day after such notice or request was deposited with such service. If sent by certified mail, the date of delivery shall be deemed to be the third business day after such notice or request was deposited with the U.S. Postal Service.

16.6 Severability. If any provision hereof should be held invalid, illegal or unenforceable in any jurisdiction, the Parties shall negotiate in good faith a valid, legal and enforceable substitute provision that most nearly reflects the original intent of the Parties and 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. Such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction.

16.7 Entire Agreement. This Loan Agreement, including the schedules and exhibits hereto, together with the Stock Purchase Agreement and the Development Agreement set forth all the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties hereto and supersede and terminate all prior agreements and understanding between the Parties. There are no covenants, promises, agreements, warranties, representations, conditions or understandings, either oral or written, between the Parties other than as set forth herein and therein. No subsequent alteration, amendment, change or addition to this Loan Agreement shall be binding upon the Parties hereto unless reduced to writing and signed by the respective authorized officers of the Parties.

16.8 Headings. Headings used herein are for convenience only and shall not in any way affect the construction of or be taken into consideration in interpreting this Loan Agreement.

16.9 Use of Name. Except as otherwise provided herein, no Party shall have any right, express or implied, to use in any manner the name or other designation of the other Parties or any other trade name, trademark or logos of the other Parties for any purpose in connection with the performance of this Loan Agreement.

16.10 Further Actions. Each Party shall execute, acknowledge and deliver such further instruments, and do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Loan Agreement.

16.11 Waiver of Jury Trial. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS LOAN AGREEMENT. EACH PARTY HERETO (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THAT FOREGOING WAIVER, AND (ii) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS LOAN AGREEMENT AND ANY RELATED INSTRUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 16.11.

16.12 Parties in Interest. All of the terms and provisions of this Loan Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties hereto and their respective permitted successors and assigns.

16.13 Construction of Agreement. The terms and provisions of this Loan Agreement represent the results of negotiations between the Parties and their representatives, each of which has been represented by counsel of its own

choosing, and neither of which has acted under duress or compulsion, whether legal, economic or otherwise. Accordingly, the terms and provisions of this Loan Agreement shall be interpreted and construed in accordance with their usual and customary meanings, and each of the Parties hereto hereby waives the application in connection with the interpretation and construction of this Loan Agreement of any rule of law to the effect that ambiguous or conflicting terms or provisions contained in this Loan Agreement shall be interpreted or construed against the Party whose attorney prepared the executed draft or any earlier draft of this Loan Agreement.

16.14 No Liability for GSK. Other than fulfilling its obligations under the Development Agreement, GSK has no duty to preserve or protect the Collateral, to preserve the rights of Exelixis against Third Parties, or to sell, lease or otherwise dispose of any or all of the Collateral, or its proceeds, in any priority, unless it elects to do so as provided in this Loan Agreement. Except as expressly provided, this Section 16.14 shall be deemed an express waiver of the defense of impairment of Collateral.

16.15 Survival of Representations. All representations and warranties made herein shall survive the making of the Advances hereunder and the delivery of the Note, and shall continue in full force and effect so long as any indebtedness is outstanding, there exists any commitment by GSK to Exelixis and until this Loan Agreement terminates or expires.

16.16 No Usury. Regardless of any other provision of this Loan Agreement, the Note or in any other Loan Document, if for any reason the effective interest should exceed the maximum lawful interest, the effective interest shall be deemed reduced to, and shall be, such maximum lawful interest, and (a) the amount which would be excessive interest shall be deemed applied to the reduction of the principal balance of the Note and not to the payment of interest, and (b) if the loan evidenced by the Note has been or is thereby paid in full, the excess shall be returned to the party paying same, such application to the principal balance of the Note or the refunding of excess to be a complete settlement and acquittance thereof.

16.17 Assignment. This Loan Agreement may be assigned by GSK to an Affiliate without the written consent of Exelixis; but shall not be assignable by Exelixis, to an Affiliate, or by either Party to any Third Party, without the prior written consent of the other Party hereto. Notwithstanding the foregoing, either Party may assign this Loan Agreement, without the written consent of the other Party, to an Affiliate or to an entity that acquires all or substantially all of the business or assets of such Party (whether by merger, reorganization, acquisition, sale or otherwise), and agrees in writing to be bound by the terms and conditions of the Loan Agreement. No assignment and transfer shall be valid and effective unless and until (a) the assignee/transferee shall agree in writing to be bound by the provisions of the Loan Documents, (b) with respect to an assignment or transfer by Exelixis, the Stock Purchase Agreement is assigned/transferred to the same assignee/transferee concurrently with this Loan Agreement, and (c) with respect to an assignment or transfer by Exelixis, the assignee or transferee shall have executed and recorded such documents as may be required in the reasonable judgment of GSK to perfect GSK's interest in the Collateral. The terms and conditions of the Loan Agreement shall be binding on and inure to the benefit of the permitted successors and assigns of the Parties.

16.18 Counterparts. This Loan Agreement may be signed in counterparts, each and every one of which shall be deemed an original, notwithstanding variations in format or file designation which may result from the electronic transmission, storage and printing of copies of this Loan Agreement from separate computers or printers. Facsimile signatures shall be treated as original signatures.

* - * - * - *

In Witness Whereof, each of the Party's has caused this Loan Agreement to be executed and delivered by its duly authorized officer on the date first set forth above.

Address of Exelixis:

170 Harbor Way
P.O. Box 511
South San Francisco, CA 94083
Attention: Chief Executive Officer
Telephone: [*]
Telecopy: [*]

Exelixis, Inc.

By: /s/ Glen Y. Sato
Printed Name: Glen Y. Sato
Title: CFO & VP of Legal Affairs

Taxpayer Identification Number of Grantor:

[*]

Jurisdiction of Organization of Grantor:

Delaware

SmithKline Beecham Corporation

By: /s/ Donald F. Parman
Printed Name: Donald F. Parman
Title: Vice President & Secretary

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

EXHIBIT A
PROMISSORY NOTE

[*]

_____, 2002

Exelixis, Inc., a Delaware corporation ("Exelixis"), for value received, hereby promises to pay to the order of SmithKline Beecham Corporation, doing business as GlaxoSmithKline ("GSK"), the principal amount of [*] (the "Maximum Loan Amount"), together with interest as provided for below, payable on the dates, in the amounts and in the manner set forth below.

1. Loan Agreement. This Promissory Note (this "Note") is the note referred to in that certain Loan and Security Agreement, dated as of the date hereof, by and between Exelixis and GSK (as the same may be amended, supplemented, restated or otherwise modified from time to time, the "Loan Agreement"). Capitalized terms used herein without definitions shall have the meanings given to such terms in the Loan Agreement.

2. Advances. Exelixis may obtain an Advance by delivering to GSK a Borrowing Notice pursuant to Section 2.2 of the Loan Agreement.

3. Principal Payments. Subject to the terms and conditions of the Loan Agreement, the total outstanding principal balance of all Advances shall be due and payable on the Payment Dates set forth in Section 5.1 of the Loan Agreement, and may be paid in cash or Common Stock in accordance with the terms of Sections 5.3 and 5.6 of the Loan Agreement.

4. Interest. The sum of the daily unpaid principal balance of all outstanding Advances shall accrue interest on each day from the date the Advance is made until paid at the rate per annum set forth in the Loan Agreement.

5. Payment on Non-Business Day. In the event that any payment of principal, interest, fees or any other amounts payable by Exelixis under or pursuant to this Note shall become due on any day which is not a Business Day, such due date shall be extended to the next succeeding Business Day, and, to the extent applicable, interest shall continue to accrue and be payable at the applicable rate for and during any such extension.

6. Default. Exelixis' failure to pay timely any of the principal amount due under this Note when the same becomes due and payable or failure to pay timely any accrued interest or other amounts due under this Note on the date the same becomes due and payable thereafter shall constitute a default under this Note. Upon the occurrence of a default hereunder or an Event of Default under the Loan Agreement or any of the other Loan Documents, all unpaid principal, accrued interest at the Default Rate of Interest and other amounts owing hereunder shall be collectible by GSK pursuant to the Loan Documents and applicable law.

7. Waivers. Exelixis hereby waives presentment, demand, protest, notice of dishonor, notice of demand or intent to demand, notice of acceleration or intent to accelerate, and all other notices, and Exelixis agrees that no extension or indulgence to Exelixis or the release, substitution or nonenforcement of any security, or the release or substitution of Exelixis, whether with or without notice, shall affect the obligations of Exelixis. The right to plead any and all statutes of limitation as a defense to any demands hereunder is hereby waived by Exelixis to the full extent permitted by law.

8. Governing Law. This Note shall be governed by and construed in accordance with the laws of the State of New York without reference to conflicts of law principles.

9. Successors and Assigns. The provisions of this Note shall inure to the benefit of and be binding on any successor to Exelixis and shall extend to any holder hereof.

In Witness Whereof, the undersigned has caused this Note to be executed the day and year aforesaid.

Witness/Attest:

Exelixis, Inc.

By: _____
Name: _____
Title: _____

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

SCHEDULE 1-PROMISSORY NOTE

SCHEDULE OF GENERAL ADVANCES

Borrowing Date	Amount of Advance	Total Advance Amount

SCHEDULE OF PRODUCT SPECIFIC ADVANCES
FOR THE SPECIFIC DEVELOPMENT CANDIDATE [ ]

Borrowing Date	Amount of Advance	Total Advance Amount

EXHIBIT B
FORM OF PATENT OFFICE FILING

PATENT SECURITY AGREEMENT AND MORTGAGE

THIS PATENT SECURITY AGREEMENT AND MORTGAGE (the "Patent Agreement") is executed as of the _____ day of _____ , 2002, by and between Exelixis, Inc., a Delaware corporation ("Exelixis") and SmithKline Beecham Corporation, a Pennsylvania corporation, doing business as GlaxoSmithKline ("GSK"). Exelixis and GSK are each referred to herein by name or as a "Party" or, collectively, as "Parties".

RECITALS

A. Exelixis is the owner and holder of the Patents listed on Schedule 2.1.1 annexed hereto and made a part hereof, together with all right, title and interest in and to the related inventions and any U.S. and foreign patents which have been or may be issued thereon;

B. Contemporaneously with the execution of this Patent Agreement, the Parties have executed: (i) a Product Development and Commercialization Agreement (the "Development Agreement"); (ii) a Stock Purchase and Stock Issuance Agreement (the "Stock Purchase Agreement"); and (iii) a Loan and Security Agreement (the "Loan Agreement"), as such documents may be amended, modified, supplemented or restated from time to time (collectively, the "Transaction Documents"); and

C. To induce GSK to enter into the Transaction Documents, Exelixis has offered to execute and deliver this Patent Agreement to GSK, granting and conveying to GSK a security interest, first and only in priority, upon the Collateral (as such term is defined in Article 2).

NOW, THEREFORE, in consideration of the foregoing, in consideration of the premises set forth in the Loan Agreement and in order to induce GSK to grant the Advances to Exelixis in accordance with the Loan Agreement, Exelixis hereby agrees with GSK for its benefit as follows:

ARTICLE 1
DEFINITIONS

Unless otherwise defined in this Patent Agreement, all capitalized terms shall have the meanings given them in the Transaction Documents. As used in this Patent Agreement, the following terms shall have the following respective meanings:

1.1 "Affiliate" shall mean any Person, whether de jure or de facto, which directly or indirectly through one (1) or more intermediaries controls, is controlled by, or is under common control with, a Party to the Loan Documents. A Person shall be deemed to "control" another Person if it (a) owns, directly or indirectly, beneficially or legally, at least fifty percent (50%) of the outstanding voting securities or capital stock (or such lesser percentage which is the maximum allowed to be owned by a Person in a particular jurisdiction) of such other Person, or has other comparable ownership interest with respect to any Person other than a corporation; or (b) has the power, whether pursuant to contract, ownership of securities or otherwise, to direct the management and policies of the Person.

1.2 "Capital Equipment" shall have the meaning assigned to such term in Section 2.1.5.

1.3 "Collateral" shall have the meaning assigned to such term in Article 2.

1.4 "Deposit Account" shall have the meaning assigned to such term in Section 2.1.3.

1.5 'Development Agreement" shall have the meaning assigned to such term in the Recitals.

1.6 "Development Candidate" shall have the meaning assigned to such term in the Development Agreement.

1.7 "Development Candidate Inventory" shall have the meaning assigned to such term in Section 2.1.4.

1.8 "Development Compound" shall have the meaning assigned to such term in the Development Agreement.

1.9 "Environmental Laws" shall mean any federal, state, county, municipal or other laws, ordinances or regulations pertaining to health or the environment.

1.10 "Event of Default" shall mean any of those conditions or events listed in Article 12 of the Loan Agreement or Section 5.1 hereof.

1.11 "Included Compounds" shall have the meaning assigned to such term in the Development Agreement.

1.12 "Intellectual Property" shall have the meaning assigned to such term in Section 2.1.2.

1.13 "Loan Agreement" shall have the meaning assigned to such term in the Recitals.

1.14 "Loan Documents" shall mean collectively, the Loan Agreement, the Note, the UCC Financing Statement(s), the Patent Office Filing(s), the Control Agreement and any other agreements, certificates or instruments executed now or hereafter evidencing, describing, certifying or securing the Obligations, as such documents may be amended, modified, supplemented or restated from time to time.

1.15 "Material Adverse Effect" shall mean any material adverse effect (a) upon the validity, or enforceability of the Loan Documents (b) on any of the transactions contemplated by the Loan Documents, (c) on the business, operations, condition (financial or otherwise), performance or properties of Exelixis taken as a whole, or (d) upon the ability of Exelixis to fulfill any Obligations.

1.16 "Obligations" shall mean all Advances, Total Advance Amount, liabilities, obligations, covenants and duties arising under the Loan Documents owed by Exelixis to GSK whether direct or indirect, absolute or contingent.

1.17 "Patents" shall have the meaning assigned to such term in Section 2.1.1.

1.18 "Patent Office Filing" shall mean this Patent Agreement and any and all other patent collateral mortgage agreements between GSK and Exelixis and its Affiliates which grant to GSK a security interest, first and only in priority, in the Collateral, as such agreements may be amended, modified, supplemented or restated from time to time.

1.19 "Person" shall mean any individual, corporation, firm, partnership or other entity.

1.20 "Proceeds" shall have the meaning assigned to such term in the UCC.

1.21 "Stock Purchase Agreement" shall have the meaning assigned to such term in the Recitals.

1.22 "Third Party" shall mean any entity other than Exelixis or GSK or an Affiliate of Exelixis or GSK.

1.23 "Transaction Documents" shall have the meaning assigned to such terms in the Recitals.

1.24 "United States or "U.S." shall mean the United States of America.

1.25 "UCC" shall mean the Uniform Commercial Code as the same may from time to time be in effect in Exelixis' state of incorporation.

1.26 "UCC Financing Statement(s)" shall mean a record or records composed of an initial financing statement and any filed record relating to the initial financing statement filed in Exelixis' state of incorporation or elsewhere to perfect GSK's lien on the Collateral.

Other Definitional Provisions. Where the context herein requires, the singular number shall be deemed to include the plural, the masculine gender shall include the feminine and neuter genders, and vice versa. The words "hereof," "herein" and words of similar import when used in this Patent Agreement shall refer to this Patent Agreement as a whole and not to any particular provision of this Patent Agreement and section, schedule or exhibit references are to this Patent Agreement unless otherwise specified.

ARTICLE 2
GRANT OF SECURITY

2.1 Grant of Security Interest. To secure the payment and performance by Exelixis of the Obligations to GSK, Exelixis and, to the extent applicable, its Affiliates hereby pledge, set over, assign, deliver and grant a first and only priority security interest to GSK in all of Exelixis' and, to the extent applicable, its Affiliates' right, title and interest in the following assets, wherever located and whether now existing or hereafter created and whether now owned or hereafter acquired, of every description, tangible and intangible (the "Collateral"):

2.1.1 Development Patents. [*];

2.1.2 Other Intellectual Property. [*];

2.1.3 Deposit Account. That certain deposit account with a mutually agreed upon bank or financial institution, initially [*], more particularly described in the Loan Agreement (the "Deposit Account") maintained by Exelixis into which the proceeds of the Advances shall be deposited and, subject to Section 9.5 of the Loan Agreement, maintained, with all dividends and distributions, whether payable in cash, securities or other property accruing on the balance therein;

2.1.4 Development Candidate Inventory. [*];

2.1.5 Capital Equipment. All capital equipment (currently defined as equipment with a purchase price per item in excess of Five Thousand Dollars ($5,000)), purchased by Exelixis with the proceeds of the Advances, having a specific use solely to perform the activities contemplated under the Development Agreement (the "Capital Equipment"); and

2.1.6 Proceeds. All Proceeds of the Intellectual Property, the Deposit Account, the Development Candidate Inventory and/or the Capital Equipment.

ARTICLE 3
REPRESENTATIONS, WARRANTIES AND COVENANTS OF EXELIXIS

Exelixis hereby represents, warrants, covenants and agrees as follows:

3.1 Title to the Collateral. To its knowledge, Exelixis has good and marketable title and rights to the Intellectual Property, except for the security interest granted to GSK by Exelixis pursuant to the Loan Documents. Exelixis has good and marketable title and rights to the Development Candidate Inventory, Capital Equipment and Deposit Account except for the security interest granted to GSK by Exelixis pursuant to the Loan Documents. Exelixis has the right and corporate power to grant the security interests in and to the Collateral provided by or referred to in the Loan Documents. Except as provided in the Loan Agreement and herein, none of the Collateral is or is about to become subject to any other assignment, mortgage, pledge, lien, security interest, lease or encumbrance by virtue of the execution or performance of the Loan Documents. No lien or claim has been attached to or made against the Collateral for: (a) tax liabilities which have been assessed against Exelixis which remain unpaid; or (b) damages or cleanup and removal costs, as those terms are defined by any Environmental Laws arising from an intentional or unintentional act or omission of Exelixis or any previous owner or operator of its real or personal property resulting in the releasing, spilling, pumping, pouring, emitting, emptying, discharging or dumping of hazardous substances, hazardous wastes, pollutants or other related substances as those terms are defined by any Environmental Laws which would create a Material Adverse Effect.

3.2 Infringement of the Collateral. To the best of the knowledge of Exelixis and its majority-owned subsidiaries (other than Artemis Pharmaceuticals GmbH), respectively, Exelixis and such majority-owned subsidiaries (other than Artemis Pharmaceuticals GmbH): (i) own, or have obtained licenses or rights to use, all of the Collateral necessary to carry out Exelixis' and its majority-owned subsidiaries (other than Artemis Pharmaceuticals GmbH) respective businesses as currently conducted or as Exelixis contemplates conducting its business from time to time in the future and as contemplated by the Transaction Documents; (ii) are not aware of any notice asserting any ownership rights to the Collateral; (iii) are not aware of sales of any products that would constitute an infringement by Third Parties of the Collateral; (iv) are aware of no pending or threatened action, suit, proceeding or claim by a Third Party challenging the ownership rights in, validity or scope of, the Collateral; and (v) are not aware of any pending or threatened action, suit, proceeding or claim by a Third Party asserting that and its majority-owned subsidiaries (other than Artemis Pharmaceuticals GmbH) infringe or otherwise violate any patent, trademark, copyright, trade secret or other proprietary right of any Third Party as would reasonably be expected to result in a Material Adverse Effect.

3.3 Further Assurances. In addition to the obligations and documents which the Loan Documents expressly requires Exelixis and, to the extent applicable, its Affiliates to execute, acknowledge, deliver and perform, Exelixis shall execute and acknowledge (or cause to be executed and acknowledged) and deliver to GSK all documents, and take all actions, that may be reasonably requested by GSK from time to time to confirm the rights created or now or hereafter intended to be created under the Loan Documents or otherwise to carry out the purposes of the Loan Documents and the transactions contemplated hereunder and thereunder. Exelixis hereby agrees to execute, file and/or deliver (or cause its Affiliates, as applicable, to execute, file and/or deliver) to GSK the Patent Office Filings and such other security agreements as GSK shall deem necessary or appropriate from time to time. The security interest pledged, set over, assigned and granted by Exelixis and, to the extent applicable, its Affiliates to GSK shall be a first and only priority security interest pursuant to applicable law, and Exelixis shall take all such action (or cause its Affiliates to take all such action) to create and perfect for the benefit of GSK a first priority security interest in the Collateral; and in the case of Capital Equipment being purchased, a purchase-money security interest pursuant to Section 9.15 of the Loan Agreement.

3.4 Fees and Expenses in Protecting Rights. If in the Event of Default, GSK employs counsel or any other professionals or consultants for advice or other representation: (a) with respect to the Collateral, the Obligations of Exelixis to GSK or the Loan Documents; (b) to represent GSK in any litigation, contest, dispute, suit or proceeding or to commence, defend or intervene or to take any other action in or with respect to any litigation, contest, dispute, suit or proceeding (whether instituted by GSK, Exelixis or any other Third Party) in any way or respect relating to the Collateral, the Obligations of the Exelixis to GSK, the Loan Documents; (c) to protect, collect, sell, liquidate or otherwise dispose of the Collateral; (d) to attempt to or to enforce GSK's liens and security interests in the Collateral; and/or (e) in otherwise protecting, enforcing or exercising its interests, rights or remedies created by, connected with or provided in the Loan Documents, or performance pursuant to the Loan Documents; then, the reasonable attorneys' fees, costs and expenses arising from such services, and all other expenses, costs, charges and other fees of GSK in any way or respect arising in connection with or relating to any of the events described in this Section 3.4 shall be added to the amount of the Obligations of Exelixis to GSK, and shall be payable on demand. Any amounts due hereunder not paid on demand shall bear interest from the date of demand at the Default Rate of Interest. Any of the amounts payable hereunder by Exelixis may be paid by GSK, and if and when so paid, shall be deemed to be a General Advance.

3.5 Pledge of Additional Collateral. Pursuant to Section 8 of the Development Agreement, in the event Exelixis, either itself or through any Affiliate shall:

3.5.1 file or record an application for the registration of any Patent with the United States Patent and Trademark Office or any similar office or agency of the United States, any State thereof, or any other country or any political subdivision thereof; or

3.5.2 file or record any assignment of any Patent which Exelixis may acquire, own or license from a Third Party, with the United States Patent and Trademark Office or any similar office or agency of the United States, any State thereof or any other country or any political subdivision thereof;

Exelixis shall promptly, but in no event more than fifteen (15) days subsequent to such filing, notify GSK thereof, and, upon request of GSK shall promptly, but in no event more than twenty (20) days subsequent to such notice, execute and deliver any and all assignments, agreements, instruments, documents and papers as GSK may reasonably request to evidence GSK's interest in such Collateral, and the general intangibles of Exelixis relating thereto or represented thereby. Exelixis hereby grants GSK a power of attorney, irrevocable until the Obligations of Exelixis to GSK are fully paid and satisfied, to modify this Patent Agreement by amending Schedule 2.1.1 to include any future Collateral, including, without limitation, registrations or applications appurtenant thereto, covered by this Patent Agreement.

3.6 Impairment of Title to Collateral. Neither Exelixis nor its Affiliates shall sell, conditionally sell, sell on approval, consign, lease, encumber, transfer, remove from its premises any Collateral without the prior written consent of GSK.

3.7 Preservation of Title to Collateral. Exelixis agrees to immediately notify GSK of any material loss or damage to, or any occurrence which would materially and adversely affect the security interest of GSK in and to the Collateral. The Collateral shall be free and clear of all assignments, mortgages, pledges, liens, security interests, leases, or encumbrances, except as otherwise provided in the Loan Documents. Exelixis shall continue to maintain good and marketable title to the Collateral, except as otherwise provided in the Loan Documents, at the sole expense of Exelixis.

ARTICLE 4
GSK'S APPOINTMENT AS ATTORNEY-IN-FACT

4.1 Appointment of GSK as Attorney-In-Fact. GSK is hereby irrevocably appointed and authenticated by Exelixis as its lawful attorney and agent in fact to file, authenticate or execute financing statements and other documents and agreements as GSK may deem necessary for the purpose of perfecting any security interests, or liens under any applicable law. All acts by GSK or its designee are hereby ratified and approved, and neither GSK, nor its designee, shall be liable for any acts of omission or commission, or for any error of judgment or mistake unless the result of gross negligence of willful misconduct. The powers of attorney granted to GSK in this Patent Agreement are coupled with an interest and are irrevocable during the Term.

ARTICLE 5
EVENTS OF DEFAULT

5.1 Events of Default enumerated in Article 12 of the Loan Agreement shall constitute Events of Default under this Patent Agreement.

ARTICLE 6
REMEDIES

6.1 Upon the occurrence of an Event of Default, in addition to all other rights and remedies of GSK, whether under law, in equity or otherwise (all such rights and remedies being cumulative, not exclusive and enforceable alternatively, successively or concurrently) GSK shall have all of the rights and remedies set forth in Article 13 of the Loan Agreement.

6.2 Notwithstanding anything contained in this Patent Agreement to the contrary, GSK shall not foreclose upon, dispose of or be deemed the owner of any Collateral unless and until GSK has provided Exelixis with advance written notice of its intent to foreclose upon, dispose of or take an ownership interest in any Collateral. Any writing given by GSK to Exelixis under this Article 6 must make explicit reference to this Patent Agreement and of GSK's intent to exercise its rights and remedies hereunder.

ARTICLE 7
EXECUTION OF SPECIAL POWER OF ATTORNEY

Concurrently with the execution and delivery of this Patent Agreement, Exelixis is executing and delivering to GSK a certain Special Power of Attorney, substantially in the form attached hereto and made a part hereof as Exhibit A (such authority becoming effective on the occurrence of an Event of Default pursuant to Article 12 of the Loan Agreement; provided, however, if there is an Event of Default alleged pursuant to Sections 12.1.2, 12.1.4(b) or 12.1.4(c) of the Loan Agreement, a dispute resolution process in accordance with Section 16.2 of the Loan Agreement shall be undertaken to determine the existence of such alleged Event of Default pursuant to such sections, and if such dispute resolution process conclusively determines the existence of an Event of Default by Exelixis under such sections, then such authority shall become effective only upon such resolution) for the implementation of the sale, assignment, licensing or other disposition of the Collateral pursuant to this Patent Agreement. Exelixis agrees to pay when due all reasonable costs and expenses incurred in any such transfer of the Collateral, including any taxes, fees and reasonable attorneys' fees, and all such costs shall be added to the Obligations of Exelixis to GSK. GSK may apply the Proceeds actually received from any such license, assignment, sale or other disposition to the payment of the Obligations of Exelixis to GSK as provided for in the Loan Agreement. Exelixis shall remain liable for any deficiency with respect to the Obligations of Exelixis to GSK, which shall bear interest and be payable at the Default Rate of Interest under the Loan Agreement. The rights of Exelixis to receive any surplus shall be subject to any duty of GSK imposed by law to the holder of any subordinate

security interest in the Collateral known to GSK. Nothing contained herein shall be construed as requiring GSK to take any such action at any time.

ARTICLE 8
MISCELLANEOUS

8.1 Amendments and Modification. No provision hereof shall be modified, altered, waived or limited except by a written instrument expressly referring to this Patent Agreement and executed by the Party to be charged.

8.2 Parties in Interest. All of the terms of this Patent Agreement shall be binding upon, inure to the benefit of, and be enforceable by all Parties hereto and their respective permitted successors and assigns.

8.3 Governing Law. This Patent Agreement shall be construed in accordance with and governed by the laws of the State of New York, unless such dispute is governed under the laws of the UCC in which case the UCC shall apply, without giving effect to the conflict of law principles thereof.

8.4 Notices. All notices, requests, demands and other communications provided for hereunder shall be in writing (unless otherwise expressly provided herein) and shall be sent and deemed to have been received as set forth in Section 16.5 of the Loan Agreement.

8.5 Counterparts. This Patent Agreement may be executed in counterparts each and every one of which shall be deemed an original, notwithstanding variations in format or file designation which may result from the electronic transmission, storage and printing of copies of this Loan Agreement from separate computers or printers. Facsimile signatures shall be treated as original signatures.

8.6 Headings. Section headings herein are included for convenience of reference only and shall not constitute a part of this Patent Agreement for any other purpose.

8.7 Acknowledgment of Receipt. Exelixis acknowledges receipt of a copy of this Patent Agreement.

8.8 No Waiver. No course of dealing between Exelixis and GSK, and no delay or omission of GSK in exercising or enforcing any of GSK's rights and remedies hereunder shall constitute a waiver thereof; and no waiver by GSK of any Event of Default shall operate as a waiver of any other Event of Default.

8.9 Severability. If any provision hereof should be held invalid, illegal or unenforceable in any jurisdiction, the Parties shall negotiate in good faith a valid, legal and enforceable substitute provision that most nearly reflects the original intent of the Parties and 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. Such invalidity, illegality or unenforceability shall not affect the validity, legality or enforceability of such provision in any other jurisdiction.

8.10 Interest Granted to GSK. Notwithstanding any provision of this Patent Agreement to the contrary, the interest granted to GSK under this Patent Agreement is intended to be a pledge and a security interest only, and the execution of this Patent Agreement is not intended to create an assignment or a transfer of title or any other property rights to the Patents.

8.11 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS PATENT AGREEMENT. EACH PARTY HERETO (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THAT FOREGOING WAIVER, AND (ii) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS PATENT AGREEMENT AND ANY RELATED INSTRUMENTS, AS APPLICABLE, BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 8.11.

[BALANCE OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, Exelixis has caused this Patent Agreement to be duty executed as of the day and year first above written.

WITNESS: EXELIXIS, INC.

By: _____
Name: _____
Title: _____

CORPORATE ACKNOWLEDGMENT

STATE OF _____)
:ss.
COUNTY OF _____)

I certify that on _____, 2002, _____ personally came before me and this person acknowledged under oath, to my satisfaction, that:

(a) this person signed and delivered this document as of Exelixis, Inc., the corporation named in this document; and

(b) this document was signed and delivered by the corporation as its voluntary act duly authorized by a proper resolution of its Board of Directors.

_____

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

Schedule 2.1.1 of the Patent Agreement

PATENTS

Issued Patents

Country	Patent No./Title	Issue Date

Pending Patent Applications

[*]

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

Exhibit A of the Patent Agreement

FORM OF SPECIAL POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that as of this _____ day of _____, 2002, Exelixis, Inc., a Delaware corporation with its principal place of business located at 170 Harbor Way, P.O. Box 511, South San Francisco, CA 94083 ("Exelixis"), pursuant to a certain Patent Security Agreement and Mortgage of even date herewith (the "Patent Agreement") by Exelixis in favor of SmithKline Beecham Corporation, a Pennsylvania corporation, doing business as GlaxoSmithKline, with an office located at 709 Swedeland Road, King of Prussia, PA 19406 ("GSK"), hereby appoints and constitutes GSK as its true and lawful attorney, with full power of substitution, and with full power and authority to perform the following acts on behalf of Exelixis, in accordance with, and subject to, the terms and provisions of the Patent Agreement:

1. Assigning, selling or otherwise disposing or all right, title and interest of Exelixis in and to the Patents, as such term is defined in the Patent Agreement, including, without limitation, those Patents listed on Schedule 2.1.1 annexed to the Patent Agreement, any Patents that Exelixis may now or hereafter acquire, and any Patents which may be added to Schedule 2.1.1 annexed to the Patent Agreement subsequent to the date of this Special Power of Attorney, and all registrations and recordings of any of the foregoing, and for the purpose of the recording, registering and filing of, or accomplishing any other formality with respect to the foregoing, and to execute and deliver any and all other agreements, documents, instruments or assignment or other papers necessary or advisable to effect such purpose, in each case, in accordance with the terms and provisions of the Patent Agreement; and

2. To execute any and all documents, statements, certificates or other papers necessary or advisable in order to obtain the purposes described above or any other remedies that GSK may have under the Loan Documents as GSK may in its sole discretion determine.

This Special Power of Attorney is made pursuant to the Patent Agreement and may not be revoked until the Obligations, as such term is defined in the Patent Agreement, of Exelixis to GSK is fully paid and satisfied.

IN WITNESS WHEREOF, Exelixis has caused this Special Power of Attorney to be duly executed as of the day and year first above written.

WITNESS: EXELIXIS, INC.

By: _____
Name: _____
Title: _____

CORPORATE ACKNOWLEDGMENT

STATE OF _____)
:ss.
COUNTY OF _____)

I certify that on _____, _____ personally came before me and this person acknowledged under oath, to my satisfaction, that:

(a) this person signed and delivered this document as _____ of Exelixis, Inc., the corporation named in this document; and

(b) this document was signed and delivered by the corporation as its voluntary act duly authorized by a proper resolution of its Board of Directors.

_____

Exhibit C
FORM OF SECURITIES ACCOUNT CONTROL AGREEMENT

CUSTOMER:

CREDITOR:

DATE:

This Securities Account Control Agreement entered into as of the above date (this "Agreement") is among SVB Securities, A Division of Alliant Partners ("SVBS"), Banc of America BrokerDealer Services, a division of Banc of America Securities LLC ("BA-BDS" or "Clearing Broker"), the Customer identified above ("Customer"), and the Creditor identified above ("Creditor").

RECITALS

A. Customer has established a securities account or securities accounts ("Account") with and/or through SVBS and BA-BDS pursuant to a SVB Securities Client Agreement ("Client Agreement"). The account number and title for the Account (or Accounts) are identified in EXHIBIT A to this Agreement. SVBS acts as the introducing broker. BA-BDS acts as the clearing broker. Both SVBS and Clearing Broker are securities intermediaries pursuant to Article 8 of the California Uniform Commercial Code ("CUCC"). Customer maintains in the Account securities, financial assets and other investment property as defined under Article 8 and 9 of the CUCC (collectively, the "Securities").

B. Pursuant to a security agreement or similar agreement identified in EXHIBIT A hereto(the "Security Agreement"), Customer has granted to Creditor a security interest in certain personal property of Customer, including without limitation (i) the Account; (ii) the Securities, (iii) all dividends and distributions, whether payable in cash, securities, or other property, in respect of the Securities, (iv) all of Customer's rights in respect of the Securities and Account, and (iv) all products, proceeds and revenues of and from any of the foregoing personal property in sections (i) through (iv) (collectively, the "Collateral").

C. SVBS, Clearing Broker, Customer and Creditor are entering into this Agreement in order to perfect Creditor's security interest in the Collateral and the Account by means of control pursuant to Article 8 of the CUCC.

AGREEMENT

The parties hereto hereby agree as follows:

1. Defined Terms. All terms used in this Agreement which are defined in the CUCC but are not otherwise defined herein shall have the meanings assigned to such terms in the CUCC, as in effect as of the date of this Agreement. While in the Account, all property credited to the Securities will be treated as financial assets under Article 8 of the CUCC. By this Agreement. Customer grants to Creditor "control" over the Securities within the meaning of Section 8106 of the CUCC.

2. The Securities. SVBS and Clearing Broker represent to Creditor that, on behalf of Customer, Customer maintains the Securities in the Account.

3. Acknowledgement of Security Interest. SVBS and Clearing Broker hereby acknowledge the security interest granted in the Collateral to Creditor by Customer. Creditor hereby acknowledges the security interest granted in the Collateral to SVBS and Clearing Broker by Customer pursuant to the Client Agreement.

4. Other Control Agreements. SVBS represents and warrants that, other than any account control agreement listed in EXHIBIT A hereto, SVBS has executed no other account control agreement with any other party and SVBS is not presently obligated to accept any entitlement order from any person other than the Customer with respect to the Collateral. Clearing Broker represents and warrants that, other than any account control agreement listed in EXHIBIT A hereto, Clearing Broker has executed no other account control agreement with any other party and Clearing Broker is not presently obligated to accept any entitlement order from any person other than the Customer with respect to the Collateral.

5. Future Control Agreements. Customer covenants and agrees that it will not enter an account control agreement with any other party without Creditor's prior written consent. SVBS agrees that it will not enter into a control agreement with any other party with respect to the Account without Creditor's prior written consent. Clearing Broker agrees that it will not enter into a control agreement with any other party with respect to the Account without Creditor's prior written consent.

6. Limitation on SVBS' and Clearing Broker's Rights in the Collateral. SVBS and Clearing Broker will not attempt to assert control and does not claim and will not accept any security or other interest in any part of the Collateral, and SVBS and Clearing Broker will not exercise, enforce or attempt to enforce on their own behalves any right of setoff against the Collateral, or otherwise charge or deduct from the Collateral on SVBS' or Clearing Broker's behalves any amount whatsoever, other than for: security interests, liens, encumbrances, claims or rights of setoff for the payment of any amounts owed by Customer to SVBS and/or Clearing Broker arising in connection with SVBS' and Clearing Broker's customary fees and commissions pursuant to their agreement with Customer or for the payment for financial assets and securities purchased for the Account (the "Account Claims"). Customer and Creditor hereby acknowledge that any security interests, liens, encumbrances, claims or rights of setoff for the payment of any amounts owed by Customer to SVBS and Clearing Broker arising in connection with the Account Claims shall at all times be prior to the rights of Creditor in the Collateral and Securities whether or not Creditor sends to SVBS a Notice of Exclusive Control described below.

7. Agreement for Control.

(a) SVBS and Clearing Broker will comply with all entitlement orders (including requests to withdraw Collateral from the Account) originated by Customer with respect to the Collateral, or any portion of the Collateral, without further consent by Creditor until such time as SVBS receives from Creditor (in accordance with Section 17 below) a written notice to SVBS that Creditor is thereby exercising exclusive control over the Account (a "Notice of Exclusive Control."). The Notice of Exclusive Control must be in the form set forth in EXHIBIT B hereto. SVBS or Clearing Broker have no obligation whatsoever to confirm that Creditor is entitled to send a Notice of Exclusive Control in connection with the Account or that the Creditor's representative who signs any Notice of Exclusive Control is authorized to do so. SVBS and Clearing Broker (upon instruction from SVBS) will, upon SVBS' receipt of such Notice of Exclusive Control, proceed in accordance with the remainder of this Section 7 even if Creditor's instructions are contrary to any instructions or demands that Customer may give to SVBS or Clearing Broker. After SVBS receives a Notice of Exclusive Control and has had reasonable opportunity to comply with it, but no later than two (2) Business Days ("Business Days" means days which SVBS is open to the public for business and are measured in 24 hour increments) after receipt of the Notice of Exclusive Control (in accordance with Section 17 below), SVBS and Customer agree that SVBS and Clearing Broker will: (i) cease complying with entitlement orders or other directions concerning the Account and Collateral that are originated by Customer or its representatives until such time as SVBS receives a written notice from Creditor rescinding the Notice of Exclusive Control; and (ii) comply with the entitlement orders and instructions provided to SVBS by Creditor without investigating: the reason for any action taken by Creditor; the amount of any obligations of Customer to Creditor; the validity of any of Creditor's agreements with Customer; or the existence of any defaults under such agreements.

(b) Notwithstanding the foregoing, Creditor agrees that upon receipt of Creditor's Notice of Exclusive Control, SVBS and Clearing Broker may take all steps necessary to satisfy or settle any Account Claims, may respond as required pursuant to the terms of any other account control agreement with respect to which SVBS believes it previously received a Notice of Exclusive Control or similar notice, and may respond as required by law to any court or government order, writ or other legal process received by SVBS or Clearing Broker. Creditor also agrees that, before SVBS' receipt of Creditor's Notice of Exclusive Control, SVBS and Clearing Broker may be required to and may respond to (i) Notices of Exclusive Control or similar notices sent to SVBS by other parties and (ii) a writ or other similar legal process served on SVBS or Clearing Broker in connection with the Account and Collateral. SVBS and Clearing Broker agree to use good faith efforts to promptly notify Creditor if any other party delivers to SVBS a notice of exclusive control or any party other than Creditor or SVBS asserts a claim against the Collateral by means of a writ or other similar legal process, but failure to provide such notice does not constitute a breach of this Agreement. Customer expressly agrees that SVBS, Clearing Broker and Creditor may act in accordance with the terms of this Section 7.

8. Customer Waiver and Authorization. Customer hereby waives any rights that Customer may have under the Client Agreement to the extent such rights are inconsistent with the provisions of this Agreement, and hereby authorizes SVBS and Clearing Broker to comply with all instructions and entitlement orders delivered by Creditor to SVBS in accordance with the terms of this Agreement.

9. Amendments to and Termination of Client Agreement. SVBS, Clearing Broker and Customer shall not amend, supplement or otherwise modify the Client Agreement insofar as it pertains to the Collateral without prior written notice to Creditor. Customer may not terminate the Client Agreement insofar as it pertains to the Collateral without consent of Creditor. SVBS and Clearing Broker agree to use good faith efforts to notify Creditor if SVBS or Clearing Broker terminate the Client Agreement, but SVBS' or Clearing Broker's failure to notify Creditor shall not be a breach of this Agreement.

10. Termination of this Agreement. Creditor may terminate this Agreement by giving SVBS and Customer written notice of termination; provided that, by giving such notice, Creditor acknowledges that it will thereby be confirming that, as of the termination date, it will no longer have a perfected security interest in the Account and Securities in the Collateral which is perfected by control via this Agreement, although Creditor may continue to have a perfected security

interest in the Account by other means. SVBS and Clearing Broker may terminate this Agreement by giving Creditor and Customer 30 days prior written notice of termination (unless a shorter notice period is mandated by applicable law). Customer may only terminate this Agreement with the written consent of Creditor; provided that, by giving such notice with Creditor's written consent, both Customer and Creditor acknowledge that they will thereby be confirming that, as of the termination date, Creditor will no longer have a perfected security interest in the Collateral which is perfected by control pursuant to this Agreement, although Creditor may continue to have a perfected security interest in the Collateral by other means.

11 Delivery of Account Statements. SVBS and Clearing Broker are hereby authorized by Customer and agree to send to Creditor at its address for notices set forth below Creditor's signature block at the end of this Agreement, concurrently with the sending thereof to Customer, duplicate copies of any and all monthly statements or reports issued or sent to Customer with respect to the Collateral and the Account. Until this Agreement is terminated, Customer authorizes SVBS to disclose to Creditor at Creditor's request any information concerning Customer's Account and the Securities in the Account, including but not limited to the identity of any other party with which Customer and SVBS and Clearing Broker have executed account control agreements or similar agreements.

12. Responsibility of SVBS, Clearing Broker and Creditor. This Agreement does not create any obligation or duty on the part of SVBS, Clearing Broker or Creditor other than those expressly set forth herein.

13. No Waiver. Any forbearance or failure or delay by SVBS, Clearing Broker or Creditor in exercising any right hereunder shall not be deemed a waiver thereof and any single or partial exercise of any right shall not preclude the further exercise thereof.

14. Amendments. This Agreement and all exhibits attached hereto may be amended only in writing signed by all parties hereto.

15. Governing Law. Notwithstanding the terms of any other agreement, the parties hereto agree that this Agreement shall be governed under and in accordance with the laws of the State of California. All parties hereto each submit to the exclusive jurisdiction of the State and Federal courts in Santa Clara County, California.

16. Integration Provision. This Agreement constitutes the entire agreement among SVBS, Clearing Broker, Customer and Creditor with respect to Creditor's control over the Collateral and Securities and matters specifically set forth herein, and all prior communications, whether verbal or written, between any of the parties hereto with respect to the subject matter hereof shall be of no further effect or evidentiary value.

17. Notices.

(a) Any notice, other than a Notice of Exclusive Control, or other communication provided for or allowed hereunder shall be in writing and shall be considered to have been validly given (a) when actually received by the recipient at the address or facsimile number, if delivered personally (whether by messenger, air courier service or otherwise) or sent by facsimile to the address or facsimile number identified below the signature of the applicable party's signature below and addressed to the addressee identified below the signature of the applicable party's signature below; or (b) 72 hours after being deposited in the United States mail, registered or certified, postage prepaid, return receipt requested, if sent to the address and addressee as set forth below the signature of the applicable party hereto. The addresses to which notices or other communications are to be given may be changed from time to time by notice served as provided herein.

(b) A Notice of Exclusive Control shall be in writing, must be in the form set forth in EXHIBIT B hereto, must be delivered to the address listed below SVBS' signature block at the end of this Agreement, must be delivered to SVBS via hand delivery, messenger, overnight delivery or facsimile and shall be considered to have been validly given when actually received, except that a facsimile will be considered to have been validly given only when acknowledged in writing by SVBS (SVBS agrees that it will use its good faith effort to promptly acknowledge receipt of such facsimile). Creditor acknowledges that SVBS may not be able to respond to a Notice of Exclusive Control pursuant to section 7 above, and Creditor agrees that SVBS will not be held liable for any failure to respond to a Notice of Exclusive Control, if the Creditor does not deliver the Notice of Exclusive Control as set forth in this Section 17 or to the address listed below SVBS' signature block at the end of this Agreement.

18. Indemnification and Hold Harmless of SVBS and Clearing Broker by Customer.

Customer hereby agrees to indemnify and hold harmless SVBS and Clearing Broker, and their respective affiliates and their respective directors, officers, agents and employees (each, an "Indemnified Person") against any and all claims, causes of action, liabilities, lawsuits, demands and damages (each, a "Claim") asserted

by Creditor or any other party, including without limitation, any and all court costs and reasonable attorneys' fees, in any way related to or arising out of or in connection with this Agreement or any action taken or not taken pursuant hereto, including any claims arising as a result of SVBS' and Clearing Broker's adherence (or alleged failure of adherence) to the foregoing instructions including, without limitation, Claims that allegedly result from SVBS' and/or Clearing Broker's ceasing, based on this Agreement, to permit withdrawals of or from the Collateral or resulting from SVBS' and/or Clearing Broker's paying over or delivering all or any part of the Collateral pursuant to the directions of Creditor; provided that no Indemnified Person shall be entitled to be
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indemnified to the extent that such Claims arise from the Indemnified Person's own gross negligence or willful misconduct. Customer agrees that SVBS and/or Clearing Broker shall not be liable for delays or errors occurring by reason of circumstances beyond the control of SVBS or Clearing Broker, including, without limitation, acts of civil, military, or banking authorities, national emergencies, market disorder, labor difficulties, fire, flood or other catastrophes, acts of God, terrorism, insurrection, war, riots, failure of transportation or equipment, or failure of vendors, communication or power supply. Clearing Broker shall have no responsibility or liability under this Agreement to Customer for any acts or omissions by SVBS, its officers, employees or agents; and SVBS shall have no responsibility or liability under this Agreement to Customer for any acts or omissions by Clearing Broker, its officers, employees or agents.

19. Indemnification and Hold Harmless of SVBS and Clearing Broker by
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Creditor.
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Creditor hereby agrees to indemnify Indemnified Persons against any and all Claims asserted by Customer or any other party (including, without limitation, any and all court costs and reasonable attorneys' fees) arising directly out of SVBS' and/or Clearing Broker's adherence or failure of adherence to Creditor's instructions in its Notice of Exclusive Control, including, without limitation, any Claim that arises directly out of SVBS' and/or Clearing Broker's ceasing, based on this Agreement, to permit withdrawals of or from the Collateral or resulting from SVBS' and/or Clearing Broker's paying over or delivering all or any part of the Collateral pursuant to Creditor's instructions in its Notice of Exclusive Control; provided, that no Indemnified Person shall be entitled to be
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indemnified (a) to the extent that such Claim results from an Indemnified Person's gross negligence or willful misconduct; or (b) for any special, indirect, consequential or punitive damages asserted by Customer if the waiver in Section 21 of this Agreement is enforceable. Creditor agrees that it will not hold Indemnified Persons liable for any Claim arising out of or relating to any Indemnified Person's performance or failure of performance under this Agreement other than those Claims that result directly from the acts or omissions of the Indemnified Person which are deemed gross negligence or willful misconduct by a civil court or other similar judicial body. Clearing Broker shall have no responsibility or liability under this Agreement to Creditor for any acts or omissions by SVBS, its officers, employees or agents; and SVBS shall have no responsibility or liability under this Agreement to Creditor for any acts or omissions by Clearing Broker, its officers, employees or agents.

20. JURY TRIAL WAIVER. CUSTOMER, CREDITOR, SVBS AND CLEARING BROKER EACH

WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR ALL PARTIES TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

21. WAIVER. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS

AGREEMENT OR ANYWHERE ELSE, CUSTOMER WAIVES AND AGREES THAT IT SHALL NOT SEEK FROM SVBS, CLEARING BROKER OR CREDITOR UNDER ANY THEORY OF LIABILITY (INCLUDING WITHOUT LIMITATION ANY THEORY IN TORTS), ANY SPECIAL, INDIRECT, CONSEQUENTIAL OR PUNITIVE DAMAGES.

22. Unpaid Account Claims. Before Creditor exercises exclusive control over
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the Account, SVBS and/or Clearing Broker may, in the ordinary course of business, debit from the Account any unpaid Account Claims. After Creditor exercises exclusive control over the Account, if (a) funds are not available in the Account to pay SVBS and/or Clearing Broker for any Account Claims, and (b) Customer fails to pay such Account Claims within fifteen (15) Business days of SVBS' and/or Clearing Broker's written demand therefore, Creditor will pay to SVBS and/or Clearing Broker, within ten (10) Business days of a written demand by SVBS and/or Clearing Broker, any amounts owed for an Account Claim and that is not paid in full by Customer up to the amount of the proceeds received by Creditor from the Account.

23. Attorneys' Fees, Costs and Expenses. In any action or proceeding
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between Customer and SVBS, between Customer and Clearing Broker, between Creditor and SVBS, or between Creditor and Clearing Broker, arising out of this Agreement, the prevailing party will be entitled to recover its reasonable attorneys' fees and other costs and expenses incurred, in addition to any other relief to which it may be entitled, whether or not a lawsuit is filed.

24. No Conflict. To the extent that the terms or conditions of this
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Agreement are inconsistent with the Client Agreement or any other document, instrument or agreement between SVBS, Clearing Broker and Customer, the terms and conditions of this Agreement shall prevail.

25. Successors. The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the parties hereto and to each party's respective successors or heirs and personal representatives. The parties may assign this Agreement and any rights under the Agreement only if that party's successor or assign assume all obligations under this Agreement.

26. Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, are an original, and all taken together, are one Agreement.

27. Survival. Sections 15 and 18 through 25 shall survive the termination of this Agreement.

[The rest of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

CUSTOMER:

By

Name:

Title:

Address for Notices:

Telephone:

Facsimile:

CREDITOR:

By

Name:

Title:

Address for Notices:

Telephone:

Facsimile:

SVBS: SVB SECURITIES

By

Name:

Title: Operations Manager

Address for Notices:

SVB Securities
3003 Tasman Drive
Mail Sort HG250
Santa Clara, CA 95054
Attn: Operations Manager
Telephone: [*]
Facsimile: [*]

CLEARING BROKER: BANC OF AMERICA SECURITIES LLC

By

Name:

Title:

SVB SECURITIES
SECURITIES ACCOUNT CONTROL AGREEMENT
EXHIBIT A

1. ACCOUNT TITLE AND NUMBER:

ACCOUNT TITLE: _____

ACCOUNT NUMBER: _____

2. "SECURITY AGREEMENT" (THIS SECTION TO BE COMPLETED BY CREDITOR): _____

3. ACCOUNT CONTROL AGREEMENTS PREVIOUSLY EXECUTED BY SVB SECURITIES AND CLEARING BROKER WITH OTHER PARTIES ASSERTING AN INTEREST IN THE ACCOUNT (THIS SECTION TO BE COMPLETED BY SVBS): ____

SVB SECURITIES
SECURITIES ACCOUNT CONTROL AGREEMENT
EXHIBIT B
NOTICE OF EXCLUSIVE CONTROL

To: SVB SECURITIES ("SVBS")
From: ("Creditor")

Re: ("Customer")

Date:

Pursuant to the Securities Account Control Agreement dated ("Agreement")
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entered among SVBS, Clearing Broker (as defined in the Agreement) Customer and Creditor, Creditor hereby notifies SVBS of Creditor's exercise of Creditor's rights under the Agreement and directs SVBS to cease complying with trading instructions or any entitlement orders originated by Customer or its agents.

Creditor understands and agrees that SVBS and Clearing Broker shall have no duty or obligation whatsoever of any kind or character to determine the validity of Creditor's exercise of its rights under the Agreement or the certification above, to determine if SVBS and/or Clearing Broker is/are obligated to take further instructions from Customer, or to determine whether Creditor has a right to all or part of the Collateral. Creditor hereby agrees to indemnify and hold harmless SVBS and Clearing Broker, their respective affiliates, and their respective directors, officers, employees and agents pursuant to the terms of Section 19 of the Agreement.

Creditor agrees that upon receipt of Creditor's Notice of Exclusive Control, SVBS and Clearing Broker may exercise their rights and remedies as permitted under the Agreement.

Creditor hereby certifies that the person executing this Notice of Exclusive Control is an officer, representative or agent of Creditor authorized to act on the behalf of Creditor and to make the representations and agreements contained in this Notice of Exclusive Control.

CREDITOR:

By

Title:

ACKNOWLEDGED BY:
(for facsimile only)

SVB SECURITIES

By:

Name:
Title:
Date:
Time:

EXHIBIT D
FORM OF BORROWING NOTICE

VIA FACSIMILE TRANSMISSION

SmithKline Beecham Corporation, doing business as GlaxoSmithKline
709 Swedeland Road
King of Prussia, Pennsylvania 19406
Attention: Vice President, R&D Structuring

Fax: [*]

Re: Exelixis, Inc.

Ladies and Gentlemen:

This Borrowing Notice is delivered to you pursuant to Section 2.2 of that certain Loan and Security Agreement, dated as of October ___, 2002 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), by and between Exelixis, Inc., a Delaware corporation ("Exelixis"), and SmithKline Beecham Corporation, a Pennsylvania corporation, doing business as GlaxoSmithKline ("GSK"). Unless otherwise defined herein or the context otherwise requires, terms used herein have the meanings assigned to such terms in the Loan Agreement.

1. Exelixis hereby requests a [General Advance] [Product Specific Advance] be made in the aggregate principal amount of $_____ on _____, 20_____ (the "Borrowing Date"), which Borrowing Date shall be a Business Day not earlier than fifteen (15) Business Days from the date of this Borrowing Notice, or, if this Borrowing Notice is delivered to you other than by facsimile transmission, the Borrowing Date is not earlier than fifteen (15) Business Days from the date of delivery as determined pursuant to Section 16.5 of the Loan Agreement. The proceeds from such requested Advance should be transferred by wire transfer of funds to the Deposit Account.

2. The undersigned hereby represents that he/she is a duly authorized officer of Exelixis, and acknowledges that, each of the delivery of this Borrowing Notice and the acceptance by Exelixis of the proceeds from the Advance requested hereby constitutes a representation by Exelixis that, on the Borrowing Date, each of the applicable conditions precedent to Advances pursuant to Article 6 of the Loan Agreement, have been met or performed.

3. The undersigned further represents that pursuant to Section 6.2.2 and 6.2.4 of the Loan Agreement, respectively, each of the delivery of this Borrowing Notice and the acceptance by Exelixis of the proceeds from the Advance requested hereby constitutes a representation and warranty by Exelixis that, on the Borrowing Date, (i) no Event of Default has occurred and is continuing or would reasonably be likely to be caused by the making of the Advance requested hereby, and (ii) the representations and warranties set forth in Article 7 of the Loan Agreement remain true and correct in all material respects.

4. The undersigned further represents that, pursuant to Section 6.2.7 of the Loan Agreement, the proceeds from the requested Advance will be utilized by Exelixis solely in furtherance of the obligations of Exelixis under the Development Agreement over the course of the Term.

5. [The undersigned further represents that, pursuant to Section 7.1 of the Loan Agreement, attached hereto are true and correct copies of all amendments to the Operating Documents not yet filed with the SEC.]

6. [With respect to this Product Specific Advance, Exelixis represents that it has title to the Intellectual Property pertaining to such Development Candidate selected as contemplated by Section 6.4.1 of the Loan Agreement, free and clear of all assignments, mortgages, pledges, liens, security interests, leases, claims or any other encumbrances, other than liens in favor of GSK.]

In the event you require additional documentation in connection with this requested Advance, in accordance with Section 6.2.8 of the Loan Agreement, please provide a list of such requested documentation to Exelixis not less than five (5) Business Days prior to the proposed Borrowing Date.

IN WITNESS WHEREOF, Exelixis has caused this Borrowing Notice to be executed and delivered, and the certification and representations and warranties contained herein to be made by its duly authorized officer, this ___day of _____, 200__.

EXELIXIS, INC.

By_____
Name:
Title:

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

EXHIBIT E
FORM OF STOCK REPAYMENT NOTICE

VIA FACSIMILE TRANSMISSION
SmithKline Beecham Corporation, doing business as GlaxoSmithKline
709 Swedeland Road
King of Prussia, Pennsylvania 19406
Attention: Vice President, R&D Structuring

Fax: [*]

Re: Exelixis, Inc.

Ladies and Gentlemen:

This Stock Repayment Notice is delivered to you pursuant to Section 5.6.3 of that certain Loan and Security Agreement, dated as of October ___, 2002 (as amended, restated, supplemented or otherwise modified from time to time, the "Loan Agreement"), by and between Exelixis, Inc., a Delaware corporation ("Exelixis"), and SmithKline Beecham Corporation, a Pennsylvania corporation, doing business as GlaxoSmithKline ("GSK"). Unless otherwise defined herein or the context otherwise requires, terms used herein shall have the meanings assigned to such terms in the Loan Agreement.

1. Pursuant to Section 5.6.1 of the Loan Agreement and Section 3.4.1 of the Stock Purchase Agreement, Exelixis hereby exercises the option to issue to GSK Stock Repayment Shares to pay $_____ of the current outstanding principal balance of the Advances, and all accrued interest relating thereto (the "Stock Repayment") on the ____ day of _____, 20__ (the "Stock Repayment Closing Date"), which Payment Date shall not be earlier than thirty (30) days from the date of this Stock Repayment Notice, or, if this Stock Repayment Notice is delivered to GSK other than by facsimile transmission, the Payment Date is not earlier than thirty (30) Business Days from the date of delivery as determined pursuant to Section 16.5 of the Loan Agreement.

2. The undersigned hereby represents that he/she is a duly authorized officer of Exelixis, and acknowledges that, the delivery of this Stock Repayment Notice hereby constitutes a representation and warranty by Exelixis that, pursuant to Section 5.6.2 of the Loan Agreement and Section 2.5 of the Stock Purchase Agreement, such Stock Repayment will not require GSK to acquire twenty percent (20%) or more of Exelixis' outstanding Common Stock, as reported in the most recent quarterly or annual report form of Exelixis filed with the SEC and, in the event that any purchase of Stock Repayment Shares would cause GSK to be a holder of more than twenty percent (20%) of Exelixis' outstanding Common Stock, GSK shall be relieved of its obligations to make such purchase(s), to the extent of the overage.

3. The undersigned further represents that pursuant to Section 5.6.4 of the Loan Agreement, the delivery of this Stock Repayment Notice hereby constitutes a representation and warranty by Exelixis that, on the Stock Repayment Closing Date, each of the conditions precedent to the issuance of Stock Repayment Shares pursuant to Section 5.6.6 of the Loan Agreement, have been met or performed.

4. [The undersigned further represents that, pursuant to Section 5.6.4(a) of the Loan Agreement and Section 3.4.3(a) of the Stock Purchase Agreement, if GSK is not an SEC Affiliate of Exelixis, at least three (3) Trading Days in advance of the Stock Repayment Closing Date, Exelixis will issue instructions to Exelixis' stock transfer agent directing Exelixis' transfer agent to prepare and deliver to the account of GSK by an automated share transfer through the Depository Trust Company system ("DWAC"), that number of shares of Exelixis representing the applicable Stock Repayment Shares no later than the Stock Repayment Closing Date.]

5. [The undersigned further represents that, pursuant to Section 5.6.4(b) of the Loan Agreement and Section 3.4.3(b) of the Stock Purchase Agreement, if GSK is an SEC Affiliate of Exelixis as of the Stock Repayment Closing Date, at least three (3) Trading Days in advance of the Stock Repayment Closing Date, Exelixis will issue instructions to Exelixis' stock transfer agent, directing the transfer agent to prepare and deliver to Exelixis a stock certificate representing the number of shares evidencing the applicable Stock Repayment Shares, as soon as possible, but in no event no later than one (1) Trading Day prior to the Stock Repayment Closing Date, which stock certificate will be delivered by Exelixis to GSK on the Stock Repayment Closing Date.]

IN WITNESS WHEREOF, Exelixis has caused this Stock Repayment Notice to be executed and delivered, and the certification and representations and warranties contained herein to be made by its duly authorized officer, this ___day of _____, 200__.

EXELIXIS, INC.

By_____
Name:
Title:

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.1-I

SCHEDULE 3.1.1

PATENTS

Issued Patents

Country	Patent No./Title	Issue Date

Pending Patent Applications

[*]

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

Schedule 3.1.3

DEPOSIT ACCOUNT

[*]

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

SCHEDULE 9.1

LOCATION OF THE COLLATERAL

LOCATION OF THE RECORDS OF THE COLLATERAL:

Exelixis, Inc.
170 Harbor Way
PO Box 511
South San Francisco, CA 94083

LOCATION OF THE TANGIBLE COLLATERAL:

Exelixis, Inc., 170 Harbor Way, South San Francisco, CA

Exelixis, Inc., 169 Harbor Way, South San Francisco, CA

Exelixis, Inc., 260 Littlefield Avenue, South San Francisco, CA

SCHEDULE 9.16

PERMITTED INVESTMENTS

[*]

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

SCHEDULE 16.4

INDEBTEDNESS

The Obligations are expressly made subordinate in right of payment to the following obligations:

1. Ordinary trade payables incurred in ordinary course of business.

2. Loan and Security Agreement dated May 22, 2002, between Exelixis and Silicon Valley Bank for a maximum loan amount of Sixteen Million Dollars ($16,000,000), as modified by that certain Loan Modification Agreement dated October 1, 2002 between Exelixis and Silicon Valley Bank.

3. Master Lease Agreement dated April 9, 2001, between Exelixis and General Electric Capital Corporation for a maximum loan amount of Twelve Million Dollars ($12,000,000).

4. Convertible Note and Note Purchase Agreement dated May 22, 2002, between Exelixis and Protein Design Labs, Inc. for a maximum loan amount of Thirty Million Dollars ($30,000,000).

5. Master Lease Agreement dated August 2, 2000, as amended, between Exelixis and General Electric Capital Corporation (formerly Comdisco, Inc.) for a maximum loan amount of Thirteen Million One Hundred Thousand Dollars ($13,100,000).

6. Master Loan and Security Agreement dated August 3, 1998, as amended, between Exelixis and Transamerica Technology Finance Corporation for a maximum loan amount of Three Million Dollars ($3,000,000).

Exhibit 99.1

CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350, as adopted), George A. Scangos, Chief Executive Officer of Exelixis, Inc. (the "Company"), and Glen Y. Sato, Chief Financial Officer of the Company, each hereby certifies that, to his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2002, and to which this Certification is attached as Exhibit 99.1 (the "Periodic Report"), fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934, and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition of the Company at the end of the periods covered by the Periodic Report and the results of operations of the Company for the periods covered by the Periodic Report.

This certification accompanies the Periodic Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed "filed" by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

Dated: November 7, 2002

/s/ George A. Scangos

GEORGE A. SCANGOS, CHIEF EXECUTIVE OFFICER

/s/ Glen Y. Sato

GLEN Y. SATO, CHIEF FINANCIAL OFFICER