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

FORM 10-Q

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

For the quarterly period ended July 2, 2010

Or

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

For the transition period from _____ to _____

Commission File Number: 000-30235

Exelixis, Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**04-3257395**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

170 Harbor Way
P.O. Box 511
South San Francisco, California 94083
(Address of Principal Executive Offices) (Zip Code)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

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

As of July 30, 2010, there were 108,655,580 shares of the registrant's common stock outstanding.

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EXELIXIS, INC.

QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JULY 2, 2010

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2010 (unaudited)	December 31, 2009 [1]
ASSETS		
Current assets:		
Cash and cash equivalents	$ 157,202	$ 86,796
Marketable securities	55,593	116,290
Other receivables	6,028	11,864
Prepaid expenses and other current assets	16,025	15,050
Total current assets	234,848	230,000
Restricted cash and investments	6,399	6,444
Long-term investments	89,422	11,463
Property and equipment, net	20,923	29,392
Goodwill	63,684	63,684
Other assets	4,449	2,427
Total assets	$ 419,725	$ 343,410
LIABILITIES, NONCONTROLLING INTEREST AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 3,343	$ 7,403
Accrued clinical trial liabilities	29,200	24,000
Other accrued liabilities	20,243	16,399
Accrued compensation and benefits	11,459	16,677
Current portion of notes payable and bank obligations	9,772	11,204
Current portion of convertible loans	28,050	28,050
Deferred revenue	119,948	103,385
Total current liabilities	222,015	207,118
Notes payable and bank obligations	89,422	11,463
Convertible loans	108,900	28,900
Other long-term liabilities	23,606	17,325
Deferred revenue	190,476	242,329
Total liabilities	634,419	507,135
Commitments		
Stockholders' equity (deficit):		
Exelixis, Inc. stockholders' deficit:		
Common stock	109	108
Additional paid-in-capital	940,765	925,736
Accumulated other comprehensive income	18	155
Accumulated deficit	(1,155,586)	(1,089,724)
Total Exelixis, Inc. stockholders' deficit	(214,694)	(163,725)
Noncontrolling interest	—	—
Total stockholders' deficit	(214,694)	(163,725)
Total liabilities and stockholders' deficit	$ 419,725	$ 343,410

[1] The condensed consolidated balance sheet at December 31, 2009 has been derived from the audited consolidated financial statements 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 condensed consolidated financial statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Revenues:				
Contract	$ 12,308	$ 6,299	$ 32,048	$ 13,006
License	24,542	21,103	49,107	39,699
Collaboration reimbursements	10,746	—	8,640	—
Total revenues	47,596	27,402	89,795	52,705
Operating expenses:				
Research and development	54,237	55,036	118,988	110,380
General and administrative	9,571	8,739	18,406	17,268
Collaboration cost sharing	—	1,639	—	(158)
Restructuring charge	9,419	—	25,484	—
Total operating expenses	73,227	65,414	162,878	127,490
Loss from operations	(25,631)	(38,012)	(73,083)	(74,785)
Other income (expense):				
Interest income and other, net	393	367	709	921
Interest expense	(673)	(2,118)	(1,285)	(4,234)
Gain on sale of business	3,297	1,800	7,797	1,800
Loss on deconsolidation of Symphony Evolution, Inc.	—	(9,826)	—	(9,826)
Total other income (expense), net	3,017	(9,777)	7,221	(11,339)
Consolidated loss before taxes	(22,614)	(47,789)	(65,862)	(86,124)
Income tax benefit	—	846	—	846
Consolidated net loss	(22,614)	(46,943)	(65,862)	(85,278)
Loss attributable to noncontrolling interest.	—	2,181	—	4,337
Net loss attributable to Exelixis, Inc.	$ (22,614)	$ (44,762)	$ (65,862)	$ (80,941)
Net loss per share, basic and diluted, attributable to Exelixis, Inc.	$ (0.21)	$ (0.42)	$ (0.61)	$ (0.76)
Shares used in computing basic and diluted loss per share amounts	108,476	106,840	108,226	106,612

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

	Six Months Ended June 30,	
	2010	2009
Cash flows from operating activities:		
Consolidated net loss	$ (65,862)	$ (85,278)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,873	6,441
Stock-based compensation expense	11,281	11,573
Impairment of assets due to restructuring	2,481	—
Gain on sale of business	(7,797)	(1,800)
Loss on deconsolidation of Symphony Evolution, Inc.	—	9,826
Other	1,653	195
Changes in assets and liabilities:		
Other receivables	5,836	(3,702)
Prepaid expenses and other current assets	(1,429)	(1,170)
Other assets	(1,701)	741
Accounts payable and other accrued expenses	(3,626)	(3,096)
Restructure liability	11,135	—
Other long-term liabilities	(1,029)	885
Deferred revenue	(35,290)	10,838
Net cash used in operating activities	(78,475)	(54,547)
Cash flows from investing activities:		
Purchases of investments held by Symphony Evolution, Inc.	—	(49)
Proceeds on sale of investments held by Symphony Evolution, Inc.	—	4,497
Purchases of property and equipment	(831)	(842)
Proceeds from sale of property and equipment	168	—
Proceeds on sale of business	8,600	—
Increase (decrease) in restricted cash and investments	45	(729)
Proceeds from maturities of marketable securities	72,030	5,363
Proceeds from sale of marketable securities	12,780	—
Purchases of marketable securities	(103,563)	(43,020)
Net cash used in investing activities	(10,771)	(34,780)
Cash flows from financing activities:		
Proceeds from exercise of stock options and warrants	1,004	2
Proceeds from employee stock purchase plan	2,122	2,150
Proceeds from note payable and bank obligations	162,508	—
Principal payments on notes payable and bank obligations	(5,981)	(7,586)
Repayments, net from deconsolidation of Symphony Evolution, Inc.	—	(25)
Net cash provided by (used in) financing activities	159,653	(5,459)
Net increase in cash and cash equivalents	70,407	(94,786)
Cash and cash equivalents, at beginning of period	86,796	247,698
Cash and cash equivalents, at end of period	$ 157,203	$ 152,912

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

EXELIXIS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2010
(unaudited)

NOTE 1. Organization and Summary of Significant Accounting Policies

Organization

Exelixis, Inc. ("Exelixis," "we," "our" or "us") is committed to developing innovative therapies for cancer and other serious diseases. Through our drug discovery and development activities, we are building a portfolio of novel compounds that we believe have the potential to be high-quality, differentiated pharmaceutical products. Our most advanced pharmaceutical programs focus on drug discovery and development of small molecules in cancer.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and pursuant to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles ("GAAP") for complete financial statements. In our opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the results of operations and cash flows for the period presented have been included.

Exelixis has adopted a 52- or 53-week fiscal year that ends on the Friday closest to December 31st of each year. Fiscal year 2009, a 52-week year, ended on January 1, 2010, and fiscal year 2010, a 52-week year, will end on December 31, 2010. For convenience, references in these Condensed Consolidated Financial Statements and Notes as of and for the fiscal year ended January 1, 2010 are indicated on a calendar year basis as ended December 31, 2009 and as of and for the fiscal quarters ended July 3, 2009 and July 2, 2010 are indicated as ended June 30, 2009 and 2010, respectively.

Operating results for the three and six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2010 or for any future period. These financial statements and notes should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended December 31, 2009 included in our Annual Report on Form 10-K filed with the SEC on March 10, 2010.

Basis of Consolidation

The consolidated financial statements include the accounts of Exelixis and our wholly owned subsidiaries as well as one variable interest entity, Symphony Evolution, Inc. ("SEI"), for which we are the primary beneficiary. As of June 9, 2009, our purchase option for SEI expired and as a result, we were no longer considered to be the primary beneficiary (refer to Note 6 of the financial statements included in our Annual Report on Form 10-K filed with the SEC on March 10, 2010). All significant intercompany balances and transactions have been eliminated.

Cash and Investments

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

All marketable securities are classified as available-for-sale and are carried at fair value. We view our available-for-sale portfolio as available for use in current operations. Accordingly, we have classified certain investments as short-term marketable securities, even though the stated maturity date may be one year or more beyond the current balance sheet date. Available-for-sale securities are stated at fair value based upon quoted market prices of the securities. We have classified certain investments as cash and cash equivalents or marketable securities that collateralize loan balances. However, they are not restricted to withdrawal. Unrealized gains and losses on available-for-sale investments are reported as a separate component of stockholders' equity. Realized gains and losses, net, on available-for-sale securities are included in interest income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in interest income.

EXELIXIS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
June 30, 2010
(unaudited)

The following summarizes available-for-sale securities included in cash and cash equivalents and restricted cash and investments as of June 30, 2010 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$160,384	$ —	$ —	$160,384
Commercial paper	21,373	—	—	21,373
Corporate bonds	35,403	26	(14)	35,415
U.S. government agency securities	7,014	3	—	7,017
Government sponsored enterprises	83,426	4	(1)	83,429
Municipal bonds	2,430	—	—	2,430
Total	$310,030	$ 33	$ (15)	$310,048

As of June 30, 2010, debt securities had remaining maturities of less than one year.

The following summarizes available-for-sale securities included in cash and cash equivalents and restricted cash and investments as of December 31, 2009 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$ 74,465	—	—	$ 74,465
Commercial paper	24,277	—	—	24,277
Corporate bonds	55,808	152	(17)	55,943
U.S. government agency securities	11,077	8	—	11,085
Government sponsored enterprises	37,990	17	(1)	38,006
Municipal bonds	17,769	—	(3)	17,766
Total	$221,386	177	(21)	$221,542

Foreign Currency Forward Contract

We have entered into foreign currency forward contracts to reduce our net exposure to Eurodollar currency fluctuations. The original contract had a notional amount of approximately $7.0 million and expired in June 2010. In June 2010, we settled this contract for a net cash receipt of $0.7 million and entered into another foreign contract for a notional amount of $6.1 million that expires in October 2010. The fair value of the foreign currency contracts is estimated based on pricing models using readily observable inputs from actively quoted markets. As of June 30, 2010, the fair value of the current foreign currency forward contract was a loss of approximately $12,000, The net unrealized gain / loss on our foreign currency forward contracts, neither of which is designated as a hedge, is recorded in our statement of operations as Interest income and other (net).

Fair Value Measurements

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

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

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

Level 3—unobservable inputs.

EXELIXIS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
June 30, 2010
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Our financial instruments are valued using quoted prices in active markets or based upon other observable inputs. The following tables set forth the fair value of our financial assets for the periods ended June 30, 2010 and December 31, 2009, respectively (in thousands):

As of June 30, 2010:

	Level 1	Level 2	Level 3	Total
Money market funds	$160,384	$ —	$ —	$160,384
Commercial paper	—	21,374	—	21,374
Corporate bonds	—	35,415	—	35,415
U.S. government agency securities	—	7,017	—	7,017
Government sponsored enterprises	—	83,429	—	83,429
Municipal bonds	—	2,430	—	2,430
Foreign currency forward contract [1]	—	(12)	—	(12)
Total	$160,384	$149,653	$ —	$310,037

[1] As of June 30, 2010, the fair value of our Level 2 current assets includes approximately $12,000 in unrealized losses related to a foreign exchange forward contract established during the quarter ended June 30, 2010.

As of December 31, 2009:

	Level 1	Level 2	Level 3	Total
Money market funds	$74,465	$ —	$ —	$ 74,465
Commercial paper	—	24,277	—	24,277
Corporate bonds	—	55,943	—	55,943
U.S. government agency securities	—	11,085	—	11,085
Government sponsored enterprises	—	38,006	—	38,006
Municipal bonds	—	17,766	—	17,766
Total	$74,465	$147,077	$ —	$221,542

We have estimated the fair value of our long-term debt instruments using the net present value of the payments discounted at an interest rate that is consistent with our current borrowing rate for similar long-term debt. The estimated fair value of our outstanding debt was as follows (in thousands):

	June 30, 2010	December 31, 2009
GlaxoSmithKline loan	$ 52,624	$ 50,191
Equipment lines of credit	19,061	22,530
Silicon Valley Bank Loan	77,287	—
Deerfield convertible debt	80,000	—
Total	$228,972	$ 72,721

At June 30, 2010 and December 31, 2009, we had debt outstanding of $236.1 million and $79.6 million, respectively. Our payment commitments associated with these debt instruments are generally fixed during the corresponding terms and are comprised of interest payments, principal payments or a combination thereof. The fair value of our debt will fluctuate with movements of interest rates, increasing in periods of declining rates of interest, and declining in periods of increasing rates of interest.

Collaboration Arrangements

Collaborative agreement reimbursement revenue or collaboration cost sharing expenses are recorded as earned or owed based on the performance requirements by both parties under the respective contracts. Under our 2008 cancer collaboration with Bristol-Myers Squibb Company (“Bristol-Myers Squibb”), both parties have been actively involved with compound development and certain research and development expenses were partially reimbursable to us on a net basis by compound. On an annual basis, amounts owed by Bristol-Myers Squibb to us, net of amounts reimbursable to Bristol-Myers Squibb by us on those projects, are recorded as collaboration reimbursement revenue. Conversely, research and development expenses may include the net settlement of amounts we owe Bristol-Myers Squibb for research and development expenses that Bristol-Myers Squibb incurred on joint development projects,

EXELIXIS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
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less amounts reimbursable to us by Bristol-Myers Squibb on these projects. In 2009, when net research and development funding payments were payable to Bristol-Myers Squibb, these payments were presented as collaboration cost-sharing expense. However, during the fiscal year ending December 31, 2010 and in future fiscal years, we expect to be in a net receivable position, and will therefore present reimbursement payments as collaboration reimbursement revenue. Revenue and expenses from collaborations that are not co-development agreements are recorded as contract revenue or research and development expenses in the period incurred.

Recent Accounting Pronouncements

In March 2010, Accounting Standards Codification Topic 605, *Revenue Recognition* ("ASC 605") was amended to define a milestone and clarify that the milestone method of revenue recognition is a valid application of the proportional performance model when applied to research or development arrangements. Accordingly, a company can make an accounting policy election to recognize a payment that is contingent upon the achievement of a substantive milestone in its entirety in the period in which the milestone is achieved. We will adopt this guidance in the third quarter of 2010 on a prospective basis. We are assessing the impact of this guidance on our consolidated results of operations and financial condition and do not expect it to have a material effect on our financial statements.

Accounting Standards Update No. 2009-13, Revenue Recognition Topic 605: *Multiple Deliverable Revenue Arrangements – A Consensus of the FASB Emerging Issues Task Force* ("ASU 2009-13") provides application guidance on whether multiple deliverables exist, how the deliverables should be separated and how the consideration should be allocated to one or more units of accounting. This update establishes a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence, if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific or third-party evidence is available. We expect to adopt this guidance prospectively beginning on January 1, 2011. We are assessing the impact of this guidance on our consolidated results of operations and financial condition.

In February 2010, Accounting Standards Codification Topic 855, *Subsequent Events* ("ASC 855") was amended by Accounting Standards Update No. 2010-09 ("ASU 2010-09"), which removed the requirement that an entity disclose the date through which it evaluated subsequent events in its financial statements. ASU 2010-09 was effective upon issuance in February 2010 and did not have a material effect on our financial statements.

NOTE 2. Comprehensive Loss

Comprehensive loss represents consolidated net loss plus the results of certain stockholders' equity changes, which are comprised of unrealized gains and losses on available-for-sale securities, not reflected in the consolidated statements of operations. Comprehensive loss was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Consolidated net loss	$(22,614)	$(46,943)	$(65,862)	$(85,278)
Increase in unrealized gains (losses) on available-for-sale securities	(81)	17	(138)	20
Comprehensive loss	(22,695)	(46,926)	(66,000)	(85,258)
Comprehensive loss attributable to the noncontrolling interest	—	2,181	—	4,337
Comprehensive loss attributable to Exelixis	$(22,695)	$(44,745)	$(66,000)	$(80,921)

NOTE 3. Stock-Based Compensation

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Research and development expense	$ 3,023	$ 4,533	$ 6,672	$ 7,809
General and administrative expense	1,738	1,940	3,590	3,738
Restructuring-related stock compensation expense	(34)	—	961	—
Total employee stock-based compensation expense	$ 4,727	$ 6,473	$11,223	$11,547

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

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

	Stock Options Three Months Ended June 30,		ESPP Three Months Ended June 30,	
	2010	2009	2010	2009
Weighted average fair value of awards	$ 3.50	$ 2.76	$ 2.01	$ 1.69
Risk-free interest rate	2.14%	2.20%	0.21%	0.18%
Dividend yield	0%	0%	0%	0%
Volatility	74%	67%	68%	65%
Expected life	5.2 years	5.6 years	0.5 years	0.2 years

	Stock Options Six Months Ended June 30,		ESPP Six Months Ended June 30,	
	2010	2009	2010	2009
Weighted average fair value of awards	$ 3.60	$ 2.67	$ 1.96	$ 1.77
Risk-free interest rate	2.25%	2.23%	0.18%	0.15%
Dividend yield	0%	0%	0%	0%
Volatility	70%	67%	63%	66%
Expected life	5.2 years	5.6 years	0.5 years	0.1 years

A summary of all stock option activity for the six months ended June 30, 2010 is presented below:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding at December 31, 2009	24,393,598	$ 7.46		
Granted	243,500	6.28		
Exercised	(192,267)	5.22		
Cancelled	(1,197,957)	6.94		
Options outstanding at June 30, 2010	23,246,874	$ 7.49	5.7 years	$ 7,703
Exercisable at June 30, 2010	11,527,336	$ 8.78	4.2 years	$ 4,020

As of June 30, 2010, $18.7 million of total unrecognized compensation expense related to employee stock options was expected to be recognized over a weighted-average period of 1.76 years.

A summary of all restricted stock unit (“RSU”) activity for the six months ended June 30, 2010 is presented below:

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
RSUs outstanding at December 31, 2009	2,679,224	$ 7.46		
Awarded	120,375	6.76		
Forfeited	(481,425)	7.49		
Awards outstanding at June 30, 2010	2,318,174	$ 7.42	1.84 years	$8,229,518

As of June 30, 2010, $11.8 million of total unrecognized compensation expense related to employee RSUs was expected to be recognized over a weighted-average period of 3.62 years.

NOTE 4. Collaborations

Bristol-Myers Squibb

2008 Cancer Collaboration. In December 2008, we entered into a worldwide collaboration with Bristol-Myers Squibb for XL184 and XL281. Upon effectiveness of the agreement, Bristol-Myers Squibb made an upfront cash payment of $195.0 million and

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

additional license payments of $45.0 million, which were received in 2009. On June 18, 2010, we regained full rights to develop and commercialize XL184 following receipt of notice from Bristol-Myers Squibb of its decision to terminate the 2008 collaboration, solely as to XL184, on a worldwide basis.

Bristol-Myers Squibb received an exclusive worldwide license to develop and commercialize XL281. We will carry out certain clinical trials of XL281 which may include a backup program on XL281. Bristol-Myers Squibb is responsible for funding all future development on XL281, including our activities. We are eligible for development and regulatory milestones of up to $315.0 million on XL281, sales performance milestones of up to $150.0 million and double-digit royalties on worldwide sales of XL281.

The upfront payment of $195.0 million and the license payments of $45.0 million are being recognized ratably from the effective date of the agreement over the estimated development term and recorded as license revenue. Any milestone payments that we may receive under the agreement will be recognized ratably over the remaining development term but recorded as contract revenue. We record as operating expense 100% of the cost incurred for work performed by us under the collaboration. Prior to the termination of the collaboration as to XL184, there were periods during which Bristol-Myers Squibb partially reimbursed us for certain research and development expenses, and other periods during which we owed Bristol-Myers Squibb for research and development expenses that Bristol-Myers Squibb incurred on joint development projects, less amounts reimbursable to us by Bristol-Myers Squibb on these projects. For the year ended December 31, 2009, we incurred a net payable to Bristol-Myers Squibb and presented these payments as collaboration cost sharing expense. However, during the fiscal year ending December 31, 2010 and in future fiscal years, we expect to be in a net receivable position, and will therefore present these reimbursement payments as collaboration reimbursement revenue.

As a result of the termination of the 2008 collaboration with respect to XL184, we regained full rights to develop and commercialize XL184 and on June 28, 2010, in connection with the termination, we received a $17.0 million transition payment from Bristol-Myers Squibb. This transition payment was made in satisfaction of Bristol-Myers Squibb's obligations under the collaboration to continue to fund its share of development costs for XL184 for a period of three months following the notice of termination. As Bristol-Myers Squibb had already prepaid second quarter expenses, the $17.0 million will be recognized as collaboration reimbursement revenue in the third quarter of 2010. As a result of the termination, Bristol-Myers Squibb's license relating to XL184 has terminated and its rights to XL184 have reverted to us, and we will receive, subject to certain terms and conditions, licenses from Bristol-Myers Squibb to research, develop and commercialize XL184. The collaboration remains in full force and effect with respect to XL281. We have revised our estimated performance obligation under this agreement and reduced the term with which we ratably recognize the upfront and license fees from five years to four years and 8.5 months.

Amounts attributable to both programs under the 2008 Bristol-Myers Squibb collaboration agreement consisted of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009 (2)	2010	2009 (2)
Exelixis research and development expenses (1)	$19,217	$ 9,908	$40,475	$19,769
Net amount due from (owed to) collaboration partner	10,746	$ (1,639)	8,640	158

(1) Total research and development expenses attributable to us include direct third party expenditures plus estimated internal personnel costs.
(2) The net amount owed to the collaborative partner is classified as an increase in operating expenses for the three months ended June 30, 2009. The net amount due from the collaborative partner is classified as a reduction in operating expenses for the six months ended June 30, 2009.

sanofi-aventis

On May 27, 2009, we entered into a global license agreement with sanofi-aventis for XL147 and XL765, and a broad collaboration for the discovery of inhibitors of phosphoinositide-3 kinase ("PI3K") for the treatment of cancer. The license agreement and collaboration agreement became effective on July 7, 2009. The effectiveness of the license and collaboration on July 20, 2009 triggered upfront payments of $140.0 million ($120.0 million for the license and $20.0 million for the collaboration), which we received during the third quarter of fiscal 2009.

Under the license agreement, sanofi-aventis received a worldwide exclusive license to XL147 and XL765, which are currently in phase 1, phase 1b/2 and phase 2 clinical trials, and has sole responsibility for all subsequent clinical, regulatory, commercial and

manufacturing activities. It is expected that we will continue to participate in the conduct of ongoing and potential future clinical trials and manufacturing activities. Sanofi-aventis is responsible for funding all future development activities with respect to XL147 and XL765, including our activities. Under the collaboration agreement, the parties are combining efforts in establishing several preclinical PI3K programs and jointly share responsibility for research and preclinical activities related to isoform-selective inhibitors of PI3K-a and - -ß. Sanofi-aventis will provide us with guaranteed annual research and development funding during the research term and is responsible for funding all development activities for each product following approval of the investigational new drug application filed with the applicable regulatory authorities for such product. Sanofi-aventis will have sole responsibility for all subsequent clinical, regulatory, commercial and manufacturing activities of any products arising from the collaboration; however, we may be requested to conduct certain clinical trials at sanofi-aventis' expense. The research term under the collaboration is three years, although sanofi-aventis has the right to extend the term for an additional one-year period upon prior written notice.

In addition to the aggregate upfront cash payments for the license and collaboration agreements, we are entitled to receive guaranteed research funding of $21.0 million over three years to cover certain of our costs under the collaboration agreement. For both the license and the collaboration combined, we will be eligible to receive development, regulatory and commercial milestones of over $1.0 billion in the aggregate, as well as royalties on sales of any products commercialized under the license or collaboration. The aggregate upfront payments of $140.0 million will be recognized over the estimated research and development term of four years, and recorded as license revenue, from the effective date of the agreements. For the six months ended June 30, 2010, we recognized $17.5 million in license revenue related to such upfront payments. Any milestone payments that we may receive under the agreements will be amortized over the remaining research and development term and recorded as contract revenue. We will record as operating expenses all costs incurred for work performed by us under the agreements. Reimbursements we receive from sanofi-aventis under the agreements will be recorded as contract revenue as earned, commencing as of the effective date, including reimbursements for costs incurred under the license from the date of signing. In addition, the guaranteed research funding that we expect to receive over the three year research term under the collaboration will be recorded as contract revenue commencing as of the effective date of the collaboration. For the six months ended June 30, 2010, we recognized $21.9 million in contract revenue related to cost reimbursement and guaranteed research funding.

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

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

Boehringer Ingelheim

On May 7, 2009, we entered into a collaboration agreement with Boehringer Ingelheim International GmbH ("Boehringer Ingelheim") to discover, develop and commercialize products that consist of agonists of the sphingosine-1-phosphate type 1 receptor ("S1P1R"), a central mediator of multiple pathways implicated in a variety of autoimmune diseases.

Under the terms of the agreement, Boehringer Ingelheim paid us an upfront cash payment of $15.0 million for the development and commercialization rights to our S1P1R agonist program. We share responsibility for discovery activities under the collaboration. The agreement provides that the parties will each conduct research under a mutually agreed upon research plan until such time that we submit a compound that has met agreed-upon criteria, or such later time as agreed upon by the parties. The parties are responsible for their respective costs and expenses incurred in connection with performing research under the collaboration. Under the collaboration, Boehringer Ingelheim also has the right, at its own expense, to conduct additional research on S1P1R agonists outside of the scope of the research plan agreed to by the parties. The agreement further provides that Boehringer Ingelheim will receive an exclusive worldwide license to further develop, commercialize and manufacture compounds developed under the collaboration and will have sole responsibility for, and shall bear all costs and expenses associated with, all subsequent preclinical, clinical, regulatory, commercial and manufacturing activities. In return, we will potentially receive up to $339.0 million in further development, regulatory and commercial milestones and are eligible to receive royalties on worldwide sales of products commercialized under the collaboration. The upfront payment is being recognized ratably over the estimated research term and recorded as license revenue from the effective date of the agreement. During the first half of 2010, the expected research term was extended from eleven months to twenty three months through March 2011, resulting in an extension of the term for revenue recognition purposes and a corresponding decrease in license revenue recognized each quarter. As of June 30, 2010, we had recognized a total of $12.9 million in license revenue under this agreement.

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Boehringer Ingelheim may, upon certain prior notice to us, terminate the agreement as to any product developed under the collaboration. In the event of such termination election, Boehringer Ingelheim's license relating to such product would terminate and revert to us, and we would receive, subject to certain terms and conditions, licenses from Boehringer Ingelheim to research, develop and commercialize such product.

NOTE 5: 2010 Restructuring Charge

On March 8, 2010, we implemented a restructuring plan that resulted in a reduction of our workforce by approximately 40%, or 270 employees. A small number of the terminated employees were subsequently recalled and the termination of a small group of employees has been delayed, all of whom continue to provide services to us. The remaining impacted employees were terminated immediately upon implementation of the plan or by March 31, 2010. The decision to restructure our operations was based on our recently announced corporate strategy to focus our efforts on our lead clinical compounds, XL184, XL147 and XL765, by dedicating the majority of our resources to aggressively drive these drug candidates through development towards commercialization.

In connection with the 2010 restructuring plan, we recorded a charge of approximately $16.1 million in the first quarter of 2010 primarily related to one-time termination benefits, which includes the modification of certain stock option awards previously granted to the terminated employees. The modification accelerates the vesting of any stock options that would have vested over the period beginning from cessation of employment through August 5, 2010. Employees who were terminated in March also received an additional two months to exercise their options, for which a small charge was taken. The remainder of the charge was for the impairment of various assets and for non-cash charges relating to the closure of our facility in San Diego, California. The total impairment charge of $2.5 million was due to the disposal and write-down to estimated fair-market value of fixed assets that were deemed redundant or will have a reduced useful life as a result of us vacating our San Diego facility and our planned exit of one of our South San Francisco facilities. The fair-value of the fixed assets impaired assumed that we would exit the South San Francisco building by June 30, 2010, which subsequently occurred. We recorded further restructuring expenses of approximately $9.4 million during the second quarter of 2010 associated primarily with lease-exit costs in connection with the sublease and exit of our South San Francisco building, partially offset by a reduction in one-time termination benefits following the recall of certain employees that were originally terminated under the restructuring plan and the continued delay in the termination of the small group of employees referred to above.

We expect that the restructuring plan will result in total cash expenditures of approximately $24.8 million, of which approximately $14.3 million is expected to be paid in 2010. The balance will be paid over an additional five years and primarily relates to net payments due under the lease for our South San Francisco building that we exited during the second quarter of 2010, partially offset by payments due to us under our sublease agreement that we signed in July 2010.

The outstanding restructuring liability is included in "Accrued Compensation and Benefits", "Other Accrued Expenses", and "Other Long-Term Liabilities" on our Condensed Consolidated Balance Sheet as of June 30, 2010 and the components are summarized in the following table (in thousands):

	Employee Severance And Other Benefits	Facility Charges	Asset Impairment	Legal and Other Fees	Total
Restructuring charge recorded in the three months ended March 31, 2010	$ 12,224	$ 1,216	$ 2,475	$ 150	$ 16,065
Restructuring charge recorded in the three months ended June 30 2010	(686)	10,218	7	(120)	9,419
Cash payments	(10,418)	(948)	—	(10)	(11,376)
Adjustments or non-cash credits including stock compensation expense	(1,082)	613	(2,482)	—	(2,951)
Ending accrual balance as of June 30, 2010	$ 38	$ 11,099	$ —	$ 20	$ 11,157

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NOTE 6: Debt

Silicon Valley Bank Loan and Security Agreement

In May 2002, we entered into a loan and security agreement with Silicon Valley bank for an equipment line of credit of up to $16.0 million with a draw down 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. We extended the draw down period on the line-of-credit for an additional year in June 2003 and increased the principal amount of the line of credit from $16.0 million to $19.0 million in September 2003. This equipment line of credit was fully drawn as of December 31, 2004 and was fully paid off as of December 31, 2007.

In December 2004, we entered into a loan modification agreement to the loan and security agreement originally entered into in May 2002. The terms associated with the original $16.0 million line of credit under the May 2002 agreement were not modified. The loan modification agreement provided for an additional equipment line of credit in the amount of up to $20.0 million with a draw down period of one year. Pursuant to the terms of the modified agreement, we were required to make interest only payments through February 2006 at an annual rate of 0.70% on all outstanding advances. This equipment line of credit was fully drawn as of March 31, 2006 and was fully paid off as of March 31, 2010.

In December 2006, we entered into a second loan modification agreement to the loan and security agreement originally entered into in May 2002. The terms associated with the original line of credit under the May 2002 agreement and December 2004 loan modification agreement were not modified. The December 2006 loan modification agreement provided for an additional equipment line of credit in the amount of up to $25.0 million with a draw down period of approximately one year. Each advance must be repaid in 48 equal, monthly installments of principal, plus accrued interest, at an annual rate of 0.85% fixed and is subject to a prepayment penalty of 1.0%. The loan facility is secured by a non-interest bearing certificate of deposit account with the bank, in an amount equal to at least 100% of the outstanding obligations under the line of credit. This equipment line of credit was fully drawn as of December 31, 2008. The collateral balance of $6.4 million is recorded in the accompanying consolidated balance sheet as cash and cash equivalents and marketable securities as the deposit account is not restricted as to withdrawal. The outstanding obligation under the line of credit as of June 30, 2010 and 2009 was $5.8 million and $12.1 million, respectively.

In December 2007, we entered into a third loan modification agreement to the loan and security agreement originally entered into in May 2002. The terms associated with the original line of credit under the May 2002 agreement and the subsequent loan modifications were not modified. The December 2007 loan modification agreement provides for an additional equipment line of credit in the amount of up to $30.0 million with a draw down period of approximately 2 years. Each advance must be repaid in 48 equal, monthly installments of principal, plus accrued interest, at an annual rate of 0.75% fixed. In December 2009, we amended the agreement and extended the draw down period on the line-of-credit for an additional 18 months through June 2011 and increased the principal amount of the line of credit from $30.0 million to $33.6 million. Pursuant to the terms of the amendment, we are required to make minimum draws of $2.5 million every 6 months through June 2011, for total additional draws of $7.5 million. We drew down 2.5 million in accordance with the terms of the modified agreement in June 2010. The loan facility requires security in the form of a non-interest bearing certificate of deposit account with the bank, in an amount equal to at least 100% of the outstanding obligations under the line of credit. In June 2008, we drew down $13.6 million under this agreement and in December 2009, we drew down $5.0 million. The collateral balance of $13.7 million is recorded in the accompanying consolidated balance sheet as cash and cash equivalents and marketable securities as the deposit account is not restricted as to withdrawal. The outstanding obligation under the line of credit as of June 30, 2010 and 2009 was $13.4 million and $10.0 million, respectively.

On June 2, 2010, we amended our loan and security agreement with Silicon Valley Bank to provide for a new seven-year term loan in the amount of $80.0 million. The principal amount outstanding under the term loan accrues interest at 1.00% per annum, which interest is due and payable monthly. We are required to repay the term loan in one balloon principal payment, representing 100% of the principal balance and accrued and unpaid interest, on May 31, 2017. We have the option to prepay all, but not less than all, of the amounts advanced under the term loan, provided that we pay all unpaid accrued interest thereon that is due through the date of such prepayment and the interest on the entire principal balance of the term loan that would otherwise have been paid after such prepayment date until the maturity date of the term loan. We are required to maintain at all times on deposit in a non-interest bearing demand deposit account(s) with Silicon Valley Bank or one of its affiliates a compensating balance, which constitutes support for the obligations under the term loan, with a principal balance in value equal to at least 100% of the outstanding principal balance of the term loan. Any amounts outstanding under the term loan during the continuance of an event of default under the loan and security agreement will, at the election of Silicon Valley Bank, bear interest at a per annum rate equal to 6.00%. If one or more events of default under the loan and security agreement occurs and continues beyond any applicable cure period, Silicon Valley Bank may declare all or part of the obligations under the loan and security agreement to be immediately due and payable and stop advancing money or extending credit to us under the loan and security agreement.

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Deerfield Financing

On June 2, 2010, we entered into a note purchase agreement with Deerfield Private Design Fund, L.P. and Deerfield Private Design International, L.P. (collectively, "Deerfield Entities"), pursuant to which, on July 1, 2010, we sold to the Deerfield Entities an aggregate of $124.0 million initial principal amount of our secured convertible notes due June 2015 for an aggregate purchase price of $80.0 million, less closing fees and expenses of approximately $2.0 million. The outstanding principal amount of the notes bears interest in the annual amount of $6.0 million, payable quarterly in arrears. We will be required to make mandatory prepayments on the notes on an annual basis in 2013, 2014 and 2015 equal to 15% of certain revenues from our collaborative arrangements received during the prior fiscal year, subject to a maximum annual prepayment amount of $27.5 million and, for payments due in January 2013 and 2014, a minimum prepayment amount of $10.0 million. We may also prepay all or a portion (not less than $5.0 million) of the principal amount of the notes at an optional prepayment price based on a discounted principal amount (during the first three years of the term, subject to a prepayment premium) determined as of the date of prepayment, plus accrued and unpaid interest, plus in the case of a prepayment of the full principal amount of the notes (other than prepayments upon the occurrence of specified transactions relating to a change of control or a substantial sale of assets), all accrued interest that would have accrued between the date of such prepayment and the next anniversary of the note purchase agreement. At any time after July 1, 2011, subject to certain limitations (including a cap on the number of shares issuable under the note purchase agreement), we have the right to convert all or a portion of the principal amount of the notes into, or satisfy all or any portion of the optional prepayment amounts or mandatory prepayment amounts (other than the first $10.0 million of mandatory prepayments required in 2013 and 2014) with shares of our common stock. Additionally, in lieu of making any payment of accrued and unpaid interest in respect of the notes in cash, at any time after July 1, 2011, subject to certain limitations, we may elect to satisfy any such payment with shares of our common stock. The number of shares of our common stock issuable upon conversion or in settlement of principal and interest obligations will be based upon the discounted trading price of our common stock over a specified trading period. Upon certain changes of control of our company, a sale or transfer of assets in one transaction or a series of related transactions for a purchase price of more than $400 million or a sale or transfer of more than 50% of our assets, the Deerfield Entities may require us to prepay the notes at the optional prepayment price, plus accrued and unpaid interest and any other accrued and reimbursable expenses (the "Put Price"). Upon an event of default, the Deerfield Entities may declare all or a portion of the Put Price to be immediately due and payable.

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

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

The following discussion and analysis contains forward-looking statements. These statements are based on our current expectations, assumptions, estimates and projections about our business and our industry, and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied in, or contemplated by, the forward-looking statements. Words such as "believe," "anticipate," "expect," "intend," "plan," "will," "determine," "may," "could," "would," "estimate," "goal," "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 the results discussed in the forward-looking statements. Factors that might cause such a difference include those discussed in Part II, Item 1A of this Form 10-Q, as well as those discussed elsewhere in this report.

This discussion and analysis should be read in conjunction with our financial statements and accompanying notes included in this report and the financial statements and accompanying notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, filed with the Securities and Exchange Commission, or SEC, on March 10, 2010. Operating results are not necessarily indicative of results that may occur in future periods. We undertake no obligation to update any forward-looking statement to reflect events after the date of this report.

Overview

We are committed to discovering, developing and commercializing innovative therapies for the treatment of cancer and other serious diseases. Through our integrated drug discovery and development activities, we are building a portfolio of novel compounds that we believe have the potential to be high-quality, differentiated pharmaceutical products that can make a meaningful difference in the lives of patients. The majority of our programs focus on discovery and development of small molecule drugs for cancer.

We have established a leading discovery platform that has enabled us to efficiently and rapidly identify highly qualified drug candidates that meet our extensive development criteria. Our goal has been to generate a diverse and deep pipeline while focusing our resources on those drug candidates that we believe have the highest therapeutic and commercial potential. The rapid development of three of those drug candidates is a primary focus of the company.

XL184, our most advanced drug candidate, inhibits MET, VEGFR2 and RET, proteins that are key drivers of tumor growth and/or vascularization. XL184 is the most advanced inhibitor of MET in clinical development and is being evaluated in a broad development program encompassing multiple solid tumor indications. A global phase 3 registration trial of XL184 as a potential treatment for medullary thyroid cancer is currently enrolling. Assuming positive results from this registration trial, we currently expect to submit a new drug application, or NDA, for XL184 as a treatment for medullary thyroid cancer in the United States in the second half of 2011. In addition to advancing our ongoing phase 3 trial in medullary thyroid cancer, we are currently planning to initiate a phase 3 registration trial of XL184 as a potential treatment for recurrent glioblastoma by the end of 2010, based on encouraging data from the ongoing phase 2 clinical evaluation in this indication presented at the American Society of Clinical Oncology conference in June 2010. An immediate priority for us is to generate additional data in the five leading cohorts of hepatocellular carcinoma, melanoma, non-small cell lung cancer, ovarian cancer and prostate cancer in our ongoing randomized discontinuation trial to support the prioritization of our clinical and commercial options for XL184. Additional phase 2 clinical trials of XL184 in glioblastoma, non-small cell lung cancer and other solid tumor indications are also ongoing.

We are also actively pursuing the development of XL147 and XL765, leading inhibitors of phosphoinositide-3 kinase, or PI3K, that we out-licensed to sanofi-aventis in 2009. XL147 is a selective inhibitor of PI3K while XL765 is a dual inhibitor of PI3K and mTOR. Sanofi-aventis is responsible for funding all development activities with respect to XL147 and XL765, including our activities. We currently are conducting the majority of the clinical trials for these compounds. XL147 and XL765 are currently being evaluated in a series of phase 1b/2 clinical trials for a variety of solid tumor indications and a broad phase 2 clinical trial program that commenced in early 2010.

We also have several earlier novel drug candidates in clinical development for the treatment of cancer, and preclinical programs for cancer, metabolic disease and inflammation. Based on the strength of our expertise in biology, drug discovery and development, we have established collaborations with leading pharmaceutical and biotechnology companies, including Bristol-Myers Squibb, sanofi-aventis, Genentech, Boehringer Ingelheim GmbH, GlaxoSmithKline and Daiichi-Sankyo that allow us to retain economic participation in compounds and support additional development of our pipeline. Our collaborations generally fall into one of two categories: collaborations in which we co-develop compounds with a partner, share development costs and profits from commercialization and may have the right to co-promote products in the United States, and collaborations in which we out-license compounds to a partner for further development and commercialization, have no further unreimbursed cost obligations and are entitled

to receive milestones and royalties or a share of profits from commercialization. Under either form of collaboration, we may also be entitled to license fees, research funding and milestone payments from research results and subsequent product development activities. Reimbursement revenues and expenses under co-development collaborations are recorded as collaboration reimbursement revenue and collaboration cost-sharing expenses, respectively, while reimbursement revenues and expenses under other collaborations are recorded as contract revenue and research and development expenses in the period incurred.

Our Strategy

Our business strategy is to leverage our biological expertise and integrated research and development capabilities to generate a pipeline of development compounds with significant therapeutic and commercial potential for the treatment of cancer and potentially other serious diseases.

Our strategy consists of three principal elements:

- Focus on lead clinical compounds – We are focusing our development efforts on XL184, XL147 and XL765. These drug candidates are the most advanced in our pipeline, and we believe that they have the greatest near-term therapeutic and commercial potential. As a result, we are dedicating the majority of our resources to aggressively advance these drug candidates through development toward commercialization.
- Partner compounds – We continue to pursue new collaborations with leading pharmaceutical and biotechnology companies for the development and ultimate commercialization of some of our preclinical and clinical compounds, particularly those drug candidates for which we believe that the capabilities and resources of a partner can accelerate development and help to fully realize their therapeutic and commercial potential. Collaborations provide us with a means of shifting all or a portion of the development costs related to partnered drug candidates and provide financial resources that we can apply to fund our share of the development of our lead clinical compounds and other areas of our pipeline. Our goal is to increase the portion of our development expenses that are reimbursed by partners while maintaining financial upside from potential downstream milestones and royalties if these drug candidates are marketed in the future.
- Control costs – We are committed to managing our costs, and we continually analyze our expenses to align expenses with our cash resources. We are selective with respect to funding our clinical development programs and have established definitive go/no-go criteria to ensure that we commit our resources only to those programs that we believe have the greatest therapeutic and commercial potential.

We are conducting a comprehensive evaluation of various options for advancing XL184 in light of emerging clinical data and the recent termination of our collaboration with Bristol-Myers Squibb with respect to this compound, as described in more detail below. The evaluation includes a review of the clinical data and priorities, potential partnering scenarios, regulatory strategies, the competitive landscape and financial considerations. Our goal remains to appropriately deploy our resources in a manner that is designed to maximize the therapeutic and commercial potential of XL184.

Our Pipeline

Overview

We have an extensive pipeline of compounds in various stages of development that will potentially treat cancer and various metabolic, cardiovascular and inflammatory disorders. All of our development compounds were generated through our internal drug discovery efforts, although we are developing certain of these compounds in collaboration with partners and have out-licensed others. We are focusing our development efforts on our lead clinical compounds, XL184, XL147 and XL765. These drug candidates are the most advanced in our pipeline, and we believe that they have the greatest near-term therapeutic and commercial potential. As a result, we are dedicating the majority of our resources to aggressively advance these drug candidates through development towards commercialization.

The following table sets forth compounds that we are developing independently or are co-developing with a partner:

Compound	Partner	Principal Targets	Indication	Stage of Development
XL184	Unpartnered	MET, VEGFR2, RET	Cancer	Phase 3
XL139	Bristol-Myers Squibb	Hedgehog	Cancer	Phase 1b
XL888	Unpartnered	HSP90	Cancer	Phase 1
XL499	Unpartnered	PI3K-d	Cancer and inflammation	Preclinical

The following table sets forth those compounds that we have out-licensed to third parties:

Compound	Partner	Principal Targets	Indication	Stage of Development
XL880	GlaxoSmithKline	MET, VEGFR2	Cancer	Phase 2
XL147	sanofi-aventis	PI3K	Cancer	Phase 1b/2
XL765	sanofi-aventis	PI3K, mTOR	Cancer	Phase 1b/2
XL518	Genentech	MEK	Cancer	Phase 1b
XL281	Bristol-Myers Squibb	RAF	Cancer	Phase 1
XL652	Bristol-Myers Squibb	LXR	Metabolic and cardiovascular diseases	Phase 1
XL041	Bristol-Myers Squibb	LXR	Metabolic and cardiovascular diseases	Phase 1
XL550	Daiichi-Sankyo	MR	Metabolic and cardiovascular diseases	Preclinical
FXR	Pfizer	FXR	Metabolic and liver disorders	Preclinical
S1P1R	Boehringer Ingelheim	S1P1R (agonist)	Inflammation	Preclinical
Isoform Selective PI3Ka and PI3Kb	sanofi-aventis	PI3Ka and PI3Kb	Cancer	Preclinical

The following table sets forth those compounds for which we are pursuing collaborations or other external opportunities:

Compound	Principal Targets	Indication	Stage of Development
XL228	IGF1R , ABL, SRC	Cancer	Phase 1
XL388	TORC1 & 2	Cancer	IND
XL541	S1P1R (antagonist)	Cancer	Preclinical
XL475	TGR5 (agonist)	Metabolic disease	Preclinical

Recent Developments

Entry into Sublease

On July 9, 2010, in connection with our restructuring plan announced in March 2010, we entered into a sublease with Onyx Pharmaceuticals, Inc., or Onyx, with respect to approximately 68,738 square feet of the property located at 249 East Grand Avenue, South San Francisco, California. The subleased premises comprise substantially all of the 71,746 square feet of the property currently leased by us. The term of the sublease will commence on the later to occur of September 1, 2010 and 25 days after delivery of the premises to Onyx, and will expire on November 30, 2015, the end of our lease term. Under the sublease, Onyx will pay us monthly base rent for the subleased premises in addition to certain operating expenses. In connection with the execution and delivery of the sublease, we also entered into an amendment to our lease with the landlord, pursuant to which, among other things, our right to extend the term of the lease was terminated.

Appointment of New President and Chief Executive Officer

On June 29, 2010, our Board of Directors named Michael Morrissey, Ph.D. to serve as our President and Chief Executive Officer, effective July 15, 2010. In conjunction with his appointment as President and Chief Executive Officer, Dr. Morrissey also serves as a member of our Board of Directors. Prior to his appointment, Dr. Morrissey served as our President of Research and Development, a position he held since January 2007. Dr. Morrissey has served in numerous other positions with us since February 2000. From January 2006 to December 2006, Dr. Morrissey served as Executive Vice President, Discovery, from January 2003 to December 2005, he served as Senior Vice President, Discovery and from February 2000 to December 2002, he served as Vice President of Discovery Research. Dr. Morrissey replaces George Scangos, Ph.D., who resigned effective July 15, 2010 to become President and Chief Executive Officer of Biogen Idec, Inc.

Rights to XL184 Regained

On June 18, 2010, we regained full rights to develop and commercialize XL184 under our 2008 collaboration agreement with Bristol-Myers Squibb. Under the collaboration, we had agreed to co-develop XL184 with Bristol-Myers Squibb and Bristol-Myers

Squibb received an exclusive worldwide license to develop and commercialize XL281. On June 18, 2010, we received a notice from Bristol-Myers Squibb of its decision to terminate the 2008 collaboration, solely as to XL184, on a worldwide basis. Bristol-Myers Squibb informed us that the termination was based upon its review of XL184 in the context of Bristol-Myers Squibb's overall research and development priorities and pipeline products. On June 28, 2010, in connection with the termination, we received a $17.0 million transition payment from Bristol-Myers Squibb, which we will recognize as collaboration reimbursement revenue in the third quarter of 2010. The transition payment was made in satisfaction of Bristol-Myers Squibb's obligations under the collaboration to continue to fund its share of development costs for XL184 for a period of three months following the notice of termination. As a result of the termination, Bristol-Myers Squibb's license relating to XL184 has terminated and its rights to XL184 have reverted to us, and we will receive, subject to certain terms and conditions, licenses from Bristol-Myers Squibb to research, develop and commercialize XL184. The collaboration remains in full force and effect with respect to XL281.

Amendment to Loan Agreement with Silicon Valley Bank

On June 2, 2010, we amended our loan and security agreement with Silicon Valley Bank to provide for a new seven-year term loan in the amount of $80.0 million. The principal amount outstanding under the term loan accrues interest at 1.00% per annum, which interest is due and payable monthly. We are required to repay the term loan in one balloon principal payment, representing 100% of the principal balance and accrued and unpaid interest, on May 31, 2017. We have the option to prepay all, but not less than all, of the amounts advanced under the term loan, *provided* that we pay all unpaid accrued interest thereon that is due through the date of such prepayment and the interest on the entire principal balance of the term loan that would otherwise have been paid after such prepayment date until the maturity date of the term loan. We are required to maintain at all times on deposit in a non-interest bearing demand deposit account(s) with Silicon Valley Bank or one of its affiliates a compensating balance, which constitutes support for the obligations under the term loan, with a principal balance in value equal to at least 100% of the outstanding principal balance of the term loan. Any amounts outstanding under the term loan during the continuance of an event of default under the loan and security agreement will, at the election of Silicon Valley Bank, bear interest at a per annum rate equal to 6.00%. If one or more events of default under the loan and security agreement occurs and continues beyond any applicable cure period, Silicon Valley Bank may declare all or part of the obligations under the loan and security agreement to be immediately due and payable and stop advancing money or extending credit to us under the loan and security agreement.

Deerfield Financing

On June 2, 2010, we entered into a note purchase agreement with Deerfield Private Design Fund, L.P. and Deerfield Private Design International, L.P., or the Deerfield Entities, pursuant to which, on July 1, 2010, we sold to the Deerfield Entities an aggregate of $124.0 million initial principal amount of our secured convertible notes due June 2015 for an aggregate purchase price of $80.0 million, less closing fees and expenses of approximately $2.0 million. The outstanding principal amount of the notes bears interest in the annual amount of $6.0 million, payable quarterly in arrears. We will be required to make mandatory prepayments on the notes on an annual basis in 2013, 2014 and 2015 equal to 15% of certain revenues from our collaborative arrangements received during the prior fiscal year, subject to a maximum annual prepayment amount of $27.5 million and, for payments due in January 2013 and 2014, a minimum prepayment amount of $10.0 million. We may also prepay all or a portion (not less than $5.0 million) of the principal amount of the notes at an optional prepayment price based on a discounted principal amount (during the first three years of the term, subject to a prepayment premium) determined as of the date of prepayment, plus accrued and unpaid interest, plus in the case of a prepayment of the full principal amount of the notes (other than prepayments upon the occurrence of specified transactions relating to a change of control or a substantial sale of assets), all accrued interest that would have accrued between the date of such prepayment and the next anniversary of the note purchase agreement. At any time after July 1, 2011, subject to certain limitations (including a cap on the number of shares issuable under the note purchase agreement), we have the right to convert all or a portion of the principal amount of the notes into, or satisfy all or any portion of the optional prepayment amounts or mandatory prepayment amounts (other than the first $10.0 million of mandatory prepayments required in 2013 and 2014) with shares of our common stock. Additionally, in lieu of making any payment of accrued and unpaid interest in respect of the notes in cash, at any time after July 1, 2011, subject to certain limitations, we may elect to satisfy any such payment with shares of our common stock. The number of shares of our common stock issuable upon conversion or in settlement of principal and interest obligations will be based upon the discounted trading price of our common stock over a specified trading period. Upon certain changes of control of our company, a sale or transfer of assets in one transaction or a series of related transactions for a purchase price of more than $400 million or a sale or transfer of more than 50% of our assets, the Deerfield Entities may require us to prepay the notes at the optional prepayment price, plus accrued and unpaid interest and any other accrued and reimbursable expenses, or the Put Price. Upon an event of default, the Deerfield Entities may declare all or a portion of the Put Price to be immediately due and payable.

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

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

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

Limited Sources of Revenues

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

Clinical Trials

We currently have multiple compounds in clinical development and expect to expand the development programs for our compounds. Our compounds may fail to show adequate safety or efficacy in clinical testing. Furthermore, predicting the timing of the initiation or completion of clinical trials is difficult, and our trials may be delayed due to many factors, including factors outside of our control. The future development path of each of our compounds depends upon the results of each stage of clinical development. In general, we will incur increased operating expenses for compounds that advance in clinical development, whereas expenses will end for compounds that do not warrant further clinical development.

We are responsible for all development costs for compounds in our pipeline that are not partnered and for a portion of development costs for those compounds that we are co-developing with partners. We share development costs with partners in our co-development collaborations and have no unreimbursed cost obligations with respect to compounds that we have out-licensed.

Liquidity

As of June 30, 2010, we had $308.6 million in cash and cash equivalents and short-term and long-term marketable securities, which included restricted cash and investments of $6.4 million. We anticipate that our current cash and cash equivalents, short-term and long-term marketable securities and funding that we expect to receive from collaborators, which includes anticipated cash from additional business development activity, will enable us to maintain our operations for a period of at least 12 months following the filing date of this report. However, our future capital requirements will be substantial and depend on many factors, including the following:

- whether we repay amounts outstanding under our loan and security agreement with GlaxoSmithKline (described below) in cash or shares of our common stock;
- whether we elect to issue shares of our common stock in respect of any conversion of our principal, prepayments or payments of interest in connection with the secured convertible notes we issued to the Deerfield Entities under the note purchase agreement;
- the progress and scope of the development activity with respect to XL184, our most advanced compound;
- the progress and scope of other research and development activities conducted by us;
- the level of payments received under existing collaboration agreements, licensing agreements and other arrangements;
- the degree to which we conduct funded development activity on behalf of partners to whom we have out-licensed compounds; and
- whether we enter into new collaboration agreements, licensing agreements or other arrangements (including in particular with respect to XL184) that provide additional capital.

Our minimum liquidity needs are also determined by financial covenants in our loan and security agreement, as amended, with GlaxoSmithKline, our loan and security agreement with Silicon Valley Bank and our note purchase agreement with the Deerfield

Entities, as well as other factors, which are described under "– Liquidity and Capital Resources – Cash Requirements". In particular, our loan and security agreement with Silicon Valley Bank requires that we maintain $80.0 million at all times on deposit in a non-interest bearing demand deposit account(s) as support for our obligations under the loan and security agreement.

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

sanofi-aventis

In May 2009, we entered into a global license agreement with sanofi-aventis for XL147 and XL765 and a broad collaboration for the discovery of inhibitors of PI3K for the treatment of cancer. The license agreement and collaboration agreement became effective on July 7, 2009. In connection with the effectiveness of the license and collaboration on July 20, 2009, we received upfront payments of $140.0 million ($120.0 million for the license and $20.0 million for the collaboration), less applicable withholding taxes of $7.0 million, for a net receipt of $133.0 million. We expect to receive a refund payment from the French government in 2010 with respect to the withholding taxes previously withheld.

Under the license agreement, sanofi-aventis received a worldwide exclusive license to XL147 and XL765, which are currently in phase 1, phase 1b/2 and phase 2 clinical trials, and has sole responsibility for all subsequent clinical, regulatory, commercial and manufacturing activities. It is expected that we will continue to participate in the conduct of ongoing and potential future clinical trials and manufacturing activities. Sanofi-aventis is responsible for funding all future development activities with respect to XL147 and XL765, including our activities. Under the collaboration agreement, the parties are combining efforts in establishing several pre-clinical PI3K programs and jointly share responsibility for research and preclinical activities related to isoform-selective inhibitors of PI3K-a and -ß. Sanofi-aventis will provide us with guaranteed annual research and development funding during the research term and is responsible for funding all development activities for each product following approval of the investigational new drug application filed with the applicable regulatory authorities for such product. Sanofi-aventis will have sole responsibility for all subsequent clinical, regulatory, commercial and manufacturing activities of any products arising from the collaboration; however, we may be requested to conduct certain clinical trials at sanofi-aventis' expense. The research term under the collaboration is three years, although sanofi-aventis has the right to extend the term for an additional one-year period upon prior written notice.

In addition to the aggregate upfront cash payments for the license and collaboration agreements, we are entitled to receive guaranteed research funding of $21.0 million over three years to cover certain of our costs under the collaboration agreement. For both the license and the collaboration combined, we will be eligible to receive development, regulatory and commercial milestones of over $1.0 billion in the aggregate, as well as royalties on sales of any products commercialized under the license or collaboration.

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

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

2008 Cancer Collaboration with Bristol-Myers Squibb

In December 2008, we entered into a worldwide collaboration with Bristol-Myers Squibb for XL184 and XL281. Upon effectiveness of the agreement in December 2008, Bristol-Myers Squibb made an upfront cash payment of $195.0 million for the development and commercialization rights to both programs. The agreement required Bristol-Myers Squibb to make additional license payments to us of $45.0 million, which were received during 2009. On June 18, 2010, we regained full rights to develop and commercialize XL184 under our collaboration agreement with Bristol-Myers Squibb following receipt of notice from Bristol-Myers Squibb of its decision to terminate the 2008 collaboration, solely as to XL184, on a worldwide basis, as described above under "Recent Developments – Rights to XL184 Regained."

We and Bristol-Myers Squibb agreed to co-develop XL184, and potentially a backup program for XL184. The companies were obligated to share worldwide (except for Japan) development costs for XL184. We were responsible for 35% of such costs and Bristol-Myers Squibb was responsible for 65% of such costs, except that we were responsible for funding the initial $100.0 million of

combined costs and had the option to defer payments for development costs above certain thresholds. We completed our required funding of the initial $100.0 million of the combined costs during the second quarter of 2010, after which we were responsible for 35% of the combined costs going forward. In return, we would share 50% of the commercial profits and losses (including pre-launch commercialization expenses) in the United States and have the option to co-promote XL184 in the United States. Bristol-Myers Squibb was responsible for all costs intended to support regulatory approval in Japan. We had the right to defer payment for certain early commercialization and other related costs above certain thresholds. We were eligible to receive sales performance milestones of up to $150.0 million and double-digit royalties on sales on XL184 outside the United States. The clinical development of XL184 was directed by a joint committee.

Under the terms of the collaboration, Bristol-Myers Squibb received an exclusive worldwide license to develop and commercialize XL281. We will carry out certain clinical trials of XL281 which may include a backup program on XL281. Bristol-Myers Squibb is responsible for funding all future development of XL281, including our activities. We are eligible for development and regulatory milestones of up to $315.0 million on XL281, sales performance milestones of up to $150.0 million and double-digit royalties on worldwide sales of XL281.

The upfront payment of $195.0 million we received upon effectiveness of the collaboration agreement and the license payments of $20.0 million and $25.0 million that we received in the first quarter and second quarter of 2009, respectively, will be recognized ratably over the estimated development term, and recorded as license revenue, from the effective date of the agreement in December 2008. During the second quarter of 2010, we revised the development term from five years to four years and 8.5 months, which is our current estimate of the term of our performance obligation under the collaboration. Any milestone payments that we may receive under the agreement will be recognized ratably over the same revised period but will be recorded as contract revenue. We will record as operating expense 100% of the cost incurred for work performed by us on XL281.

Prior to the termination of the collaboration by Bristol-Myers Squibb as to XL184, there were periods during which Bristol-Myers Squibb partially reimbursed us for certain research and development expenses, and other periods during which we owed Bristol-Myers Squibb for research and development expenses that Bristol-Myers Squibb incurred on joint development projects, less amounts reimbursable to us by Bristol-Myers Squibb on these projects. To the extent that net research and development funding payments were received from Bristol-Myers Squibb, these payments were presented as collaboration reimbursement revenue. In periods when net research and development funding payments were payable to Bristol-Myers Squibb, these payments were presented as collaboration cost sharing expense. Notwithstanding termination by Bristol-Myers Squibb, revenues from the collaboration will continue to be determined and reflected on an annual basis. As we fulfilled our responsibility for funding the initial $100.0 million of combined costs in the second quarter of 2010 and received reimbursements from Bristol-Myers Squibb prior to the termination of the collaboration as to XL184, we expect to be in a net receivable position for the fiscal year ending December 31, 2010 and in future fiscal years, and will therefore present reimbursement payments as collaboration reimbursement revenue.

GlaxoSmithKline Loan Repayment Obligations

In October 2002, we entered into a collaboration with GlaxoSmithKline to discover and develop novel therapeutics in the areas of vascular biology, inflammatory disease and oncology. As part of the collaboration, we entered into a loan and security agreement with GlaxoSmithKline, pursuant to which we borrowed $85.0 million for use in our efforts under the collaboration. The loan bears interest at a rate of 4.0% per annum and is secured by certain intellectual property, technology and equipment created or utilized pursuant to the collaboration. As of June 30, 2010, the aggregate principal and interest outstanding under our GlaxoSmithKline loan was $72.0 million, after giving effect to a cash payment we made to GlaxoSmithKline of $34.7 million on October 27, 2009 for the first of three annual installments of principal and accrued interest due under the loan. The second and third installments of principal and accrued interest under the loan are due on October 27, 2010 and October 27, 2011, respectively. Repayment of all or any of the amounts advanced to us under the loan agreement may, at our election, be made in the form of our common stock at fair market value, subject to certain conditions, or cash. Following the conclusion on October 27, 2008 of the development term under our collaboration with GlaxoSmithKline, we are no longer eligible to receive selection milestone payments from GlaxoSmithKline to credit against outstanding loan amounts, and in the event the market price for our common stock is depressed, we may not be able to repay the loan in full using shares of our common stock due to restrictions in the agreement on the number of shares we may issue. In addition, the issuance of shares of our common stock to repay the loan may result in significant dilution to our stockholders. As a result, we may need to obtain additional funding to satisfy our repayment obligations. There can be no assurance that we will have sufficient funds to repay amounts outstanding under the loan when due or that we will satisfy the conditions to our ability to repay the loan in shares of our common stock.

We believe that the capital provided by our June 2010 financing transactions with Silicon Valley Bank and the Deerfield Entities will enable us to meet our remaining obligations under the loan.

Critical Accounting Estimates

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

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the financial statements. We believe the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our consolidated financial statements.

Revenue Recognition

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

Revenues from license fees and milestone payments primarily consist of up-front license fees and milestone payments received under various collaboration agreements. We initially recognize upfront fees received from third party collaborators as unearned revenue and then recognize these amounts on a ratable basis over the expected term of the research collaboration. Therefore, any changes in the expected term of the research collaboration will impact revenue recognition for the given period. For example, in the second quarter of 2010, the estimated research term under the Boehringer Ingelheim agreement was extended through March 2011, resulting in an extension in the period over which we will recognize license revenue and decreasing our license revenue recognized in the period to $0.7 million. Often, the total research term is not contractually defined and an estimate of the term of our total obligation must be made. For example, under the 2008 cancer collaboration with Bristol-Myers Squibb, we have estimated our term to be four years and eight and a half months, or through the completion of our performance obligations for XL281. We estimate that this is the period over which we are obligated to perform services and therefore the appropriate term with which to ratably recognize any license fees. This estimate was reduced from five years following notice from Bristol-Myers Squibb of its decision to terminate the 2008 collaboration as to XL184. License fees are classified as license revenue in our consolidated statement of operations.

Although milestone payments are generally non-refundable once the milestone is achieved, we recognize milestone revenues on a straight-line basis over the expected research term of the arrangement. This typically results in a portion of a milestone being recognized on the date the milestone is achieved, with the balance being recognized over the remaining research term of the agreement. There is diversity in practice on the recognition of milestone revenue. Other companies have adopted an alternative milestone revenue recognition policy, whereby the full milestone fee is recognized upon completion of the milestone. If we had adopted such a policy, our revenues recorded to date would have increased and our deferred revenues would have decreased by a material amount compared to total revenue recognized. In certain situations, we may receive milestone payments after the end of our period of continued involvement. In such circumstances, we would recognize 100% of the milestone revenue when the milestone is achieved. Milestones are classified as contract revenue in our consolidated statement of operations.

Collaborative agreement reimbursement revenue consists of research and development support received from collaborators. Collaborative agreement reimbursement revenue is recorded as earned based on the performance requirements by both parties under the respective contracts. Under the 2008 cancer collaboration with Bristol-Myers Squibb and prior to its termination by Bristol-Myers Squibb as to XL184, certain research and development expenses were partially reimbursable to us. On an annual basis, the amounts that Bristol-Myers Squibb owed us, net of amounts reimbursable to Bristol-Myers Squibb by us on those projects, were recorded as revenue. Conversely, research and development expenses included the net settlement of amounts we owed Bristol-Myers Squibb for research and development expenses that Bristol-Myers Squibb incurred on joint development projects, less amounts reimbursable to us by Bristol-Myers Squibb on such projects. In annual periods when net research and development funding payments were payable to Bristol-Myers Squibb, these payments were presented as collaboration cost-sharing expense. Reimbursements under co-development agreements were classified as collaboration reimbursement revenue, while reimbursements under other arrangements were classified as contract revenue in our consolidated statement of operations. Notwithstanding termination by Bristol-Myers Squibb, revenues from the 2008 cancer collaboration will continue to be determined and reflected on an annual basis.

Some of our research and licensing arrangements have multiple deliverables in order to meet our customer’s needs. For example, the arrangements may include a combination of intellectual property rights and research and development services. Multiple

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

Clinical Trial Accruals

Substantial portions of our preclinical studies and all of our clinical trials have been performed by third-party contract research organizations, or CROs, and other vendors. We accrue expenses for preclinical studies performed by our vendors based on certain estimates over the term of the service period and adjust our estimates as required. We accrue costs for clinical trial activities performed by CROs based upon the estimated amount of work completed on each study. For clinical trial expenses, the significant factors used in estimating accruals include the number of patients enrolled, the number of active clinical sites, and the duration for which the patients will be enrolled in the study. We monitor patient enrollment levels and related activities to the extent possible through internal reviews, correspondence with CROs and review of contractual terms. We base our estimates on the best information available at the time. However, additional information may become available to us which will allow us to make a more accurate estimate in future periods. In this event, we may be required to record adjustments to research and development expenses in future periods when the actual level of activity becomes more certain. Such increases or decreases in cost are generally considered to be changes in estimates and will be reflected in research and development expenses in the period first known.

Stock Option Valuation

Our estimate of compensation expense requires us to determine the appropriate fair value model and a number of complex and subjective assumptions including our stock price volatility, employee exercise patterns, future forfeitures and related tax effects. The most significant assumptions are our estimates of the expected volatility and the expected term of the award. We have limited historical information available to support the underlying estimates of certain assumptions required to value stock options. The value of a stock option is derived from its potential for appreciation. The more volatile the stock, the more valuable the option becomes because of the greater possibility of significant changes in stock price. Because there is a market for options on our common stock, we have considered implied volatilities as well as our historical realized volatilities when developing an estimate of expected volatility. The expected option term also has a significant effect on the value of the option. The longer the term, the more time the option holder has to allow the stock price to increase without a cash investment and thus, the more valuable the option. Further, lengthier option terms provide more opportunity to exploit market highs. However, empirical data shows that employees, for a variety of reasons, typically do not wait until the end of the contractual term of a nontransferable option to exercise. Accordingly, companies are required to estimate the expected term of the option for input to an option-pricing model. As required under the accounting rules, we review our valuation assumptions at each grant date and, as a result, from time to time we will likely change the valuation assumptions we use to value stock based awards granted in future periods. The assumptions used in calculating the fair value of share-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and we use different assumptions, our stock-based compensation expense could be materially different in the future. In addition, we are required to estimate the expected forfeiture rate and recognize expense only for those shares expected to vest. If our actual forfeiture rate is materially different from our estimate, the stock-based compensation expense could be significantly different from what we have recorded in the current period. As of June 30, 2010, $18.7 million of total unrecognized compensation expense related to stock options was expected to be recognized over a weighted-average period of 1.76 years in addition to $11.8 million of total unrecognized compensation expense relating to RSUs, which was expected to be recognized over 3.62 years. See Note 3 to the Consolidated Financial Statements for a further discussion on stock-based compensation.

Fiscal Year Convention

We have adopted a 52- or 53-week fiscal year that ends on the Friday closest to December 31st of each year. Fiscal year 2009, a 52-week year, ended on January 1, 2010, and fiscal year 2010, a 52-week year, will end on December 31, 2010. For convenience, references in this report as of and for the fiscal year ended January 1, 2010 are indicated on a calendar year basis, ended December 31, 2009, and as of and for the fiscal quarters ended July 3, 2009 and July 2, 2010 are indicated as ended June 30, 2009 and 2010, respectively.

Results of Operations

Revenues

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Contract revenue:				
Research and development funding	$ 10.9	$ 1.6	$22.1	$ 3.6
Milestones	1.4	4.7	10.0	9.4
License revenue, amortization of upfront payments, including amortization of premiums for equity purchases	24.6	21.1	49.1	39.7
Collaboration reimbursements	10.7	—	8.6	—
Total revenues	$ 47.6	$ 27.4	$89.8	$52.7
Dollar increase	$ 20.2		$37.1	
Percentage increase	74%		70%	

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Sanofi-aventis	$ 19.7	$ —	$39.4	$ —
Bristol-Myers Squibb	27.2	20.6	41.3	41.1
Genentech	—	4.2	7.0	8.5
GlaxoSmithKline	—	—	—	0.5
Boehringer Ingelheim	0.7	2.5	2.1	2.5
SEI	—	0.1	—	0.1
Total revenues	$ 47.6	$ 27.4	$89.8	$52.7
Dollar increase	$ 20.2		$37.1	
Percentage increase	74%		70%	

The increase in revenues for the three and six months ended June 30, 2010, as compared to the comparable periods for the prior year, was primarily due to our May 2009 collaboration agreements with sanofi-aventis for XL147, XL765 and the discovery of inhibitors of P13K. In addition to the increase resulting from the agreements with sanofi-aventis, we also recognized an increase of $10.7 and $8.6 million for the three and six months ended June 30, 2010 due to increased reimbursement revenue relating to our 2008 cancer collaboration agreement with Bristol Myers-Squibb for XL184 and XL281. These increases in revenue were partially offset by a reduction in revenues related to our MEK collaboration with Genentech which ended in 2009, our 2007 cancer collaboration with Bristol-Myers Squibb, and the completion of revenue recognition under our LXR collaboration with Bristol-Myers Squibb.

Collaboration reimbursement revenue consisted of research and development expenses and reimbursements related to our 2008 cancer collaboration agreement with Bristol Myers-Squibb for XL184 and XL281. To the extent that net annual research and development funding payments are expected to be received from Bristol-Myers Squibb, these payments will be presented as collaboration reimbursement revenue. In 2009, when net research and development funding payments were expected to be payable to Bristol-Myers Squibb, these payments were presented as collaboration cost sharing expense. For the fiscal year ending December 31, 2009, we expected to be in a net payable position and therefore showed the net receivable for the three months ended June 30, 2009, as a reduction in operating expenses. However, for the year ending December 31, 2010, we expect to receive net collaboration reimbursements and have recorded collaboration reimbursement revenue of $10.7 million and $8.6 million for the three and six months ended June 30, 2010, respectively.

Research and Development Expenses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Research and development expenses	$ 54.2	$ 55.0	$119.0	$110.4
Dollar (decrease)/increase	$ (0.8)		$ 8.6	
Percentage (decrease)/increase	(1%)		8%	

Research and development expenses consist primarily of personnel expenses, clinical trials, consulting, laboratory supplies and facilities costs.

The decrease for the three months ended June 30, 2010, as compared to the comparable period in 2009, resulted primarily from the following:

- Personnel—Personnel expense, which includes salaries, bonuses, related fringe benefits, recruiting and relocation costs, decreased by $4.9 million, or 27%, primarily due to a reduction in headcount resulting from our restructuring implemented in March 2010.
- Laboratory Supplies – Laboratory supplies decreased by $1.8 million, or 51%, primarily due to the decrease in headcount and other cost cutting measures.
- Stock-Based Compensation – Stock-based compensation expense decreased by $1.5 million or 33% as a result of our reduction in headcount resulting from our restructuring implemented in March 2010.

These decreases were partially offset by an increase in clinical trial expenses. Clinical trial expenses, which include services performed by third-party contract research organizations and other vendors, increased by $9.3 million, or 74%, primarily due to the increase in phase 2 and phase 3 clinical trial activity for XL184 and increased clinical trial activity for XL147, XL228 and XL281. These increases were partially offset by reduced activities associated with XL888, XL820 and XL019, as well as no 2010 activity for XL999.

The increase for the six months ended June 30, 2010, as compared to the comparable period in 2009, resulted primarily from the following:

- Clinical Trials—Clinical trial expenses increased by $18.7 million, or 71%, primarily due to the increase in phase 2 and phase 3 clinical trial activity for XL184, increased clinical trial activity for XL147 and activity in preparation for the initiation of a phase 1 clinical trial for XL388. These increases were partially offset by the wind down of activities associated with XL647, XL999 and XL019 and reduced activities associated with XL888 and XL820.
- Cost Reimbursement – Under our 2007 contract research agreement with Agrigenetics, Inc., we received additional research and development funding of $3.4 million that was recognized as a reduction to research and development expense in 2009. This agreement ended in 2009, resulting in a reduction in reimbursement of $2.8 million, or 81%. The 2010 research and development funding relates to our agreement with a third party with respect to the sale of a portion of the Exelixis Plant Sciences business.

These increases in research and development expenses were offset by decreases in the following:

- Personnel—Personnel expense decreased by $6.2 million, or 17%, primarily due to a reduction in headcount related to our restructuring implemented in March 2010.
- General Corporate Costs – There was a decrease of $2.1 million, or 10%, in the allocation of general corporate costs (such as facilities costs, property taxes and insurance) to research and development, primarily as a result of a decrease in personnel as a result of our March restructuring plan and the resulting decrease in costs to be allocated.

We do not track total research and development expenses separately for each of our research and development programs. We group our research and development expenses into three categories: drug discovery, development and other. Our drug discovery group utilizes a variety of high-throughput technologies to enable the rapid discovery, optimization and extensive characterization of lead compounds such that we are able to select development candidates with the best potential for further evaluation and advancement into clinical development. Drug discovery expenses relate primarily to personnel expense, lab supplies and general corporate costs. Our

development group leads the development and implementation of our clinical and regulatory strategies and prioritizes disease indications in which our compounds may be studied in clinical trials. Development expenses relate primarily to clinical trial, personnel and general corporate costs. The other category primarily includes stock compensation expense.

In addition to reviewing the three categories of research and development expenses described above, we principally consider qualitative factors in making decisions regarding our research and development programs. Such factors include enrollment in clinical trials for our drug candidates, the results of and data from clinical trials, the potential indications for our drug candidates and the clinical and commercial potential for our drug candidates and competitive dynamics. We also make our research and development decisions in the context of our overall business strategy, which includes the pursuit of commercial collaborations with major pharmaceutical and biotechnology companies for the development of our drug candidates.

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

	Three Months Ended June 30,		Six Months Ended June 30,		Inception to date (1)
	2010	2009	2010	2009	
Drug discovery	$ 13.2	$ 21.3	$ 33.8	$ 44.7	$ 418.3
Development	37.4	27.3	76.8	54.8	514.9
Other	3.6	6.4	8.4	10.9	88.9
Total	$ 54.2	$ 55.0	$119.0	$ 110.4	$ 1022.1

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

While we do not track total research and development expenses separately for each program, beginning in fiscal 2006, we began tracking third party expenditures directly relating to each program as a way of monitoring external costs. Our third party research and development expenditures relate principally to our clinical trial and related development activities, such as preclinical and clinical studies and contract manufacturing, and represent only a portion of the costs related to each program. Third party expenditures for programs initiated prior to the beginning of fiscal 2006 have not been tracked from project inception, and therefore such expenditures from the actual inception for most of our programs are not available. We do not accumulate on a program-specific basis internal research and development expenses, such as salaries and personnel expenses, facilities overhead expenses and external costs not directly attributable to a specific project. Nevertheless, we believe that third party expenditures by program provide a reasonable estimate of the percentage of our total research and development expenses that are attributable to each such program. For the six months ended June 30, 2010, the programs representing the greatest portion of our external third party research and development expenditures were XL184 (65%), XL147 (14%), XL765 (7%), XL281 (4%) and XL228 (4%), respectively. The expenses for these programs were primarily included in the development category of our research and development expenses and exclude the impact of any amounts reimbursed by our partners.

We currently do not have reliable estimates regarding the timing of our clinical trials. We currently estimate that typical phase 1 clinical trials last approximately one year, phase 2 clinical trials last approximately one to two years and phase 3 clinical trials last approximately two to four years. However, the length of time may vary substantially according to factors relating to the particular clinical trial, such as the type and intended use of the drug candidate, the clinical trial design and the ability to enroll suitable patients. In general, we will incur increased research and development expenses for compounds that advance in clinical development, whereas expenses will end for compounds that do not warrant further clinical development.

We currently do not have reliable estimates of total costs for a particular drug candidate to reach the market. Our potential therapeutic products are subject to a lengthy and uncertain regulatory process that may involve unanticipated additional clinical trials and may not result in receipt of the necessary regulatory approvals. Failure to receive the necessary regulatory approvals would prevent us from commercializing the product candidates affected. In addition, clinical trials of our potential products may fail to demonstrate safety and efficacy, which could prevent or significantly delay regulatory approval.

General and Administrative Expenses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
General and administrative expenses	$ 9.6	$ 8.7	$18.4	$17.3
Dollar increase	$ 0.8		$ 1.1	
Percentage increase	10%		7%	

General and administrative expenses consist primarily of personnel expenses, employee stock-based compensation expense, facility costs and consulting and professional expenses, such as legal and accounting fees. The increase in expenses for the three and six months ended June 30, 2010, as compared to the comparable periods in 2009, was primarily due to increases in patent costs and a change in our overhead allocations following our March 2010 restructuring, offset by decreases in facility-related expenses.

Collaboration Reimbursement Revenue (Cost-Sharing Expenses)

Total collaboration reimbursement revenue (cost-sharing expenses), as compared to the prior year period, were as follows (dollar amounts are presented in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Collaboration reimbursement revenue (cost-sharing expenses)	$ 10.7	$(1.6)	$ 8.6	$0.2
Dollar change	$ 12.3		$ 8.4	
Percentage change	Not meaningful		Not meaningful	

Collaboration reimbursement revenue (cost-sharing expenses) consist of research and development expenses and reimbursements related to our 2008 cancer collaboration agreement with Bristol Myers-Squibb for XL184 and XL281. To the extent that net annual research and development funding payments are expected to be received from Bristol-Myers Squibb, these payments will be presented as collaboration reimbursement revenue. In 2009, when net research and development funding payments were expected to be payable to Bristol-Myers Squibb, these payments were presented as collaboration cost-sharing expenses. For the fiscal year ending December 31, 2009, we expected to be in a net payable position and therefore showed the net receivable for the three months ended June 30, 2009, as a reduction in operating expenses. However, for the year ending December 31, 2010, we expect to receive net collaboration reimbursements and have recorded collaboration reimbursement revenue of $10.7 million and $8.6 million for the three and six months ended June 30, 2010 respectively.

Restructuring Charge

On March 8, 2010, we implemented a restructuring plan that resulted in a reduction of our workforce by approximately 40%, or 270 employees. A small number of the terminated employees were subsequently recalled and the termination of a small group of employees has been delayed, all of whom continue to provide services for us. The remaining impacted employees were terminated immediately upon implementation of the plan or by March 31, 2010. The decision to restructure our operations was based on our recently announced corporate strategy to focus our efforts on our lead clinical compounds, XL184, XL147 and XL765, by dedicating the majority of our resources to aggressively drive these drug candidates through development towards commercialization.

In connection with the 2010 restructuring plan, we recorded a charge of approximately $16.1 million in the first quarter of 2010 primarily related to one-time termination benefits, which includes the modification of certain stock option awards previously granted to the terminated employees. The modification accelerates the vesting of any stock options that would have vested over the period beginning from cessation of employment through August 5, 2010. Employees also received an additional two months to exercise their options, for which a small charge was taken. The remainder of the charge was for the impairment of various assets and for non-cash charges relating to the closure of our facility in San Diego, California. We recorded additional restructuring expenses of approximately $9.4 million during the second quarter of 2010, primarily due to facility-related charges in connection with the sublease and exit of one of our buildings in South San Francisco, California. This charge was partially offset by a decrease in legal fees and one-time

termination benefits relating to the recall of certain employees that were originally terminated under the restructuring plan and continued delay in the termination of the small group of employees described above. Our restructuring liability is recorded on discounted basis, using a credit-adjusted risk-free borrowing rate. We expect further restructuring expenses totaling approximately $2.2 million, which will be incurred on a quarterly basis over the period beginning in the third quarter of 2010 and continuing through the fourth quarter of 2015 due to interest expenses related to the exit of the South San Francisco building during the second quarter of 2010, partially offset by payments due to us under a sublease agreement that we signed in July 2010.

We expect that the restructuring plan will result in total cash expenditures of approximately $24.8 million, of which approximately $14.3 million is expected to be paid in 2010. The balance will be paid over an additional five years and primarily relates to net payments due under the lease for the building we exited in South San Francisco.

Total Other Income (Expense), Net

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Total other income (expense), net	$ 3.0	$(9.8)	$ 7.2	$(11.3)
Dollar change	$ 12.8		$ 18.5	
Percentage change	Not meaningful		Not meaningful	

Total other income (expense), net consists primarily of interest income earned on our marketable securities and gains on asset sales, offset by interest expense incurred on our notes payable, bank obligations, capital lease obligations, convertible notes and loans and credit facility. The change in total other income for the three and six months ended June 30, 2010, as compared to the comparable period in 2009, resulted primarily from the recording of a $9.8 million loss upon deconsolidation of Symphony Evolution, Inc., or SEI, as a result of the expiration of our purchase option for SEI in June 2009. In addition, we recorded an increase of $2.7 million and $7.2 million relating to the gain on the sale of our plant trait business for the three- and six-month period ending June 30, 2010, as well as a net gain of our cell factory business in the second quarter of 2010.

Income Tax Provision

The income tax provision for the three- and six month period ended June 30, 2009 is a result of a $0.8 million tax credit recorded as a result of the Housing and Economic Recovery Act of 2008 that was extended through 2009. There is no tax credit recorded for 2010.

Noncontrolling Interest in Symphony Evolution, Inc.

In 2005, we licensed three of our compounds, XL647, XL784 and XL999, to SEI in return for an $80.0 million investment for the clinical development of these compounds. As part of the agreement, we received an exclusive purchase option to acquire all of the equity of SEI, thereby allowing us to reacquire XL647, XL784 and XL999 at our sole discretion. The purchase option expired on June 9, 2009. The expiration of the purchase option triggered a reconsideration event regarding our need to consolidate SEI, a variable interest entity. Upon the expiration of the purchase option, we no longer held a variable interest in the variable interest entity. Accordingly, we deconsolidated SEI and derecognized the SEI assets, liabilities and noncontrolling interest from our financial statements. For the three months ended June 30, 2010 and 2009, the losses attributed to the noncontrolling interest holders were $0 and $2.2 million, respectively. For the six months ended June 30, 2010 and 2009, the losses attributed to the noncontrolling interest holders were $0 and $4.3 million, respectively. The decrease in the losses attributable to noncontrolling interest holders was due to the deconsolidation of SEI in June 2009.

Liquidity and Capital Resources

Sources and Uses of Cash

The following table summarizes our cash flow activities for the six months ended June 30, 2010 and 2009, respectively (dollar amounts presented in thousands):

	Six Months Ended June 30,	
	2010	2009
Consolidated net loss	$ (65,862)	$ (85,278)
Adjustments to reconcile net loss to net cash provided by operating activities	13,491	26,235
Changes in operating assets and liabilities	(26,104)	4,496
Net cash used in operating activities	(78,475)	(54,547)
Net cash used in investing activities	(10,771)	(34,780)
Net cash provided by (used in) financing activities	159,653	(5,459)
Net decrease in cash and cash equivalents	70,407	(94,786)
Cash and cash equivalents, at beginning of period	86,796	247,698
Cash and cash equivalents, at end of period	$ 157,203	$ 152,912

To date, we have financed our operations primarily through the sale of equity, payments and loans from collaborators and banks, and equipment financing facilities. We have also financed certain of our research and development activities under our agreements with SEI. As of June 30, 2010, we had $308.6 million in cash and cash equivalents and short-term and long-term marketable securities which included restricted cash and investments of $6.4 million. In addition, as of June 30, 2010, approximately $100.1 million of cash and cash equivalents and marketable securities served as collateral for bank lines of credit.

Operating Activities

Our operating activities used cash of $78.5 million for the six months ended June 30, 2010, compared to cash used of $54.5 million for the comparable period in 2009. Cash used by operating activities for the 2010 period related primarily to our net loss attributable to Exelixis, Inc. of $65.9 million, in addition to a $35.3 million reduction in deferred revenue and a gain on sale of our plant trait and cell factory businesses of $7.8 million. These increases in cash used were partially offset by non-cash charges totaling $19.6 million relating to stock-based compensation, depreciation and amortization, and asset impairment as a result of our restructuring in addition to a restructuring charge of $11.1 million relating to our South San Francisco building. Cash used by operating activities for the 2009 period related primarily to our net loss attributable to Exelixis, Inc. of $85.3 million, and increases in receivables, prepaid expenses and other assets, a $1.8 million adjustment to the gain on the 2007 sale of our plant trait business, and decreases in accounts payable and other accrued expenses. These increases in cash used were partially offset by non-cash charges totaling $27.8 million relating to stock-based compensation, the loss on our deconsolidation of SEI and depreciation and amortization, as well as an increase in deferred revenue of $10.8 million.

Investing Activities

Our investing activities used cash of $10.8 million for the six months ended June 30, 2010, compared to cash used of $34.8 million for the comparable period in 2009. Cash used by investing activities for the 2010 period was primarily driven by the purchase of $103.6 million of marketable securities and certificates of deposit offset by proceeds from the maturity of marketable securities of $72.0 million in addition to the sale of investments prior to maturity of $12.8 million and an additional gain of $8.6 million associated with our 2007 transaction with Agrigenetics and the sale of our cell factory business in 2010. The proceeds provided by the sale and maturity of our investments were used to fund our operations.

Cash used by investing activities for the 2009 period was primarily driven by purchases of marketable securities of $43.0 million, purchases of property and equipment of $0.8 million, and a decrease in restricted cash and investments of $0.7 million. This cash outflow was partially offset by proceeds of $5.4 million from the maturity of marketable securities and proceeds of $4.5 million on the sale of investments held by SEI. The proceeds provided by the sale and maturity of our investments were used to fund our operations. We expect to continue to make moderate investments in property and equipment to support our operations.

Financing Activities

Our financing activities provided cash of $159.7 million for the six months ended June 30, 2010, compared to cash used of $5.5 million for the comparable period in 2009. Cash provided by our financing activities for the 2010 period was primarily due to our loan agreements with Silicon Valley Bank and the Deerfield entities for proceeds of $162.5 million as well as proceeds from employee option exercises of $2.1 million offset by principal payments on notes payable and bank obligations of $6.0 million. Cash used by our financing activities for the 2009 period was due to principal payments on notes payable and bank obligations of $7.6 million partially offset by the issuance of stock under the employee stock purchase plan.

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

Cash Requirements

We have incurred net losses since inception, including a net loss attributable to Exelixis, Inc. of $22.6 million and $65.9 million for the three and six months ended June 30, 2010, respectively. We expect our net loss to increase and anticipate negative operating cash flow for the foreseeable future. As June 30, 2010, we had $308.6 million in cash and cash equivalents and short-term and long-term marketable securities, which included restricted cash and investments of $6.4 million and $80.0 million that we are required to maintain on deposit with Silicon Valley Bank pursuant to a covenant in our loan and security agreement with Silicon Valley Bank. We anticipate that our current cash and cash equivalents, short-term and long-term marketable securities and funding that we expect to receive from collaborators, which includes anticipated cash from additional business development activity, will enable us to maintain our operations for a period of at least 12 months following the filing date of this report. However, our future capital requirements will be substantial and will depend on many factors that may require us to use available capital resources significantly earlier than we currently anticipate. These factors include:

- the XL184 development program—We are focusing our development efforts on XL184, our most advanced compound, which is being studied in a variety of tumor types, with the goal of rapidly commercializing the compound. In addition to advancing our ongoing phase 3 trial in medullary thyroid cancer, we are currently planning to initiate a phase 3 registration trial of XL184 as a potential treatment for recurrent glioblastoma by the end of 2010, based on encouraging data from the ongoing phase 2 clinical evaluation in this indication presented at the American Society of Clinical Oncology conference in June 2010. An immediate priority for us is to generate additional data in the five leading cohorts of hepatocellular carcinoma, melanoma, non-small cell lung cancer, ovarian cancer and prostate cancer in our ongoing randomized discontinuation trial to support the prioritization of our clinical and commercial options for XL184. Additional phase 2 clinical trials of XL184 in glioblastoma, non-small cell lung cancer and other solid tumor indications are also ongoing. We recently regained all rights to XL184 from Bristol-Myers Squibb and, as a result, we will bear all development costs going forward. Our development plan for XL184 is dependent on the extent of our available financial resources. There can be no assurance that we will have sufficient financial resources independent or through other arrangements to fund a broad development plan for XL184. If adequate funds are not available, we may be required to discontinue or elect not to pursue one or more trials for XL184;
- repayment of our loan from GlaxoSmithKline—In October 2002, we entered into a collaboration with GlaxoSmithKline, to discover and develop novel therapeutics in the areas of vascular biology, inflammatory disease and oncology. As part of the collaboration, we entered into a loan and security agreement with GlaxoSmithKline, pursuant to which we borrowed $85.0 million for use in our efforts under the collaboration. The loan bears interest at a rate of 4.0% per annum and is secured by certain intellectual property, technology and equipment created or utilized pursuant to the collaboration. As of June 30, 2010, the aggregate principal and interest outstanding under our GlaxoSmithKline loan was $72.0 million, after giving effect to a cash payment we made to GlaxoSmithKline of $34.7 million on October 27, 2009 for the first of three annual installments of principal and accrued interest due under the loan. The second and third installments of principal and accrued interest under the loan are due on October 27, 2010 and October 27, 2011, respectively. Repayment of all or any of the amounts advanced to us under the loan agreement may, at our election, be made in the form of our common stock at fair market value, subject to certain conditions, or cash. Following the conclusion on October 27, 2008 of the development term under our collaboration with GlaxoSmithKline, we are no longer eligible to receive selection milestone payments from GlaxoSmithKline to credit against outstanding loan amounts, and in the event the market price for our common stock is depressed, we may not be able to repay the loan in full using shares of our common stock due to restrictions in the agreement on the number of shares we may issue. In addition, the issuance of shares of our common stock to repay the loan may result in significant dilution to our stockholders. As a result, we may need to obtain additional funding to satisfy our repayment obligations. We believe that the capital provided by our June 2010 financing transactions with Silicon Valley Bank and the Deerfield Entities will enable us to meet our remaining obligations under the loan. However, there can be no assurance that we will have sufficient funds to repay amounts outstanding under the loan when due or that we will satisfy the conditions to our ability to repay the loan in shares of our common stock;
- repayment of the notes under our note purchase agreement with the Deerfield Entities —On June 2, 2010, we entered into a note purchase agreement with the Deerfield Entities, pursuant to which, on July 1, 2010, we sold to the Deerfield

Entities, an aggregate of $124.0 million initial principal amount of our secured convertible notes, due June 2015, for an aggregate purchase price of $80.0 million, less closing fees and expenses. The outstanding principal amount of the notes bears interest in the annual amount of $6.0 million, payable quarterly in arrears. We will be required to make mandatory prepayments on the notes on an annual basis in 2013, 2014 and 2015 equal to 15% of our collaborative arrangements received during the prior fiscal year, subject to a maximum annual prepayment amount of $27.5 million and, for payments due in January 2013 and 2014, a minimum prepayment amount of $10.0 million. At any time after July 1, 2011, subject to certain limitations, we have the right to convert all or a portion of the principal amount of the notes into, or satisfy all or any portion of the optional prepayment amounts or mandatory prepayment amounts (other than the first $10.0 million of mandatory prepayments required in 2013 and 2014) with shares of our common stock. Additionally, in lieu of making any payment of accrued and unpaid interest in respect of the notes in cash, at any time after July 1, 2011, subject to certain limitations, we may elect to satisfy any such payment with shares of our common stock. The number of shares of our common stock issuable upon conversion or in settlement of principal and interest obligations will be based upon the discounted trading price of our common stock over a specified trading period. In the event the market price for our common stock is depressed, we may not be able to convert the principal amount of the notes or satisfy our payment obligations in full using shares of our common stock due to restrictions in the agreement on the number of shares we may issue. In addition, the issuance of shares of our common stock to convert the notes or satisfy our payment obligations may result in significant dilution to our stockholders. As a result, we may need to obtain additional funding to satisfy our repayment obligations. There can be no assurance that we will have sufficient funds to repay the notes or satisfy our payment obligations under the note purchase agreement when due or that we will comply with the conditions to our ability to convert the principal amount of the notes into or satisfy our payment obligations with shares of our common stock;

- repayment of our loan from Silicon Valley Bank—On June 2, 2010, we amended our loan and security agreement with Silicon Valley Bank to provide for a new seven-year term loan in an amount of $80.0 million. The principal amount outstanding under the term loan accrues interest at 1.00% per annum, which interest is due and payable monthly. We are required to repay the term loan in one balloon principal payment, representing 100% of the principal balance and accrued and unpaid interest, on May 31, 2017. We have the option to prepay all, but not less than all, of the amounts advanced under the term loan, provided that we pay all unpaid accrued interest thereon that is due through the date of such prepayment and the interest on the entire principal balance of the term loan that would otherwise have been paid after such prepayment date until the maturity date of the term loan. In accordance with the terms of the loan and security agreement, we are also required to maintain on deposit an amount equal to at least 100% of the outstanding principal balance of the term loan at all times as support for our obligations under the loan and security agreement. As a result, although the proceeds of the new term loan improve our ability to comply with minimum working capital and cash covenants imposed by our debt instruments with GlaxoSmithKline and the Deerfield Entities and thus provide us with more flexibility to use our other cash resources, the proceeds of the term loan cannot directly be used to satisfied our other obligations without causing a default under our loan and security agreement with Silicon Valley Bank;
- the progress and scope of other research and development activities conducted by us;
- the level of payments received under existing collaboration agreements, licensing agreements and other arrangements;
- the degree to which we conduct funded development activity on behalf of partners to whom we have out-licensed compounds;
- whether we enter into new collaboration agreements, licensing agreements or other arrangements (including in particular with respect to XL184) that provide additional capital;
- our ability to control costs;
- our ability to remain in compliance with, or amend or cause to be waived, financial covenants contained in agreements with third parties;
- the amount of our cash and cash equivalents and marketable securities that serve as collateral for bank lines of credit;
- future clinical trial results;
- our need to expand our product and clinical development efforts;
- our ability to share the costs of our clinical development efforts with third parties;
- the cost and timing of regulatory approvals;
- the cost of clinical and research supplies of our product candidates;
- the effect of competing technological and market developments;
- the filing, maintenance, prosecution, defense and enforcement of patent claims and other intellectual property rights; and

- the cost of any acquisitions of or investments in businesses, products and technologies.

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

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

- GlaxoSmithKline—Our loan and security agreement with GlaxoSmithKline contains financial covenants pursuant to which our “working capital” (the amount by which our current assets exceed our current liabilities as defined by the agreement, which excludes restricted cash and deferred revenue) must not be less than $25.0 million and our “cash and investments” (total cash, cash equivalents and investments as defined by the agreement, which excludes restricted cash) must not be less than $50.0 million. As of June 30, 2010, our “working capital” was $132.8 million and our “cash and investments” were $302.2 million. If we default on the financial covenants under the loan and security agreement, GlaxoSmithKline may, among other remedies, declare immediately due and payable all obligations under the loan and security agreement. Outstanding borrowings and accrued interest under the loan and security agreement totaled $72.0 million at June 30, 2010. The second and third installments of principal and accrued interest under the loan are due on October 27, 2010 and October 27, 2011, respectively.
- Deerfield Entities—Our note purchase agreement with the Deerfield Entities contains an event of default that would be triggered if our “cash and cash equivalents” fall below $10.0 million as of December 30, 2011 or below $20.0 million as of December 28, 2010, subject to a cure period. Upon such an event of default, the Deerfield Entities may declare all or a portion of the Put Price to be immediately due and payable. “Cash and cash equivalents” for purposes of our note purchase agreement includes our total cash, cash equivalents and short-term and long-term marketable securities. As of June 30, 2010, our “cash and cash equivalents” were $308.6 million.
- Silicon Valley Bank—Our loan and security agreement with Silicon Valley Bank requires that we maintain $80.0 million at all times on deposit in a non-interest bearing demand deposit account(s) as support for our obligations under the loan and security agreement. If the balance on our deposit account(s) falls below $80.0 million for more than 10 days, Silicon Valley Bank may declare all or part of the obligations under the loan and security agreement to be immediately due and payable and stop advancing money or extending credit to us.

If we cannot raise additional capital in order to remain in compliance with our financial covenants or if we are unable to renegotiate such covenants and the lender exercises its remedies under the agreement, we would not be able to operate under our current operating plan. Following the termination of our 2008 cancer collaboration with Bristol-Myers Squibb as to XL184, we regained full rights to develop and commercialize XL184, which rights are no longer subject to termination if our “cash reserves and cash equivalents” fall below $80.0 million. “Cash reserves and cash equivalents” for purposes of our 2008 collaboration with Bristol-Myers Squibb included our total cash, cash equivalents and investments (excluding any restricted cash), plus the amount then available for borrowing by us under certain financing arrangements.

We have contractual obligations in the form of operating leases, notes payable and licensing agreements. The following chart details our contractual obligations as of June 30, 2010 (in thousands):

	Payments Due by Period				
Contractual Obligations	Total	Less than 1 year	1-3 years	4-5 years	More than 5 years
Convertible loans (1)	195,952	36,226	45,726	20,000	94,000
Notes payable and bank obligations	99,231	9,789	9,442	—	80,000
Operating leases	107,515	15,527	29,950	30,301	31,737
Total contractual cash obligations	$402,698	$61,542	$ 85,118	$50,301	$ 205,737

(1) Includes interest payable on the convertible loans of $15.0 million. The debt and interest payable can be repaid in cash or common stock at our election.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio and our long-term debt. As of June 30, 2010 and December 31, 2009, we had cash and cash equivalents, marketable securities, long-term investments and restricted cash and investments of $308.6 million and $221.0 million respectively. Our marketable securities and our investments are subject to interest rate risk, and our interest income may fluctuate due to changes in U.S. interest rates. We manage market risk through diversification requirements mandated by our investment policy, which limits the amount of our portfolio that can be invested in a single issuer. We limit our credit risk by limiting purchases to high-quality issuers. As of June 30, 2010 and December 31, 2009, we had debt outstanding of $ 236.1 million and $79.6 million respectively. Our payments commitments associated with these debt instruments are primarily fixed and are comprised of interest payments, principal payments, or a combination of both. The fair value of our debt will fluctuate with movements of interest rates. We have estimated the effects on our interest rate sensitive assets and liabilities based on a one percentage point hypothetical adverse change in interest rates as of June 30, 2010 and December 31, 2009, respectively. As of June 30, 2010 and December 31, 2009, a decrease in the interest rates of one percentage point would have had a net adverse change in the fair value of interest rate sensitive assets and liabilities of $10.4 million and $0.3 million, respectively.

ITEM 4. CONTROLS AND PROCEDURES

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

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

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

In addition to the factors discussed elsewhere in this report and our other reports filed with the Securities and Exchange Commission, the following are important factors that could cause actual results or events to differ materially from those contained in any forward-looking statements made by us or on our behalf. The risks and uncertainties described below are not the only ones facing the company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks or such other risks actually occurs, our business could be harmed.

We have marked with an asterisk (*) those risk factors below that reflect substantive changes from the risk factors included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 filed with the Securities and Exchange Commission on March 10, 2010.

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

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

We will need to raise additional capital to:

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

As of June 30, 2010, we had $308.6 million in cash and cash equivalents and short-term and long-term marketable securities, which included restricted cash and investments of $6.4 million and $80.0 million that we are required to maintain on deposit with Silicon Valley Bank pursuant to a covenant in our loan and security agreement with Silicon Valley Bank. We anticipate that our current cash and cash equivalents, short-term and long-term marketable securities and funding that we expect to receive from collaborators, which includes anticipated cash from additional business development activity, will enable us to maintain our operations for a period of at least 12 months following the filing date of this report. However, our future capital requirements will be substantial and will depend on many factors that may require us to use available capital resources significantly earlier than we currently anticipate. These factors include:

- the XL184 development program—We are focusing our development efforts on XL184, our most advanced compound, which is being studied in a variety of tumor types, with the goal of rapidly commercializing the compound. In addition to advancing our ongoing phase 3 trial in medullary thyroid cancer, we are currently planning to initiate a phase 3 registration trial of XL184 as a potential treatment for recurrent glioblastoma by the end of 2010, based on encouraging data from the ongoing phase 2 clinical evaluation in this indication presented at the American Society of Clinical Oncology conference in June 2010. An immediate priority for us is to generate additional data in the five leading cohorts of hepatocellular carcinoma, melanoma, non-small cell lung cancer, ovarian cancer and prostate cancer in our ongoing randomized discontinuation trial to support the prioritization of our clinical and commercial options for XL184. Additional phase 2 clinical trials of XL184 in glioblastoma, non-small cell lung cancer and other solid tumor indications are also ongoing. We recently regained all rights to XL184 from Bristol-Myers Squibb and, as a result, we will bear all development costs going forward. Our development plan for XL184 is dependent on the extent of our available financial resources. There can be no assurance that we will have sufficient financial resources independently or through other arrangements to fund a broad development plan for XL184. If adequate funds are not available, we may be required to discontinue or elect not to pursue one or more trials for XL184;
- repayment of our loan from GlaxoSmithKline—In October 2002, we entered into a collaboration with GlaxoSmithKline, to discover and develop novel therapeutics in the areas of vascular biology, inflammatory disease and oncology. As part of the collaboration, we entered into a loan and security agreement with GlaxoSmithKline, pursuant to which we borrowed $85.0 million for use in our efforts under the collaboration. The loan bears interest at a rate of 4.0% per annum and is secured by certain intellectual property, technology and equipment created or utilized pursuant to the collaboration. As of June 30, 2010, the aggregate principal and interest outstanding under our GlaxoSmithKline loan was $72.0 million, after giving effect to a cash payment we made to GlaxoSmithKline of $34.7 million on October 27, 2009 for the first of three annual installments of principal and accrued interest due under the loan. The second and third installments of principal and accrued interest under the loan are due on October 27, 2010 and October 27, 2011, respectively. Repayment of all or any of the amounts advanced to us under the loan agreement may, at our election, be made in the form of our common stock at fair market value, subject to certain conditions, or cash. Following the conclusion on October 27, 2008 of the development term under our collaboration with GlaxoSmithKline, we are no longer eligible to receive selection milestone payments from GlaxoSmithKline to credit against outstanding loan amounts, and in the event the market price for our common stock is depressed, we may not be able to repay the loan in full using shares of our common stock due to restrictions in the agreement on the number of shares we may issue. In addition, the issuance of shares of our common stock to repay the loan may result in significant dilution to our stockholders. As a result, we may need to obtain additional funding to satisfy our repayment obligations. We believe that the capital provided by our June 2010 financing transactions with Silicon Valley Bank and the Deerfield Entities will enable us to meet our remaining obligations under the loan. However, there can be no assurance that we will have sufficient funds to repay amounts outstanding under the loan when due or that we will satisfy the conditions to our ability to repay the loan in shares of our common stock;
- repayment of the notes under our note purchase agreement with the Deerfield Entities —On June 2, 2010, we entered into a note purchase agreement with the Deerfield Entities, pursuant to which, on July 1, 2010, we sold to the Deerfield Entities, an aggregate of $124.0 million initial principal amount of our secured convertible notes, due June 2015, for an aggregate purchase price of $80.0 million, less closing fees and expenses. The outstanding principal amount of the notes bears interest in the annual amount of $6.0 million, payable quarterly in arrears. We will be required to make mandatory prepayments on the notes on an annual basis in 2013, 2014 and 2015 equal to 15% of our collaborative arrangements received during the prior fiscal year, subject to a maximum annual prepayment amount of $27.5 million and, for payments due in January 2013 and 2014, a minimum prepayment amount of $10.0 million. At any time after July 1, 2011, subject

to certain limitations, we have the right to convert all or a portion of the principal amount of the notes into, or satisfy all or any portion of the optional prepayment amounts or mandatory prepayment amounts (other than the first $10.0 million of mandatory prepayments required in 2013 and 2014) with shares of our common stock. Additionally, in lieu of making any payment of accrued and unpaid interest in respect of the notes in cash, at any time after July 1, 2011, subject to certain limitations, we may elect to satisfy any such payment with shares of our common stock. The number of shares of our common stock issuable upon conversion or in settlement of principal and interest obligations will be based upon the discounted trading price of our common stock over a specified trading period. In the event the market price for our common stock is depressed, we may not be able to convert the principal amount of the notes or satisfy our payment obligations in full using shares of our common stock due to restrictions in the agreement on the number of shares we may issue. In addition, the issuance of shares of our common stock to convert the notes or satisfy our payment obligations may result in significant dilution to our stockholders. As a result, we may need to obtain additional funding to satisfy our payment obligations. There can be no assurance that we will have sufficient funds to repay the notes or satisfy our payment obligations under the note purchase agreement when due or that we will comply with the conditions to our ability to convert the principal amount of the notes into or satisfy our payment obligations with shares of our common stock;

- repayment of our loan from Silicon Valley Bank—On June 2, 2010, we amended our loan and security agreement with Silicon Valley Bank to provide for a new seven-year term loan in an amount of $80.0 million. The principal amount outstanding under the term loan accrues interest at 1.00% per annum, which interest is due and payable monthly. We are required to repay the term loan in one balloon principal payment, representing 100% of the principal balance and accrued and unpaid interest, on May 31, 2017. We have the option to prepay all, but not less than all, of the amounts advanced under the term loan, provided that we pay all unpaid accrued interest thereon that is due through the date of such prepayment and the interest on the entire principal balance of the term loan that would otherwise have been paid after such prepayment date until the maturity date of the term loan. In accordance with the terms of the loan and security agreement, we are also required to maintain on deposit an amount equal to at least 100% of the outstanding principal balance of the term loan at all times as support for our obligations under the loan and security agreement. As a result, although the proceeds of the new term loan improve our ability to comply with minimum working capital and cash covenants imposed by our debt instruments with GlaxoSmithKline and the Deerfield Entities and thus provide us with more flexibility to use our other cash resources, the proceeds of the term loan cannot directly be used to satisfied our other obligations without causing a default under our loan and security agreement with Silicon Valley Bank;
- the progress and scope of other research and development activities conducted by us;
- the level of payments received under existing collaboration agreements, licensing agreements and other arrangements;
- the degree to which we conduct funded development activity on behalf of partners to whom we have out-licensed compounds;
- whether we enter into new collaboration agreements, licensing agreements or other arrangements (including, in particular, with respect to XL184) that provide additional capital;
- our ability to control costs;
- our ability to remain in compliance with, or amend or cause to be waived, financial covenants contained in agreements with third parties;
- the amount of our cash and cash equivalents and marketable securities that serve as collateral for bank lines of credit;
- future clinical trial results;
- our need to expand our product and clinical development efforts;
- our ability to share the costs of our clinical development efforts with third parties;
- the cost and timing of regulatory approvals;
- the cost of clinical and research supplies of our product candidates;
- the effect of competing technological and market developments;
- the filing, maintenance, prosecution, defense and enforcement of patent claims and other intellectual property rights; and
- the cost of any acquisitions of or investments in businesses, products and technologies.

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

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

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

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

We have incurred net losses since inception, including a net loss attributable to Exelixis, Inc. of $22.6 million for the three months ended June 30, 2010 and $65.9 million for the six months ended June 30, 2010. As of that date, we had an accumulated deficit of $1,155.6 million. We expect our net loss in 2010 to increase compared to 2009 and anticipate negative operating cash flow for the foreseeable future. We have not yet completed the development, including obtaining regulatory approval, of any of our pharmaceutical product candidates and, consequently, have not generated revenues from the sale of pharmaceutical products. We have derived substantially all of our revenues to date from collaborative research and development agreements. Revenues from research and development collaborations depend upon continuation of the collaborations, research funding, the achievement of milestones and royalties we earn from any future products developed from the collaborative research. If research funding we receive from collaborators decreases, we are unable to successfully achieve milestones or our collaborators fail to develop successful products, we will not earn the revenues contemplated under such collaborative agreements. The amount of our net losses will depend, in part, on the rate of growth, if any, in our license and contract revenues and on the level of our expenses. These losses have had and will continue to have an adverse effect on our stockholders' equity and working capital. Our research and development expenditures and general and administrative expenses have exceeded our revenues to date, and we expect to spend significant additional amounts to fund research and development in order to enhance our technologies and undertake product development. We currently have numerous drug candidates in various stages of clinical development and we anticipate filing an IND application for an additional drug candidate within the next 12 months. As a result, we expect to continue to incur substantial operating expenses, and, consequently, we will need to generate significant additional revenues to achieve profitability. Because of the numerous risks and uncertainties associated with developing drugs, we are unable to predict the extent of any future losses or when we will become profitable, if at all.

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

Managing costs is a key element of our business strategy. Consistent with this element of our strategy, on March 8, 2010 we implemented a restructuring that resulted in a reduction of our workforce by approximately 40%, or 270 employees. We anticipate that we will incur restructuring charges through the end of 2015 as we implement this restructuring. We determined to recall a small number of the employees terminated in the March 2010 restructuring and to delay the termination of a small group of employees, all of whom continue to provide services for us.

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

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

Most of our foreign expenses incurred are associated with establishing and conducting clinical trials for XL184 and various other compounds in our pipeline at sites outside of the United States. The amount of expenses incurred will be impacted by fluctuations in the currencies of those countries in which we conduct clinical trials. Our agreements with the foreign sites that conduct such clinical trials generally provide that payments for the services provided will be calculated in the currency of that country, and converted into U.S. dollars using various exchange rates based upon when services are rendered or the timing of invoices. When the U.S. dollar weakens against foreign currencies, the U.S. dollar value of the foreign-currency denominated expense increases, and when the U.S. dollar strengthens against these currencies, the U.S. dollar value of the foreign-currency denominated expense decreases. Consequently, changes in exchange rates may affect our results of operations.

Global credit and financial market conditions could negatively impact the value of our current portfolio of cash equivalents or short-term investments and our ability to meet our financing objectives.

Our cash and cash equivalents are maintained in highly liquid investments with remaining maturities of 90 days or less at the time of purchase. Our short-term and long-term investments consist primarily of readily marketable debt securities with remaining maturities of more than 90 days at the time of purchase. While as of the date of this filing we are not aware of any downgrades, material losses, or other significant deterioration in the fair value of our cash equivalents, short-term investments, or long-term investments since June 30, 2010, no assurance can be given that further deterioration in conditions of the global credit and financial markets would not negatively impact our current portfolio of cash equivalents or investments or our ability to meet our financing objectives.

Risks Related to Development of Product Candidates

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

Clinical trials are inherently risky and may reveal that our product candidates are ineffective or have unacceptable toxicity or other side effects that may significantly decrease the likelihood of regulatory approval. The results of preliminary studies do not necessarily predict clinical or commercial success, and later-stage clinical trials may fail to confirm the results observed in earlier-stage trials or preliminary studies. Although we have established timelines for manufacturing and clinical development based on existing knowledge of our compounds in development and industry metrics, we may not be able to meet those timelines.

We may experience numerous unforeseen events during, or as a result of, clinical testing that could delay or prevent commercialization of our product candidates, including:

- our product candidates may not prove to be efficacious or may cause, or potentially cause, harmful side effects;
- negative or inconclusive clinical trial results may require us to conduct further testing or to abandon projects that we had expected to be promising;
- we or our competitors may subsequently discover other compounds that we believe show significantly improved safety or efficacy compared to our product candidates;
- patient registration or enrollment in our clinical testing may be lower than we anticipate, resulting in the delay or cancellation of clinical testing; and
- regulators or institutional review boards may not authorize, delay, suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements or their determination that participating patients are being exposed to unacceptable health risks.

For example, we and Bristol-Myers Squibb recently terminated the XL413 program that the parties were co-developing under our 2007 collaboration due to an unfavorable pharmacological profile observed in phase 1 clinical evaluation.

If any of the events described above were to occur and, as a result, we were to have significant delays in or termination of our clinical testing, our expenses could increase or our ability to generate revenue from the affected product candidates could be impaired, either of which could adversely impact our financial results.

We have limited experience in conducting clinical trials and may not be able to rapidly or effectively continue the further development of our compounds or meet current or future requirements identified based on our discussions with the FDA. We do not know whether our planned clinical trials will begin on time, will be completed on schedule, or at all, will be sufficient for registration of these compounds or will result in approvable products.

Completion of clinical trials may take several years or more, but the length of time generally varies substantially according to the type, complexity, novelty and intended use of a product candidate. The duration and the cost of clinical trials may vary significantly over the life of a project as a result of factors relating to the clinical trial, including, among others:

- the number of patients that ultimately participate in the clinical trial;
- the duration of patient follow-up that is appropriate in view of the results;
- the number of clinical sites included in the trials; and
- the length of time required to enroll suitable patient subjects.

Any delay or termination described above could limit our ability to generate revenues, cause us to incur additional expense and cause the market price of our common stock to decline significantly.

Risks Related to Our Relationships with Third Parties

We are dependent upon our collaborations with major companies, which subjects us to a number of risks.*

We have established collaborations with leading pharmaceutical and biotechnology companies, including Bristol-Myers Squibb, sanofi-aventis, Genentech, Boehringer Ingelheim and GlaxoSmithKline, for the development and ultimate commercialization of a significant number of compounds generated from our research and development efforts. We continue to pursue collaborations for selected unpartnered preclinical and clinical compounds. Our dependence on our relationships with existing collaborators for the development and commercialization of our compounds subjects us to, and our dependence on future collaborators for development and commercialization of additional compounds will subject us to, a number of risks, including:

- we are not able to control the amount and timing of resources that our collaborators will devote to the development or commercialization of drug candidates or to their marketing and distribution;
- we may not be able to control the amount and timing of resources that our potential future collaborators may devote to the development or commercialization of drug candidates or to their marketing and distribution;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a drug candidate, repeat or conduct new clinical trials or require a new formulation of a drug candidate for clinical testing;
- disputes may arise between us and our collaborators that result in the delay or termination of the research, development or commercialization of our drug candidates or that result in costly litigation or arbitration that diverts management's attention and resources;
- collaborators may experience financial difficulties;
- collaborators may not be successful in their efforts to obtain regulatory approvals in a timely manner, or at all;
- collaborators may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our proprietary information or expose us to potential litigation;
- business combinations or significant changes in a collaborator's business strategy may also adversely affect a collaborator's willingness or ability to complete its obligations under any arrangement;
- a collaborator could independently move forward with a competing drug candidate developed either independently or in collaboration with others, including our competitors;
- we may be precluded from entering into additional collaboration arrangements with other parties in an area or field of exclusivity;
- future collaborators may require us to relinquish some important rights, such as marketing and distribution rights; and
- collaborations may be terminated (as recently occurred with respect to XL184, our most advanced product candidate that was previously subject to our 2008 collaboration with Bristol-Myers Squibb) or allowed to expire, which would delay the development and may increase the cost of developing our drug candidates.

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

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

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

If any of these agreements is not renewed or is terminated early (as recently occurred with respect to XL184, our most advanced product candidate that was previously subject to our 2008 collaboration with Bristol-Myers Squibb), whether unilaterally or by mutual agreement, our revenues could suffer. Most of our collaboration agreements contain early termination provisions. In addition, from time to time we review and assess certain aspects of our collaborations, partnerships and agreements and may amend or terminate,

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

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

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

If third parties upon which we rely do not perform as contractually required or expected, we may not be able to obtain regulatory approval for or commercialize our product candidates.

We do not have the ability to independently conduct clinical trials for our product candidates, and we must rely on third parties we do not control such as contract research organizations, medical institutions, clinical investigators and contract laboratories to conduct our clinical trials. If these third parties do not successfully carry out their contractual duties or regulatory obligations or meet expected deadlines, if the third parties need to be replaced or if the quality or accuracy of the data they obtain is compromised due to the failure to adhere to our clinical protocols or regulatory requirements or for other reasons, our preclinical development activities or clinical trials may be extended, delayed, suspended or terminated, and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates.

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

We currently do not have the manufacturing capabilities or experience necessary to enable us to produce materials for our clinical trials. We rely on collaborators and third-party contractors to produce our compounds for preclinical and clinical testing. These suppliers must comply with applicable regulatory requirements, including the FDA's current Good Manufacturing Practices, or GMP. Our current and anticipated future dependence upon these third-party manufacturers may adversely affect our future profit margins and our ability to develop and commercialize product candidates on a timely and competitive basis. These manufacturers may not be able to produce material on a timely basis or manufacture material at the quality level or in the quantity required to meet our development timelines and applicable regulatory requirements. We may not be able to maintain or renew our existing third-party manufacturing arrangements, or enter into new arrangements, on acceptable terms, or at all. Our third-party manufacturers could terminate or decline to renew our manufacturing arrangements based on their own business priorities, at a time that is costly or inconvenient for us. If we are unable to contract for the production of materials in sufficient quantity and of sufficient quality on acceptable terms, our clinical trials may be delayed. Delays in preclinical or clinical testing could delay the filing of our INDs and the initiation of clinical trials.

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

Materials necessary to manufacture some of our compounds currently under development may not be available on commercially reasonable terms, or at all, which may delay our development and commercialization of these compounds.

Some of the materials necessary for the manufacture of our compounds under development may, from time to time, be available either in limited quantities, or from a limited number of manufacturers, or both. Our contract manufacturers need to obtain these

materials for our clinical trials and, potentially, for commercial distribution when and if we obtain marketing approval for these compounds. Suppliers may not sell us these materials at the time we need them or on commercially reasonable terms. If we are unable to obtain the materials needed to conduct our clinical trials, product testing and potential regulatory approval could be delayed, adversely affecting our ability to develop the product candidates. Similarly, if we are unable to obtain critical manufacturing materials after regulatory approval has been obtained for a product candidate, the commercial launch of that product candidate could be delayed or there could be a shortage in supply, which could materially affect our ability to generate revenues from that product candidate. If suppliers increase the price of manufacturing materials, the price for one or more of our products may increase, which may make our products less competitive in the marketplace. If it becomes necessary to change suppliers for any of these materials or if any of our suppliers experience a shutdown or disruption at the facilities used to produce these materials, due to technical, regulatory or other reasons, it could harm our ability to manufacture our products.

Risks Related to Regulatory Approval of Our Product Candidates

Our product candidates 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.

Our product candidates, as well as the activities associated with their research, development and commercialization, are subject to extensive regulation by the FDA and other regulatory agencies in the United States and by comparable authorities in other countries. Failure to obtain regulatory approval for a product candidate would prevent us from commercializing that product candidate. We have not received regulatory approval to market any of our product candidates in any jurisdiction and have only limited experience in preparing and filing the applications necessary to gain regulatory approvals. The process of obtaining regulatory approvals is expensive, and often takes many years, if approval is obtained at all, and can vary substantially based upon the type, complexity and novelty of the product candidates involved. Before an NDA can be submitted to the FDA, the product candidate must undergo extensive clinical trials, which can take many years and requires substantial expenditures. Any clinical trial may fail to produce results satisfactory to the FDA. For example, the FDA could determine that the design of a clinical trial is inadequate to produce reliable results. The regulatory process also requires preclinical testing, and data obtained from preclinical and clinical activities are susceptible to varying interpretations. The FDA has substantial discretion in the approval process and may refuse to approve any NDA or decide that our or our collaborative partners' data is insufficient for approval and require additional preclinical, clinical or other studies. For example, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent regulatory approval of any of our drug candidates. The FDA could also require additional studies or trials to satisfy particular safety concerns noted in our or our collaborative partners' preclinical or clinical testing.

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

Even if the FDA or a comparable authority in another country approves a product candidate, the approval may impose significant restrictions on the indicated uses, conditions for use, labeling, distribution, advertising, promotion, marketing and/or production of such product and may impose ongoing requirements for post- approval studies, including additional research and development and clinical trials. These agencies also may impose various civil or criminal sanctions for failure to comply with regulatory requirements, including withdrawal of product approval.

Risks Related to Commercialization of Products

The commercial success of any products that we may develop will depend upon the degree of market acceptance of our products among physicians, patients, health care payors, private health insurers and the medical community.

Our ability to commercialize any products that we may develop will be highly dependent upon the extent to which these products gain market acceptance among physicians, patients, health care payors, such as Medicare and Medicaid, private health insurers, including managed care organizations and group purchasing organizations, and the medical community. If these products do not achieve an adequate level of acceptance, we may not generate adequate product revenues, if at all, and we may not become profitable. The degree of market acceptance of our product candidates, if approved for commercial sale, will depend upon a number of factors, including:

- the effectiveness, or perceived effectiveness, of our products in comparison to competing products;
- the existence of any significant side effects, as well as their severity in comparison to any competing products;
- potential advantages over alternative treatments;
- the ability to offer our products for sale at competitive prices;

- relative convenience and ease of administration;
- the strength of marketing and distribution support; and
- sufficient third-party coverage or reimbursement.

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

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

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

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

In recent years, there have been numerous legislative proposals to change the healthcare system in the United States that could significantly affect our business. Such proposals reflect the primary trend in the United States health care industry toward cost containment and include measures that may have the effect of reducing the prices that we are able to charge for any products we develop and sell and cause a reduction in the coverage and reimbursement of such products. If approved, such reform could limit our ability to successfully commercialize our potential products.

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

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

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 kinase-targeted therapies is a rapidly evolving and competitive field. We face, and will continue to face, intense competition from biotechnology and pharmaceutical companies, as well as academic research institutions, clinical reference laboratories and government agencies that are pursuing research activities similar to ours. Some of our competitors have entered into collaborations with leading companies within our target markets, including some of our existing collaborators. In addition, significant delays in the development of our product candidates could allow our competitors to bring products to market before us, which would impair our ability to commercialize our product candidates. Our future success will depend upon our ability to maintain a competitive position

with respect to technological advances. Any products that are developed through our technologies will compete in highly competitive markets. Further, our competitors may be more effective at using their technologies to develop commercial products. Many of the organizations competing with us have greater capital resources, larger research and development staff and facilities, more experience in obtaining regulatory approvals and more extensive product manufacturing and marketing capabilities. As a result, our competitors may be able to more easily develop technologies and products that would render our technologies and products, and those of our collaborators, obsolete and noncompetitive. There may also be drug candidates of which we are not aware at an earlier stage of development that may compete with our drug candidates. In addition, any drug candidate that we successfully develop may compete with existing therapies that have long histories of use, such as chemotherapy and radiation treatments in cancer indications. Examples of potential competition for XL184 include AstraZeneca's development-stage VEGFR and EGFR inhibitor, vandetanib, and other VEGF pathway inhibitors, including Genentech's bevacizumab. Examples of potential competition for XL147 and XL765 include early-stage development programs of various pharmaceutical and biotechnology companies, including Genentech, Novartis, Pfizer, Calistoga Pharmaceuticals and Semafore Pharmaceuticals.

We may not be able to manufacture our product candidates in commercial quantities, which would prevent us from commercializing our product candidates.

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

Risks Related to Our Intellectual Property

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

Our success will depend in part upon our ability to obtain patents and maintain adequate protection of the intellectual property related to our technologies and products. The patent positions of biotechnology companies, including our patent position, are generally uncertain and involve complex legal and factual questions. We will be able to protect our intellectual property rights from unauthorized use by third parties only to the extent that our technologies are covered by valid and enforceable patents or are effectively maintained as trade secrets. We will continue to apply for patents covering our technologies and products as and when we deem appropriate. However, these applications may be challenged or may fail to result in issued patents. In addition, because patent applications can take many years to issue, there may be currently pending applications, unknown to us, which may later result in issued patents that cover the production, manufacture, commercialization or use of our product candidates. Our existing patents and any future patents we obtain may not be sufficiently broad to prevent others from practicing our technologies or from developing competing products. Furthermore, others may independently develop similar or alternative technologies or design around our patents. In addition, our patents may be challenged or invalidated or may fail to provide us with any competitive advantages, if, for example, others were the first to invent or to file patent applications for these inventions.

The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the United States, and many companies have encountered significant problems in protecting and defending such rights in foreign jurisdictions. Many countries, including certain countries in Europe, have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties (for example, the patent owner has failed to "work" the invention in that country or the third party has patented improvements). In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of the patent. Compulsory licensing of life-saving drugs is also becoming increasingly popular in developing countries either through direct legislation or international initiatives. Such compulsory licenses could be extended to include some of our product candidates, which could limit our potential revenue opportunities. Moreover, the legal systems of certain countries, particularly certain developing countries, do not favor the aggressive enforcement of patent and other intellectual property protection, which makes it difficult to stop infringement. We rely on trade secret protection for our confidential and proprietary information. We have taken security measures to protect our proprietary information and trade secrets, but these measures may not provide adequate protection. While we seek to protect our proprietary information by entering into confidentiality agreements with employees, collaborators and consultants, we cannot assure you that our proprietary information will not be disclosed, or that we can meaningfully protect our trade secrets. In addition, our competitors may independently develop substantially equivalent proprietary information or may otherwise gain access to our trade secrets.

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

Our commercial success depends in part upon our ability to avoid infringing patents and proprietary rights of third parties and not to breach any licenses that we have entered into with regard to our technologies. Other parties have filed, and in the future are likely to file, patent applications covering genes and gene fragments, techniques and methodologies relating to model systems and products and technologies that we have developed or intend to develop. If patents covering technologies required by our operations are issued to others, we may have to obtain licenses from third parties, which may not be available on commercially reasonable terms, or at all, and may require us to pay substantial royalties, grant a cross-license to some of our patents to another patent holder or redesign the formulation of a product candidate so that we do not infringe third-party patents, which may be impossible to obtain or could require substantial time and expense.

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

We may be subject to damages resulting from claims that we, our employees or independent contractors have wrongfully used or disclosed alleged trade secrets of their former employers.

Many of our employees and independent contractors were previously employed at universities, other biotechnology or pharmaceutical companies, including our competitors or potential competitors. We may be subject to claims that these employees, independent contractors or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and divert management's attention. If we fail in defending such claims, in addition to paying money claims, we may lose valuable intellectual property rights or personnel. A loss of key research personnel and/or their work product could hamper or prevent our ability to commercialize certain product candidates, which could severely harm our business.

Risks Related to Employees and Location

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

We are highly dependent upon the principal members of our management and scientific staff, the loss of whose services might adversely impact the achievement of our objectives and the continuation of existing collaborations. Also, we do not currently have sufficient clinical development personnel to fully execute our business plan. Retaining and, where necessary, recruiting qualified clinical and scientific personnel will be critical to support activities related to advancing our clinical and preclinical development programs, and supporting our collaborative arrangements and our internal proprietary research and development efforts. The restructuring of the company that we implemented on March 8, 2010 and our recent change in the position of President and Chief Executive Officer could have an adverse impact on our ability to retain and recruit qualified personnel. Competition is intense for experienced clinical personnel, and we may be unable to retain or recruit clinical personnel with the expertise or experience necessary to allow us to pursue collaborations, develop our products and core technologies or expand our operations to the extent otherwise possible. Further, all of our employees are employed "at will" and, therefore, may leave our employment at any time.

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

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

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

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

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

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

Risks Related to Environmental and Product Liability

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

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

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

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

We may be held liable if any product we or our collaborators develop causes injury or is found otherwise unsuitable during product testing, manufacturing, marketing or sale. Regardless of merit or eventual outcome, product liability claims could result in decreased demand for our product candidates, injury to our reputation, withdrawal of patients from our clinical trials, substantial monetary awards to trial participants and the inability to commercialize any products that we may develop. These claims might be made directly by consumers, health care providers, pharmaceutical companies or others selling or testing our products. We have obtained limited product liability insurance coverage for our clinical trials in the amount of $10.0 million per occurrence and $10.0 million in the aggregate. However, our insurance may not reimburse us or may not be sufficient to reimburse us for expenses or losses we may suffer. Moreover, if insurance coverage becomes more expensive, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against losses due to liability. If we obtain marketing approval for any of our product candidates, we intend to expand our insurance coverage to include the sale of commercial products, but we may be unable to obtain commercially reasonable product liability insurance for any products approved for marketing. On occasion, juries have awarded large judgments in class action lawsuits for claims based on drugs that had unanticipated side effects. In addition, the pharmaceutical and biotechnology industries, in general, have been subject to significant medical malpractice litigation. A successful product liability claim or series of claims brought against us could harm our reputation and business and would decrease our cash reserves.

Risks Related to Our Common Stock

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

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

- the scope of our research and development activities;
- recognition of upfront licensing or other fees or revenue;
- payments of non-refundable upfront or licensing fees, or payment for cost-sharing expenses, to third parties;
- acceptance of our technologies and platforms;
- the success rate of our efforts leading to milestone payments and royalties;
- the introduction of new technologies or products by our competitors;
- the timing and willingness of collaborators to further develop or, if approved, commercialize our 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 product candidates;
- adjustments to expenses accrued in prior periods based on management's estimates after the actual level of activity relating to such expenses becomes more certain;
- the impairment of acquired goodwill and other assets;
- the impact of the restructuring of the company implemented on March 8, 2010; and
- general and industry-specific economic conditions that may affect our collaborators' research and development expenditures.

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

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

Our stock price may be extremely volatile.

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

- adverse results or delays in our or our collaborators' clinical trials;
- announcement of FDA approval or non-approval, or delays in the FDA review process, of our or our collaborators' product candidates or those of our competitors or actions taken by regulatory agencies with respect to our, our collaborators' or our competitors' clinical trials;
- the timing of achievement of our clinical, regulatory, partnering and other milestones, such as the commencement of clinical development, the completion of a clinical trial, the filing for regulatory approval or the establishment of collaborative arrangements for one or more of our drug candidates;
- actions taken by regulatory agencies with respect to our drug candidates or our clinical trials;
- the announcement of new products by us or our competitors;
- quarterly variations in our or our competitors' results of operations;
- developments in our relationships with our collaborators, including the termination or modification of our agreements;
- conflicts or litigation with our collaborators;

- litigation, including intellectual property infringement and product liability lawsuits, involving us;
- failure to achieve operating results projected by securities analysts;
- changes in earnings estimates or recommendations by securities analysts;
- financing transactions;
- developments in the biotechnology or pharmaceutical industry;
- sales of large blocks of our common stock or sales of our common stock by our executive officers, directors and significant stockholders;
- departures of key personnel or board members;
- developments concerning current or future collaborations;
- FDA or international regulatory actions;
- third-party reimbursement policies;
- acquisitions of other companies or technologies;
- disposition of any of our subsidiaries, technologies or compounds; and
- general market conditions and other factors, including factors unrelated to our operating performance or the operating performance of our competitors.

These factors, as well as general economic, political and market conditions, may materially adversely affect the market price of our common stock. As with the stock of many other public companies, the market price of our common stock has been particularly volatile during the recent period of upheaval in the capital markets and world economy. This excessive volatility may continue for an extended period of time following the filing date of this report.

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

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

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

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

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

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

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

- a classified Board of Directors;
- a prohibition on actions by our stockholders by written consent;

- the inability of our stockholders to call special meetings of stockholders;
- the ability of our Board of Directors to issue preferred stock without stockholder approval, which could be used to institute a “poison pill” that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our Board of Directors;
- limitations on the removal of directors; and
- advance notice requirements for director nominations and stockholder proposals.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns in excess of 15% of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

ITEM 6. EXHIBITS

(a) Exhibits

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

SIGNATURES

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

Date: August 5, 2010

EXELIXIS, INC.

/s/ Frank Karbe

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

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EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/ Appendix Reference	Filing Date	
2.1*	Asset Purchase and License Agreement, dated as of September 4, 2007, by and among Agrigenetics, Inc., Mycogen Corporation, Exelixis Plant Sciences, Inc., Agrinomics, LLC and Exelixis, Inc.	10-Q	000-30235	10.1	11/5/2007	
2.2*	Share Sale and Transfer Agreement, dated November 20, 2007, by and between Taconic Farms, Inc. and Exelixis, Inc.	10-K	000-30235	2.3	2/25/2008	
3.1	Amended and Restated Certificate of Incorporation of Exelixis, Inc.	10-K	000-30235	3.1	3/10/2010	
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Exelixis, Inc.	10-K	000-30235	3.2	3/10/2010	
3.3	Amended and Restated Bylaws of Exelixis, Inc.	8-K	000-30235	3.1	10/4/2007	
4.1	Specimen Common Stock Certificate.	S-1, as amended	333-96335	4.1	2/7/2000	
4.2	Form of Warrant, dated June 9, 2005, to purchase 750,000 shares of Exelixis, Inc. common stock in favor of Symphony Evolution Holdings LLC.	10-Q	000-30235	4.1	8/9/2005	
4.3	Form of Warrant, dated June 13, 2006, to purchase 750,000 shares of Exelixis, Inc. common stock in favor of Symphony Evolution Holdings LLC.	8-K	000-30235	4.1	6/15/2006	
4.4	Warrant Purchase Agreement, dated June 9, 2005, between Exelixis, Inc. and Symphony Evolution Holdings LLC.					X
4.5*	Form Warrant to Purchase Common Stock of Exelixis, Inc. issued or issuable to Deerfield Private Design Fund, L.P., Deerfield Private Design International, L.P., Deerfield Partners, L.P. and Deerfield International Limited	8-K	000-30235	4.9	6/9/2008	
4.6	Fourth Amended and Restated Registration Rights Agreement, dated February 26, 1999, among Exelixis, Inc. and certain Stockholders of Exelixis, Inc.	S-1, as amended	333-96335	4.2	2/7/2000	
4.7	Registration Rights Agreement, dated October 18, 2004, by and among Exelixis, Inc., X-Ceptor Therapeutics, Inc., and certain holders of capital stock of X-Ceptor Therapeutics, Inc. listed in Annex I thereto.	8-K	000-30235	10.1	10/21/2004	
4.8	Registration Rights Agreement, dated October 18, 2004, by and among Exelixis, Inc., X-Ceptor Therapeutics, Inc., and certain holders of capital stock of X-Ceptor Therapeutics, Inc. listed in Annex I thereto.	8-K	000-30235	10.2	10/21/2004	

4.9	Registration Rights Agreement, dated June 9, 2005, between Exelixis, Inc. and Symphony Evolution Holdings LLC.					X
4.10	Registration Rights Agreement between Exelixis, Inc. and Deerfield Private Design Fund, L.P., Deerfield Private Design International, L.P., Deerfield Partners, L.P. and Deerfield International Limited dated June 4, 2008.	8-K	000-30235	4.10	6/9/2008	
4.11	Form of Warrant, dated June 10, 2009, to purchase 500,000 shares of Exelixis, Inc. common stock in favor of Symphony Evolution Holdings LLC.	10-Q, as amended	000-30235	4.4	7/30/2009	
4.12	Form of Common Stock Agreement and Warrant Certificate	S-3, as amended	333-158792	4.17	4/24/2009	
4.13	Form of Preferred Stock Agreement and Warrant Certificate	S-3, as amended	333-158792	4.18	4/24/2009	
4.14	Form of Debt Securities Warrant Agreement and Warrant Certificate	S-3, as amended	333-158792	4.19	4/24/2009	
4.15	Form of Senior Debt Indenture	S-3, as amended	333-158792	4.13	5/28/2009	
4.16	Form of Subordinated Debt Indenture	S-3, as amended	333-158792	4.14	5/28/2009	
4.17	Form of Note, dated July 1, 2010 in favor of Deerfield Private Design International, L.P.	10-Q	000-30235	10.1 (Exhibit A-1)	8/5/2010	
4.18	Form of Note, dated July 1, 2010 in favor of Deerfield Private Design Fund, L.P.	10-Q	000-30235	10.1 (Exhibit A-2)	8/5/2010	
10.1	Note Purchase Agreement, dated June 2, 2010, by and between Deerfield Private Design Fund, L.P., Deerfield Private Design International, L.P. and Exelixis, Inc.					X
10.2	Security Agreement, dated July 1, 2010, by and between Deerfield Private Design Fund, L.P., Deerfield Private Design International, L.P. and Exelixis, Inc.					X
10.3**	Amendment No. 10, dated June 2, 2010, to the Loan and Security Agreement, dated May 22, 2002, by and between Exelixis, Inc. and Silicon Valley Bank					X
10.4	Termination Agreement dated June 18, 2010 between Exelixis, Inc. and Bristol-Myers Squibb Company					X
10.5	Second Amendment, effective April 30, 2010 to the Collaboration Agreement, dated December 22, 2006, between Exelixis, Inc. and Genentech, Inc.					X
31.1	Certification required by Rule 13a-14(a) or Rule 15d-14(a).					X
31.2	Certification required by Rule 13a-14(a) or Rule 15d-14(a).					X
32.1++	Certification by the Chief Executive Officer and the Chief Financial Officer of Exelixis, Inc., as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).					X

* Confidential treatment granted for certain portions of this exhibit.

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

++ This certification accompanies this Quarterly Report on Form 10-Q, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of Exelixis, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 4.4

WARRANT PURCHASE AGREEMENT

between

EXELIXIS, INC.

and

SYMPHONY EVOLUTION HOLDINGS, LLC

Dated as of June 9, 2005

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WARRANT PURCHASE AGREEMENT

This WARRANT PURCHASE AGREEMENT is dated as of June 9, 2005 (this "***Agreement***") by and between Exelixis, Inc., a Delaware corporation ("***Exelixis***"), and Symphony Evolution Holdings LLC, a Delaware limited liability company (together with its permitted successors, assigns and transferees, "***Holdings***").

WHEREAS, contemporaneously with the execution of this Agreement, Holdings, Exelixis, and Symphony Evolution, Inc., a Delaware corporation ("***Symphony Evolution***") are entering into a Purchase Option Agreement (the "***Purchase Option Agreement***") pursuant to which, among other things, Holdings is granting to Exelixis an option to purchase (the "***Purchase Option***") all of the equity securities of Symphony Evolution (the "***Symphony Evolution Equity Securities***") owned, or hereafter acquired, by Holdings on the terms set forth in the Purchase Option Agreement; and

WHEREAS, in consideration for Holdings' grant of the Purchase Option to Exelixis, Exelixis desires to issue and sell to Holdings the Warrants described herein;

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto (the "***Parties***") agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01 Definitions. Capitalized terms used but not defined herein are used as defined in Annex A hereto.

ARTICLE II

PURCHASE AND SALE OF WARRANTS

Section 2.01 Authorization to Issue A Warrants.

(a) Exelixis has authorized the issuance of certain warrants (the "***A Warrants***") representing the right to purchase 750,000 shares of Exelixis' common stock ("***Exelixis Common Stock***"), par value $0.001 per share, at a price per share that shall be an amount equal to 125% of the average closing price of Exelixis Common Stock, as reported in the *Wall Street Journal*, on the NASDAQ National Market, or other national exchange that is the primary exchange on which Exelixis Common Stock is listed, over a continuous period of sixty (60) trading days immediately proceeding the second trading day prior to the Closing Date (as defined in Section 2.04 hereof) (such shares, the "***A Warrant Shares***"). The A Warrants shall be evidenced by certificates issued pursuant to this Agreement in the form set forth in Exhibit B hereto, with such appropriate insertions, omissions, substitutions, and other variations as are required or permitted by this Agreement.

Section 2.02 Authorization to Issue the B Warrants.

(a) Exelixis has authorized the issuance of certain warrants (the "***B Warrants***") representing the right to purchase up to 750,000 shares of Exelixis Common Stock, par value $0.001 per share, at a price per share that shall be an amount equal to 125% of the average closing price of Exelixis Common Stock, as reported in the *Wall Street Journal*, on the NASDAQ National Market, or other national exchange that is the primary exchange on which Exelixis Common Stock is listed, over a continuous period of sixty (60) trading days immediately proceeding the second trading day prior to the Closing Date (such shares, the "***B Warrant Shares***"). The B Warrants shall be evidenced by certificates issued pursuant to this Agreement in the form set forth in Exhibit C hereto, with such appropriate insertions, omissions, substitutions, and other variations as are required or permitted by this Agreement.

(b) In the event that at any time on or prior to the Additional Funding Date (as defined in the Funding Agreement), less than an aggregate amount equal to $80,000,000.00 million (the "***Maximum Committed Capital***") has been contributed by Holdings to Symphony Evolution (such contributed capital, the "***Funded Capital***"), either through the purchase of Symphony Evolution Equity Securities or other means of equity investment, the number of shares of Exelixis Common Stock subject to the B Warrants shall be reduced, for each dollar that the Funded Capital is less than the Maximum Committed Capital, by decreasing the number of shares represented by the B Warrants by 0.01875 shares per dollar.

Section 2.03 Authorization to Issue C Warrants.

(a) Exelixis has authorized the issuance of certain warrants (the "***C Warrants***", and together with the A Warrants and the B Warrants, the "***Warrants***"), representing the right to purchase up to 500,000 shares of Exelixis Common Stock, par value $0.001 per share, at a price per share that shall be an amount equal to 125% of the average closing price of Exelixis Common Stock, as reported in the *Wall Street Journal*, on the NASDAQ National Market, or other national exchange that is the primary exchange on which Exelixis Common Stock is listed, over a continuous period of sixty (60) trading days immediately proceeding the second trading day prior to the C Warrant Date (as defined below) (such shares, the "***C Warrant Shares***", and together with the A Warrant Shares and the B Warrant Shares, the "***Warrant Shares***"). The C Warrants shall be evidenced by certificates issued pursuant to this Agreement in the form set forth in Exhibit D hereto, with such appropriate insertions, omissions, substitutions, and other variations as are required or permitted by this Agreement.

(b) In the event that the Funded Capital is less than the Maximum Committed Capital, the number of shares of Exelixis Common Stock subject to the C Warrants shall be reduced, for each dollar that the Funded Capital is less than the Maximum Committed Capital, by decreasing the number of shares represented by the C Warrants by 0.00625 shares per dollar.

Section 2.04 Purchase and Sale of A Warrants. Exelixis hereby agrees to issue to Holdings, and Holdings hereby agrees to acquire from Exelixis, the A Warrants on the

Closing Date (hereinafter, the "***A Warrant Date***"), subject to the fulfillment of the conditions precedent described in Article III below. The A Warrants will be issued to Holdings as consideration for the execution and delivery by Holdings of the Purchase Option Agreement.

Section 2.05 Purchase and Sale of B Warrants. Exelixis hereby agrees to issue to Holdings, and Holdings hereby agrees to acquire from Exelixis, the B Warrants on the second Business Day immediately following the Additional Funding Date (the "***B Warrant Date***"). The issuance to Holdings of the B Warrants shall not be subject to any further conditions precedent hereunder, other than (i) the continued existence of the Purchase Option, and (ii) the satisfaction of the specified conditions precedent set forth in Article III, on or prior to the B Warrant Date. The B Warrants will be issued to Holdings as deferred consideration for the execution and delivery by Holdings of the Purchase Option Agreement.

Section 2.06 Purchase and Sale of C Warrants. Exelixis hereby agrees to issue to Holdings, and Holdings hereby agrees to acquire from Exelixis, the C Warrants on the first Business Day immediately following the expiration of the Purchase Option (the "***C Warrant Date***", and collectively with the A Warrant Date and the B Warrant Date, the "***Warrant Dates***"). The issuance to Holdings of the C Warrants shall not be subject to any further conditions precedent hereunder, other than (i) the unexercised expiration of the Purchase Option and (ii) the satisfaction of the specified conditions precedent set forth in Article III, on or prior to the C Warrant Date. The C Warrants will be issued to Holdings as deferred consideration for the execution and delivery by Holdings of the Purchase Option Agreement. In the event that Exelixis exercises the Purchase Option prior to its expiry, the C Warrants shall not be issued to Holdings.

Section 2.07 Warrant Dates. Subject to the terms and conditions of this Agreement, the issuance, sale and purchase of the A, B and C Warrants contemplated by this Agreement shall take place at a closing on each Warrant Date (each a "***Warrant Closing***") to be held at the offices of Shearman & Sterling, 599 Lexington Avenue, New York, New York 10022, at 10:00 A.M., Eastern Time, following the satisfaction or waiver of all other conditions to the obligations of the Parties set forth in Section 2.04, 2.05 or 2.06 hereof, as applicable, or at such other place or at such other time or such other date as Holdings and Exelixis shall mutually agree upon in writing.

ARTICLE III

CONDITIONS OF PURCHASE

Section 3.01 Conditions Precedent to Each Party's Obligations. The respective obligations of Exelixis and Holdings to effect the transactions contemplated hereby shall be subject to the satisfaction of the conditions precedent contained in this Section 3.01 or the waiver thereof in writing by Holdings and Exelixis prior to or on the A Warrant Date, the B Warrant Date or the C Warrant Date, as applicable.

(a) Approvals. All Governmental Approvals imposed by any Governmental Authority in connection with the transactions contemplated by this Agreement and the other Operative Documents required to be in effect prior to or on the A Warrant Date shall be in effect, the failure of which to be in effect would, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on either of the Parties.

(b) Litigation. No Governmental Authority of competent jurisdiction shall have enacted, issued, promulgated, enforced or entered any law or Governmental Order (whether temporary, preliminary or permanent) that is in effect and restrains, enjoins or otherwise prohibits the consummation of the transactions contemplated hereby or in the other Operative Documents.

Section 3.02 Conditions Precedent to Holdings' Obligations. The obligation of Holdings to effect the transactions contemplated hereby shall be subject to the satisfaction of the further conditions precedent contained in this Section 3.02, or the waiver thereof in writing by Holdings, prior to or on the A Warrant Date.

(a) Authorization, Execution and Delivery of Documents. This Agreement and each of the other Operative Documents (including all schedules, annexes and exhibits thereto) required to be entered into on or prior to the A Warrant Date shall have been duly authorized, executed and delivered by each of the parties thereto (other than Holdings) and shall be in full force and effect.

(b) Issuance of Warrants. All actions required by any applicable law to issue the Warrants shall have been duly taken by Exelixis (or provisions therefor shall have been made), including, without limitation, the making of all registrations and filings required to be made prior to or on the A Warrant Date, and all necessary consents shall have been received, the failure to take, or the absence of which, would, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Holdings.

(c) Performance of Obligations by Exelixis; Representations and Warranties. Exelixis shall have performed in all material respects and complied in all material respects with all agreements and conditions contained in this Agreement and the other Operative Documents that are required to be performed or complied with by it prior to or on such A Warrant Date. Exelixis' representations and warranties set forth in Section 4.02 of this Agreement shall be true and correct in all respects as of such A Warrant Date with the same effect as though such representations and warranties were made on and as of the A Warrant Date (or if stated to have been made as of an earlier date, as of such date).

(d) Opinions of Counsel. Holdings shall have received an opinion letter from Cooley Godward LLP, counsel for Exelixis, substantially in the form attached hereto as Exhibit A.

(e) Closing Certificate. At the A Warrant Date, Holdings shall have received a certificate from Exelixis executed by its Chief Financial Officer or other duly authorized executive officer, dated as of the A Warrant Date, in form and substance reasonably satisfactory to Holdings, certifying:

(i) (A) that the Operative Documents to which Exelixis is a party have been duly authorized, executed and delivered by Exelixis, and (B) that Exelixis has satisfied all conditions precedent contained in the Operative Documents to which it is a party required to be satisfied by it on or prior to the A Warrant Date; and

(ii) as to (A) the accuracy and completeness of the contents of Exelixis' charter documents, (B) the resolutions of Exelixis' board of directors, duly authorizing Exelixis' execution, delivery and performance of each Operative Document to which it is or is to be a party and each other document required to be executed and delivered by it in accordance with the provisions hereof or thereof, and (C) the incumbency and signature of Exelixis' representatives authorized to execute and deliver documents on its behalf in connection with the obligations contemplated hereby and by the other Operative Documents.

(f) Further Documents, Certificates, Etc. Holdings shall have received such other documents, certificates or opinions as Holdings may reasonably request in connection with the consummation of the transactions contemplated by this Agreement.

(g) No Events of Default. No breach, default, event of default or other similar event by Exelixis, and no event which with the giving of notice, the passage of time, or both, would constitute any of the foregoing, under any Operative Document or any other material contract or agreement to which Exelixis is a party, shall have occurred and be continuing, and no condition shall exist that constitutes, or with the giving of notice, the passage of time, or both, would constitute such default, event of default or other similar event.

(h) No Violation. The transactions contemplated hereby shall comply with all applicable law in effect as of the A Warrant Date, and no party (other than Holdings) to such transactions shall be in violation of any such applicable law, the failure to comply with which would, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Holdings. Holdings shall not be subject to any penalty or liability pursuant to any violation of applicable law in effect as of such A Warrant Date by virtue of the transactions contemplated hereby and by each of the other Operative Documents.

(i) Change in Law. There shall have been no change in any law, rule or regulation or the interpretation thereof (including any law, rule or regulation relating to taxes) that prohibits or prevents the consummation of this Agreement or any of the transactions contemplated hereby (including the sale and purchase of the Warrants) or by the Operative Documents or that results in any material increase in taxes payable by Holdings or Investors.

(j) Other Conditions Precedent. Exelixis shall have satisfied and complied with all applicable conditions precedent set forth in each other Operative Document to which Exelixis is a party required to be satisfied and complied with prior to or on the A Warrant Date.

Section 3.03 Conditions Precedent to Exelixis' Obligations. The obligation of Exelixis to effect the transactions contemplated hereby shall be subject to the satisfaction of the further conditions precedent contained in this Section 3.03, or the waiver thereof in writing by Exelixis, prior to or on the A Warrant Date, and in the case of Sections 3.03(a), (b)(ii), (c)(ii), (e) and (f), the satisfaction thereof or the waiver thereof by Exelixis, prior to or on the B Warrant Date and the C Warrant Date.

(a) Authorization, Execution and Delivery of Documents. This Agreement and each of the other Operative Documents (including all schedules and exhibits thereto) required to be entered into on or prior to the A Warrant Date (or the B Warrant Date or the C Warrant Date, as applicable) shall have been duly authorized, executed and delivered by each of the parties thereto (other than Exelixis) and shall be in full force and effect.

(b) Performance of Obligations by Holdings; Representations and Warranties.

(i) As of the A Warrant Date, Holdings shall have performed in all material respects and complied in all material respects with all agreements and conditions contained in this Agreement and the other Operative Documents required to be performed or complied with by it prior to or at the A Warrant Date. Each of Holdings' representations and warranties set forth in Section 4.01 of this Agreement shall be true and correct in all respects as of the A Warrant Date with the same effect as though such representations and warranties were made on and as of the A Warrant Date (or if stated to have been made as of an earlier date, as of such date).

(ii) As of the B Warrant Date or the C Warrant Date, as applicable, each of Holdings' representations and warranties set forth in Section 4.01(a)(vi) of this Agreement shall be true and correct in all respects, with the same effect as though such representations and warranties were made on and as of the B Warrant Date or the C Warrant Date, as applicable (or if stated to have been made as of an earlier date, as of such date). Holdings shall not be in material default or breach of any Operative Document that has resulted in, or would reasonably be expected to result in, a material adverse effect on the Programs or Exelixis' rights under the Operative Documents, as of the B Warrant Date or the C Warrant Date, as applicable.

(c) Warrant Date Certificates. At the A Warrant Date, or the B Warrant Date or the C Warrant Date, as applicable and in accordance with the opening sentence of this Section 3.03, Exelixis shall have received a certificate from Holdings executed by its Chief Financial Officer or other executive officer, dated the date of such Warrant Date, in form and substance reasonably satisfactory to Exelixis, certifying:

(i) as of the A Warrant Date:

(A) that (1) the Operative Documents to which Holdings is a party have been duly authorized, executed and delivered by Holdings, (2) Holdings has satisfied all conditions precedent contained in the Operative Documents to which it is a party required to be satisfied by it on or prior to the A Warrant Date, and (3) Holdings has performed in all material respects and complied in all material respects with all covenants, agreements and obligations that are required to be performed or complied with by it prior to or on the A Warrant Date; and

(B) to (1) the accuracy and completeness of the contents of Holdings' charter documents, (2) the resolutions of Holdings' members, duly authorizing Holdings' execution, delivery and performance of each Operative Document to which it is or is to be a party and each other document required to be executed and

delivered by it in accordance with the provisions hereof or thereof, and (3) the incumbency and signature of Holdings' representatives authorized to execute and deliver documents on its behalf in connection with the obligations contemplated hereby and by the other Operative Documents; or

(ii) as of the B Warrant Date or the C Warrant Date, as applicable (A) that the Operative Documents to which Holdings is a party have been duly authorized, executed and delivered by Holdings; (B) that Holdings has satisfied all conditions precedent contained in the Operative Documents to which it is a party required to be satisfied by it on or prior to the Closing Date; and (C) that Holdings is not in material default or breach of any Operative Document that has resulted in, or would reasonably be expected to result in, a material adverse effect on the Programs or Exelixis' rights under the Operative Documents, as of the B Warrant Date or the C Warrant Date, as applicable.

(d) No Events of Default. No default, event of default or other similar event by Holdings, and no event which with the giving of notice, the passage of time, or both, would constitute any of the foregoing, under any Operative Document or any other material contract or agreement to which Holdings is a party, shall have occurred and be continuing, and no condition shall exist that constitutes, or with the giving of notice, the passage of time, or both, would constitute such default, event of default or other similar event.

(e) No Violation. The transactions contemplated hereby shall comply in all material respects with all applicable law in effect as of the A Warrant Date (or the B Warrant Date or the C Warrant Date, as applicable), and no party (other than Exelixis) to such transactions shall be in material violation of any such applicable law, the failure to comply with which would, either individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Exelixis. Exelixis shall not be subject to any penalty or liability pursuant to any violation of applicable law in effect as of such A Warrant Date by virtue of the transactions contemplated hereby and by each of the other Operative Documents.

(f) Change in Law. There shall have been no change in any law, rule or regulation or the interpretation thereof (including any law, rule or regulation relating to taxes) that prohibits or prevents the consummation of this Agreement or any of the transactions contemplated hereby (including the sale and purchase of the Warrants) or by the Operative Documents.

(g) Other Conditions Precedent. Holdings shall have satisfied and complied with all applicable conditions precedent set forth in each other Operative Document to which Holdings is a party required to be satisfied and complied with prior to or on the A Warrant Date.

ARTICLE IV

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 4.01 Representations, Warranties and Covenants of Holdings.

(a) Holdings hereby represents and warrants to Exelixis that:

(i) Organization. Holdings is a limited liability company, duly formed, validly existing and in good standing under the laws of the State of Delaware.

(ii) Authority and Validity. Holdings has all requisite limited liability company power and authority to execute, deliver and perform its obligations under this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance by Holdings of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action required on the part of Holdings, and no other proceedings on the part of Holdings are necessary to authorize this Agreement or for Holdings to perform its obligations under this Agreement. This Agreement constitutes the lawful, valid and legally binding obligation of Holdings, enforceable in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles regardless of whether such enforceability is considered in a proceeding at law or in equity.

(iii) No Violation or Conflict. The execution, delivery and performance of this Agreement and the transactions contemplated hereby do not (A) violate, conflict with or result in the breach of any provision of the Organizational Documents of Holdings, (B) conflict with or violate any law or Governmental Order applicable to Holdings or any of its assets, properties or businesses, or (C) conflict with, result in any breach of, constitute a default (or event that with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, or result in the creation of any Encumbrance on any of the assets or properties of Holdings, pursuant to, any note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which Holdings is a party except, in the case of clauses (B) and (C), to the extent that such conflicts, breaches, defaults or other matters would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Holdings.

(iv) Governmental Consents and Approvals. The execution, delivery and performance of this Agreement by Holdings do not, and the consummation of the transactions contemplated hereby do not and will not, require any Governmental Approval which has not already been obtained, effected or provided, except with respect to which the failure to so obtain, effect or provide would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Holdings.

(v) Litigation. There are no actions by or against Holdings pending before any Governmental Authority or, to the knowledge of Holdings, threatened to be brought by or before any Governmental Authority, that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Holdings. There are no pending or, to the knowledge of Holdings, threatened actions to which Holdings is a party (or threatened to be named as a party) to set aside, restrain, enjoin or prevent the execution, delivery or performance of this Agreement or the Operative Documents or the consummation of the transactions contemplated hereby or thereby by any party hereto or

thereto. Holdings is not subject to any Governmental Order (nor, to the knowledge of Holdings, is there any such Governmental Order threatened to be imposed by any Governmental Authority) that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Holdings.

(vi) Accredited Investor.

(A) Holdings is and will remain at all relevant times an "Accredited Investor".

(B) Holdings has relied completely on the advice of, or has consulted with or has had the opportunity to consult with, its own personal tax, investment, legal or other advisors and has not relied on Exelixis or any of its Affiliates for advice. Holdings has reviewed the Investment Overview and is aware of the risks disclosed therein. Holdings acknowledges that it has had a reasonable opportunity to conduct its own due diligence with respect to the Products, the Programs, Symphony Evolution, Exelixis and the transactions contemplated by the Operative Documents.

(C) Holdings has been advised and understands that the offer and sale of the A Warrants, the B Warrants, the C Warrants, the A Warrant Shares, the B Warrant Shares and the C Warrant Shares have not been registered under the Securities Act. Holdings is able to bear the economic risk of such investment for an indefinite period and to afford a complete loss thereof.

(D) Holdings is acquiring the A Warrants, the B Warrants, the C Warrants, the A Warrant Shares, the B Warrant Shares and the C Warrant Shares solely for Holdings' own account for investment purposes as a principal and not with a view to the resale of all or any part thereof; provided, that Holdings may transfer the A Warrants, the B Warrants and the C Warrants as set forth in Section 6.01 hereof. Holdings agrees that the A Warrants, the B Warrants, the C Warrants, the A Warrant Shares, the B Warrant Shares and the C Warrant Shares may not be resold (1) without registration thereof under the Securities Act (unless an exemption from such registration is available), or (2) in violation of any law. Holdings acknowledges that Exelixis is not required to register the A Warrants, the B Warrants, the C Warrants, the A Warrant Shares, the B Warrant Shares or the C Warrant Shares under the Securities Act. Holdings is not and will not be an underwriter within the meaning of Section 2(11) of the Securities Act with respect to the A Warrants, the B Warrants, the C Warrants, the A Warrant Shares, the B Warrant Shares or the C Warrant Shares.

(E) No person or entity acting on behalf of, or under the authority of, Holdings is or will be entitled to any broker's, finder's, or similar fees or commission payable by Exelixis or any of its Affiliates.

(F) Holdings acknowledges and agrees to treat the warrants for federal, state and local income tax purposes as option premium paid in return for the grant of the Purchase Option.

Section 4.02 Representations, Warranties and Covenants of Exelixis.

(a) Exelixis hereby represents and warrants to Holdings that:

(i) Organization. Exelixis is a corporation, duly organized, validly existing and in good standing under the laws of the State of Delaware.

(ii) Authority and Validity. Exelixis has all requisite corporate power and authority to execute, deliver and perform its obligations under this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance by Exelixis of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action required on the part of Exelixis, and no other proceedings on the part of Exelixis are necessary to authorize this Agreement or for Exelixis to perform its obligations under this Agreement. This Agreement constitutes the lawful, valid and legally binding obligation of Exelixis, enforceable in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and general equitable principles regardless of whether such enforceability is considered in a proceeding at law or in equity.

(iii) No Violation or Conflict. The execution, delivery and performance of this Agreement and the transactions contemplated hereby do not (A) violate, conflict with or result in the breach of any provision of the Organizational Documents of Exelixis, (B) conflict with or violate any law or Governmental Order applicable to Exelixis or any of its assets, properties or businesses, or (C) conflict with, result in any breach of, constitute a default (or event that with the giving of notice or lapse of time, or both, would become a default) under, require any consent under, or give to others any rights of termination, amendment, acceleration, suspension, revocation or cancellation of, or result in the creation of any Encumbrance on any of the assets or properties of Exelixis, pursuant to, any note, bond, mortgage or indenture, contract, agreement, lease, sublease, license, permit, franchise or other instrument or arrangement to which Exelixis is a party except, in the case of clauses (B) and (C), to the extent that such conflicts, breaches, defaults or other matters would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Exelixis.

(iv) Governmental Consents and Approvals. Other than any HSR Act Filings and Additional Regulatory Filings which, if the Purchase Option is exercised by Exelixis, will be obtained on or prior to the Purchase Option Closing Date and any Governmental Approvals relating to federal securities or state "blue sky" laws, the execution, delivery and performance of this Agreement by Exelixis do not, and the consummation of the transactions contemplated hereby do not and will not, require any Governmental Approval which has not already been obtained, effected or provided, except with respect to which the failure to so obtain, effect or provide would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Exelixis.

(v) Litigation. There are no actions by or against Exelixis pending before any Governmental Authority or, to the knowledge of Exelixis, threatened to be brought by or before any Governmental Authority, that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Exelixis. There are no pending or, to the knowledge of Exelixis, threatened actions, to which Exelixis is a party (or is threatened to be named as a party) to set aside, restrain, enjoin or prevent the execution, delivery or performance of this Agreement or the Operative Documents or the consummation of the transactions contemplated hereby or thereby by any party hereto or thereto. Exelixis is not subject to any Governmental Order (nor, to the knowledge of Exelixis, is there any such Governmental Order threatened to be imposed by any Governmental Authority) that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Exelixis.

(vi) Private Placement. Assuming the accuracy of Holdings' representations and warranties set forth in Section 4.01, (i) the purchase and sale of the Warrants is exempt from the registration requirements of the Securities Act, and (ii) no other offering of Common Stock by Exelixis will be integrated with the offering of the Warrants or the Warrant Shares. Neither Exelixis nor any Person acting on its behalf has or will offer the Warrants or the Warrant Shares by any form of general solicitation or general advertising and all filings required under Rule 503 of the Securities Act will be made in a timely manner.

(b) Exelixis covenants and agrees with Holdings that, so long as any of the Warrants are outstanding (including as such Warrants may be reissued pursuant to transfer in accordance with Section 6.01 hereof), Exelixis shall take all action necessary to reserve and keep available out of its authorized and unissued Exelixis Common Stock, solely for the purpose of effecting the exercise of the Warrants, 100% of the number of shares of Exelixis Common Stock issuable upon exercise of the Warrants. Upon exercise in accordance with the Warrants, the Exelixis Common Stock delivered thereby will be validly issued, fully paid and nonassessable and free from all taxes, liens and charges with respect to the issue thereof, with the holders being entitled to all rights accorded to a holder of the Exelixis Common Stock.

(c) Exelixis acknowledges and agrees to treat the warrants for federal, state and local income tax purposes as option premium paid in return for the grant of the Purchase Option.

ARTICLE V

INDEMNITY

Section 5.01 Indemnification. To the greatest extent permitted by applicable law, Exelixis shall indemnify and hold harmless Holdings, and Holdings shall indemnify and hold harmless Exelixis, and each of their respective Affiliates, officers, directors, employees, agents, partners, members, successors, assigns, representatives of, and each Person, if any

(including any officers, directors, employees, agents, partners, members of such Person) who controls, Holdings and Exelixis, as applicable, within the meaning of the Securities Act or the Exchange Act, (each, an ***"Indemnified Party"***), from and against any and all actions, causes of action, suits, claims, losses, diminution in value, costs, interest, penalties, fees, liabilities and damages, and expenses in connection therewith (irrespective of whether any such Indemnified Party is a party to the action for which indemnification hereunder is sought), and including reasonable attorneys' fees and disbursements (hereinafter, a "***Loss***"), incurred by any Indemnified Party as a result of, or arising out of, or relating to: (i) in the case of Exelixis being the Indemnifying Party, (A) any breach of any representation or warranty made by Exelixis herein or in any certificate, instrument or document delivered hereunder, (B) any breach of any covenant, agreement or obligation of Exelixis contained herein or in any certificate, instrument or document delivered hereunder, or (C) any untrue statement of a material fact about Exelixis contained in the reports filed by Exelixis with the SEC, or the omission therefrom of a material fact about Exelixis 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, to the extent that such reports are attached to the Investment Overview; provided, that the information contained in a later filed report filed prior to the date of this Agreement shall be deemed to update any related information contained in a previously filed report (the items set forth herein in clauses (A), (B) and (C) being hereinafter referred to as the "***Holdings Claims***"), and (ii) in the case of Holdings being the Indemnifying Party, (x) any breach of any representation or warranty made by Holdings herein or in any certificate, instrument or document delivered hereunder, (y) any breach of any covenant, agreement or obligation of Holdings contained herein or in any certificate, instrument or document delivered hereunder, or (z) any untrue statement or alleged untrue statement of a material fact about Holdings contained in the Investment Overview or the omission or alleged omission therefrom of a material fact about Holdings 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, (the items set forth herein in clauses (x), (y) and (z) being hereinafter referred to as the "***Exelixis Claims***"). To the extent that the foregoing undertaking by Exelixis, Holdings may be unenforceable for any reason, such Party shall make the maximum contribution to the payment and satisfaction of any Loss that is permissible under applicable law.

Section 5.02 Notice of Claims. Any Indemnified Party that proposes to assert a right to be indemnified under this Article V shall notify Exelixis or Holdings, as applicable (the "***Indemnifying Party***"), promptly after receipt of notice of commencement of any action, suit or proceeding against such Indemnified Party (an "***Indemnified Proceeding***") in respect of which a claim is to be made under this Article V, or the incurrence or realization of any Loss in respect of which a claim is to be made under this Article V, of the commencement of such Indemnified Proceeding or of such incurrence or realization, enclosing a copy of all relevant documents, including all papers served and claims made, but the omission to so notify the applicable Indemnifying Party promptly of any such Indemnified Proceeding or incurrence or realization shall not relieve (x) such Indemnifying Party from any liability that it may have to such Indemnified Party under this Article V or otherwise, except, as to such Indemnifying Party's liability under this Article V, to the extent, but only to the extent, that such Indemnifying Party shall have been prejudiced by such omission, or (y) any other indemnitor from liability that it may have to any Indemnified Party under the Operative Documents.

Section 5.03 Defense of Proceedings. In case any Indemnified Proceeding shall be brought against any Indemnified Party, it shall notify the applicable Indemnifying Party of the commencement thereof as provided in Section 5.02, and such Indemnifying Party shall be entitled to participate in, and provided such Indemnified Proceeding involves a claim solely for money damages and does not seek an injunction or other equitable relief against the Indemnified Party and is not a criminal or regulatory action, to assume the defense of, such Indemnified Proceeding with counsel reasonably satisfactory to such Indemnified Party, and after notice from such Indemnifying Party to such Indemnified Party of such Indemnifying Party's election to so assume the defense thereof and the failure by such Indemnified Party to object to such counsel within ten (10) Business Days following its receipt of such notice, such Indemnifying Party shall not be liable to such Indemnified Party for legal or other expenses related to such Indemnified Proceedings incurred after such notice of election to assume such defense except as provided below and except for the reasonable costs of investigating, monitoring or cooperating in such defense subsequently incurred by such Indemnified Party reasonably necessary in connection with the defense thereof. Such Indemnified Party shall have the right to employ its counsel in any such Indemnified Proceeding, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless:

(i) the employment of counsel by such Indemnified Party at the expense of the applicable Indemnifying Party has been authorized in writing by such Indemnifying Party;

(ii) such Indemnified Party shall have reasonably concluded in its good faith (which conclusion shall be determinative unless a court determines that such conclusion was not reached reasonably and in good faith) that there is or may be a conflict of interest between the applicable Indemnifying Party and such Indemnified Party in the conduct of the defense of such Indemnified Proceeding or that there are or may be one or more different or additional defenses, claims, counterclaims, or causes of action available to such Indemnified Party (it being agreed that in any case referred to in this clause (ii) such Indemnifying Party shall not have the right to direct the defense of such Indemnified Proceeding on behalf of the Indemnified Party);

(iii) the applicable Indemnifying Party shall not have employed counsel reasonably acceptable to the Indemnified Party, to assume the defense of such Indemnified Proceeding within a reasonable time after notice of the commencement thereof (provided, however, that this clause shall not be deemed to constitute a waiver of any conflict of interest that may arise with respect to any such counsel); or

(iv) any counsel employed by the applicable Indemnifying Party shall fail to timely commence or diligently conduct the defense of such Indemnified Proceeding;

in each of which cases the fees and expenses of counsel for such Indemnified Party shall be at the expense of such Indemnifying Party. Only one counsel shall be retained by all Indemnified Parties with respect to any Indemnified Proceeding, unless counsel for any Indemnified Party reasonably concludes in good faith (which conclusion shall be determinative unless a court determines that such conclusion was not reached reasonably and in good faith) that there is or may be a conflict of interest between such Indemnified Party and one or more other Indemnified Parties in the conduct of the defense of such Indemnified Proceeding or that there are or may be one or more different or additional defenses, claims, counterclaims, or causes or action available to such Indemnified Party.

Section 5.04 Settlement. Without the prior written consent of such Indemnified Party, such Indemnifying Party shall not settle or compromise, or consent to the entry of any judgment in, any pending or threatened Indemnified Proceeding, unless such settlement, compromise, consent or related judgment (i) includes an unconditional release of such Indemnified Party from all liability for Losses arising out of such claim, action, investigation, suit or other legal proceeding, (ii) provides for the payment of money damages as the sole relief for the claimant (whether at law or in equity), (iii) involves no finding or admission of any violation of law or the rights of any Person by the Indemnified Party, and (iv) is not in the nature of a criminal or regulatory action. No Indemnified Party shall settle or compromise, or consent to the entry of any judgment in, any pending or threatened Indemnified Proceeding in respect of which any payment would result hereunder or under the Operative Documents without the prior written consent of the Indemnifying Party, such consent not to be unreasonably conditioned, withheld or delayed.

ARTICLE VI

TRANSFER RESTRICTIONS

Section 6.01 Transfer Restrictions. Holdings agrees (and agrees to cause all of its members and any subsequent transferees thereof to so agree) that (i) it will not, directly or indirectly, offer, sell, assign, transfer, grant or sell a participation in, pledge or otherwise dispose of any Warrants or Warrant Shares (or solicit any offers to buy or otherwise acquire, or take a pledge of, any Warrants) unless such Warrants or Warrant Shares are registered and/or qualified under the Securities Act and applicable state securities laws, or unless an exemption from the registration or qualification requirements is otherwise available; provided, that Holdings may transfer the Warrants or Warrant Shares to Investors, RRD and each Symphony Fund; and Investors, but not any other member of Holdings, may distribute the Warrants or Warrant Shares to its respective members; (ii) (A) no transfer of such Warrants, or (B) with respect to a private placement of the Warrant Shares, no transfer of such Warrant Shares shall be effective or recognized unless the transferor and the transferee make the representations and agreements contained herein including, without limitation, agreeing to be bound by orderly sale provisions equivalent to those set forth in this Article VI and furnish to Exelixis such certifications and other information as Exelixis may reasonably request to confirm that any proposed transfer complies with the restrictions set forth herein and any applicable laws; and (iii) (A) Warrants may only be transferred in minimum denominations of Warrants representing the right to purchase at least 100,000 Warrant Shares, and (B) with respect to a private placement, Warrant Shares may only be transferred in minimum denominations of at least 100,000 Warrant Shares; provided, however, that in the event that any holder of any Warrants or Warrant Shares holds Warrants representing the right to purchase less than 100,000 Warrant Shares, or holds less than 100,000 Warrant Shares, as the case may be, such holder shall be entitled to exercise all, but not less than all, such Warrants and sell all, but not less than all, such Warrant Shares delivered to it in connection therewith, notwithstanding the fact that the number of such Warrant Shares is less than 100,000; provided, further, that Holdings agrees (and agrees to cause its members and any subsequent transferees thereof to so agree), that with respect to the Warrants, such holder of Warrants will not sell or otherwise transfer any Warrants, except in private placements to Accredited Investors.

Section 6.02 Legends.

(a) Holdings acknowledges and agrees that Exelixis shall affix to each certificate evidencing outstanding Warrants (and any certificates issued upon the transfer of the Warrants) a legend in substantially the following form (a "***Warrant Legend***"**)**:

"NEITHER THIS WARRANT NOR THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE BEEN THE SUBJECT OF REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE, AND THE SAME HAVE BEEN (OR WILL BE, WITH RESPECT TO THE SECURITIES ISSUABLE UPON EXERCISE HEREOF) ISSUED IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. NEITHER THIS WARRANT NOR THE SECURITIES ISSUABLE UPON EXERCISE HEREOF MAY BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT AS PERMITTED UNDER SUCH SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

THE WARRANT EVIDENCED BY THIS CERTIFICATE IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE WARRANT PURCHASE AGREEMENT, DATED AS OF JUNE 9, 2005, COPIES OF WHICH ARE ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF THE ISSUER. NO REGISTRATION OF TRANSFER OF THIS WARRANT WILL BE MADE ON THE BOOKS OF THE ISSUER UNLESS AND UNTIL SUCH RESTRICTIONS SHALL HAVE BEEN COMPLIED WITH."

(b) Holdings acknowledges and agrees that any stock certificate(s) representing Warrant Shares issued by Exelixis pursuant hereto may contain a legend (the "***Warrant Share Legend***") substantially as follows:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE, AND THE SAME HAVE BEEN ISSUED IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. SUCH SHARES MAY NOT BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT AS PERMITTED UNDER SUCH SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE WARRANT PURCHASE AGREEMENT, DATED AS OF JUNE 9, 2005, COPIES OF WHICH ARE ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF THE ISSUER. NO REGISTRATION OF TRANSFER OF THESE SHARES WILL BE MADE ON THE BOOKS OF THE ISSUER UNLESS AND UNTIL SUCH RESTRICTIONS SHALL HAVE BEEN COMPLIED WITH."

Section 6.03 Warrant Share Legend Removal. If the certificates representing such Warrants or Warrant Shares, as the case may be, include a Warrant Legend or Warrant Share Legend, as applicable (each as set forth in Section 6.02 hereof), Exelixis shall, upon a request from Holdings, or a member or subsequent transferee thereof, as soon as practicable but in no event more than thirty (30) days after receiving such request, remove or cause to be removed (i) if the Warrants or Warrant Shares cease to be restricted securities, the securities law portion of the Warrant Legend or Warrant Share Legend and/or (ii) in the event of a sale of the Warrants or Warrant Shares in compliance with the transfer restrictions, the transfer restriction portion of the Warrant Legend or Warrant Share Legend, from such certificates representing the Warrants or Warrant Shares as Holdings, or such member or transferee, shall designate, in accordance with the terms hereof and, if applicable, in accordance with the terms of the applicable Warrant.

Section 6.04 Improper Transfer. Any attempt to sell, assign, transfer, grant or sell a participation in, pledge or otherwise dispose of any Warrants or any Warrant Shares, not in compliance with this Agreement shall be null and void and Exelixis shall give no effect to such attempted sale, assignment, transfer, grant, sale of a participation, pledge or other disposition.

Section 6.05 Orderly Sale. Holdings agrees (and agrees to cause its members and any subsequent transferees thereof to so agree) that in the event that any holder of Warrants exercises its Warrants to purchase Warrant Shares, the holders of the Warrant Shares will not sell or otherwise transfer in any one day shares of Exelixis Common Stock totaling, in the aggregate, more than 50,000 shares of such Exelixis Common Stock in the aggregate as such sale may be reported on NASDAQ (or other national exchange that is then the primary exchange on which Exelixis Common Stock is listed); provided, however, that Holdings (and its Affiliates, and any subsequent transferees) may sell such shares without regard to the 50,000 shares limitation in private placements to Accredited Investors so long as such sales are not reported on NASDAQ or any public exchange; provided, further, that any holder of Warrant Shares holding less than 50,000 Warrant Shares, shall not be subject to the restrictions of this Section 6.05, and none of Holdings or any of its Affiliates shall be required to monitor the sales of Warrant Shares of such holders.

ARTICLE VII

MISCELLANEOUS

Section 7.01 Notice of Material Event. Each Party agrees that, upon it receiving knowledge of a material event or development with respect to any of the transactions contemplated hereby that, to the knowledge of its executive officers, is not known to the other Parties, such Party shall notify the other Parties in writing within three (3) Business Days of the receipt of such knowledge by any executive officer of such Party; provided, that the failure to provide such notice shall not impair or otherwise be deemed a waiver of any rights any Party may have arising from such material event or development, and that notice under this Section 7.01 shall not in itself constitute notice of any breach of any of the Operative Documents.

Section 7.02 Notices. Any notice, request, demand, waiver, consent, approval, or other communication which is required or permitted to be given to any Party hereto shall be in writing and shall be deemed given only if delivered to the Party personally or sent to the Party by facsimile transmission (promptly followed by a hard-copy delivered in accordance with this Section 7.02), by next Business Day delivery by a nationally recognized courier service, or by registered or certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the Party at its address set forth below:

Exelixis:

Exelixis, Inc.
170 Harbor Way
South San Francisco, CA 94083
Attention: Corporate Secretary
Facsimile: (650) 837-7951

Holdings:

Symphony Evolution Holdings LLC
7361 Calhoun Place, Suite 325
Rockville, MD 20850
Attn: Joseph P. Clancy
Facsimile: (301) 762-6154

with a copy to:

Symphony Capital Partners, L.P.
875 Third Avenue, 18th Floor
New York, NY 10022
Attn: Mark Kessel
Facsimile: (212) 632-5401

and

Symphony Strategic Partners, LLC
875 Third Avenue, 18th Floor
New York, NY 10022
Attn: Mark Kessel
Facsimile: (212) 632-5401

or to such other address as such Party may from time to time specify by notice given in the manner provided herein to each other Party entitled to receive notice hereunder.

Section 7.03 Governing Law; Consent to Jurisdiction and Service of Process.

(a) This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York; except to the extent that this Agreement pertains to the internal governance of Exelixis, and to such extent this Agreement shall be governed and construed in accordance with the laws of the State of Delaware.

(b) Each of the Parties hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court and any Delaware State court or federal court of the United States of America sitting in The City of New York, Borough of Manhattan or Wilmington, Delaware, and any appellate court from any jurisdiction thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the Parties hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court, any such Delaware State court or, to the fullest extent permitted by law, in such federal court. Each of the Parties agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any Party may otherwise have to bring any action or proceeding relating to this Agreement.

(c) Each of the Parties irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or federal court, or any Delaware State or federal court. Each of the Parties hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court. Each of the parties hereby consent to service of process by mail.

Section 7.04 Waiver of Jury Trial. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT.

Section 7.05 Entire Agreement. This Agreement (including any Annexes, Schedules, Exhibits or other attachments here) constitutes the entire agreement between the Parties with respect to the matters covered hereby and supersedes all prior agreements and understandings with respect to such matters between the Parties.

Section 7.06 Amendment; Successors; Assignment; Counterparts.

(a) The terms of this Agreement shall not be waived, altered, modified, amended or supplemented in any manner whatsoever except by a written instrument signed by each of the Parties.

(b) Nothing expressed or implied herein is intended or shall be construed to confer upon or to give to any Person, other than the Parties, any right, remedy or claim under or by reason of this Agreement or of any term, covenant or condition hereof, and all the terms, covenants, conditions, promises and agreements contained herein shall be for the sole and exclusive benefit of the Parties and their successors and permitted assigns.

(c) Any Party may waive, solely with respect to itself, any one or more of its rights hereunder without the consent of any other Party hereto; provided, that no such waiver shall be effective unless set forth in a written instrument executed by the Party hereto against whom such waiver is to be effective.

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

(e) Neither Exelixis nor Holdings may assign, delegate, transfer, sell or otherwise dispose of (collectively, "***Transfer***"), in whole or in part, any or all of its rights or obligations hereunder to any Person (a "***Transferee***") without the prior written approval of the other Party; provided, however, that Exelixis, without the prior approval of each of the other Parties, acting in accordance with Article 14 of the Amended and Restated Research and Development Agreement, may make such Transfer to any Person which acquires all or substantially all of Exelixis' assets or business (or assets or business related to the Programs) or which is the surviving or resulting Person in a merger or consolidation with Exelixis; provided further, that in the event of any Transfer, Exelixis or Holdings, as applicable, shall provide written notice to the other Parties of any such Transfer not later than thirty (30) days after such Transfer setting forth the identity and address of the Transferee and summarizing the terms of the Transfer. In no event shall such assignment alter the definition of "Exelixis Common Stock" except as a result of the surviving or resulting "parent" entity in a merger being other than Exelixis, in which case any reference to Exelixis Common Stock shall be deemed to instead reference the common stock, if any, of the surviving or resulting entity.

[SIGNATURES FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers or other representatives thereunto duly authorized, as of the date first above written.

EXELIXIS, INC.

By: /s/ Christoph Pereira
Name: Christoph Pereira
Title: Vice President, Legal Affairs and Secretary

SYMPHONY EVOLUTION HOLDINGS LLC

By: Symphony Capital Partners, L.P.,
its Manager

By: Symphony Capital GP, L.P.,
its general partner

By: Symphony GP, LLC,
its general partner

By: /s/ Mark Kessel
Name: Mark Kessel
Title: Managing Member

ANNEX A

CERTAIN DEFINITIONS

"***$***" means United States dollars.

"***Accredited Investor***" has the meaning set forth in Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended.

"***Act***" means the Delaware Limited Liability Company Act, *6 Del. C. § 18-101 et seq*.

"***Additional Funds***" has the meaning set forth in Section 2(b) of the Funding Agreement.

"***Additional Funding Date***" has the meaning set forth in Section 3 of the Funding Agreement.

"***Additional Party***" has the meaning set forth in Section 12 of the Confidentiality Agreement.

"***Additional Regulatory Filings***" means such Governmental Approvals as required to be made under any law applicable to the purchase of the Symphony Evolution Equity Securities under the Agreement.

"***Ad Hoc Meeting***" has the meaning set forth in Paragraph 6 of Annex B to the Amended and Restated Research and Development Agreement.

"***Adjusted Capital Account Deficit***" has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

"***Affected Member***" has the meaning set forth in Section 27 of the Investors LLC Agreement.

"***Affiliate***" means, with respect to any Person (i) any Person directly or indirectly controlling, controlled by or under common control with such Person, (ii) any officer, director, general partner, member or trustee of such Person, or (iii) any Person who is an officer, director, general partner, member or trustee of any Person described in clauses (i) or (ii) of this sentence. For purposes of this definition, the terms "controlling," "controlled by" or "under common control with" shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person or entity, whether through the ownership of voting securities, by contract or otherwise, or the power to elect at least 50% of the directors, managers, general partners, or persons exercising similar authority with respect to such Person or entities.

"***Amended and Restated Research and Development Agreement***" means the Amended and Restated Research and Development Agreement dated as of June 9, 2005, among Exelixis, Holdings and Symphony Evolution.

"***Asset Value***" has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

"***Auditors***" means an independent certified public accounting firm of recognized national standing.

"***A Warrant Date***" has the meaning set forth in Section 2.04 of the Warrant Purchase Agreement.

"***A Warrants***" has the meaning set forth in Section 2.01 of the Warrant Purchase Agreement.

"***A Warrant Shares***" has the meaning set forth in Section 2.01 of the Warrant Purchase Agreement.

"***Bankruptcy Code***" means the United States Bankruptcy Code.

"***Bloomberg***" means Bloomberg L.P., a multimedia based distributor of information services, including data and analysis for financial markets and businesses.

"***Bloomberg Screen***" means the display page designated on the Bloomberg service (or such other page as may replace that page on that service) for the purpose of displaying prices or bids of Exelixis Common Stock.

"***Business Day***" means any day other than Saturday, Sunday or any other day on which commercial banks in The City of New York or the City of San Francisco are authorized or required by law to remain closed.

"***B Warrants***" has the meaning set forth in Section 2.02 of the Warrant Purchase Agreement.

"***B Warrant Date***" has the meaning set forth in Section 2.02 of the Warrant Purchase Agreement.

"***B Warrant Shares***" has the meaning set forth in Section 2.05 of the Warrant Purchase Agreement.

"***Capital Contributions***" has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

"***Capitalized Leases***" means all leases that have been or should be, in accordance with GAAP, recorded as capitalized leases.

"***Cash Available for Distribution***" has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

"***Chair***" has the meaning set forth in Paragraph 4 of Annex B to the Amended and Restated Research and Development Agreement.

"***Change of Control***" means and includes the occurrence of any of the following events, but specifically excludes (i) acquisitions of capital stock directly from Exelixis for cash, whether in a public or private offering, (ii) sales of capital stock by stockholders of Exelixis, and (iii) acquisitions of capital stock by or from any employee benefit plan or related trust:

(a) the merger, reorganization or consolidation of Exelixis into or with another corporation or legal entity in which Exelixis' stockholders holding the right to vote with respect to matters generally immediately preceding such merger, reorganization or consolidation, own less than fifty percent (50%) of the voting securities of the surviving entity; or

(b) the sale of all or substantially all of Exelixis' assets or business.

"***Class A Member***" means a holder of a Class A Membership Interest.

"***Class A Membership Interest***" means a Class A Membership Interest in Holdings.

"***Class B Member***" means a holder of a Class B Membership Interest.

"***Class B Membership Interest***" means a Class B Membership Interest in Holdings.

"***Class C Member***" means a holder of a Class C Membership Interest.

"***Class C Membership Interest***" means a Class C Membership Interest in Holdings.

"***Class D Member***" means a holder of a Class D Membership Interest.

"***Class D Membership Interest***" means a Class D Membership Interest in Holdings.

"***Clinical Budget***" has the meaning set forth in Section 4.1 of the Amended and Restated Research and Development Agreement.

"***Clinical Plan***" has the meaning set forth in Section 4.1 of the Amended and Restated Research and Development Agreement.

"***Closing Date***" means June 9, 2005.

"***CMC***" means the chemistry, manufacturing and controls documentation as required for filings with Regulatory Authority relating to the manufacturing, production and testing of drug products.

"***Code***" means the Internal Revenue Code of 1986, as amended from time to time.

"***Committed Capital***" means $80,000,000.00.

"***Common Stock***" means the common stock, par value $0.01 per share, of Symphony Evolution.

"***Company Expenses***" has the meaning set forth in Section 5.09 of the Holdings LLC Agreement.

"***Company Property***" has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

"***Confidential Information***" has the meaning set forth in Section 2 of the Confidentiality Agreement.

"***Confidentiality Agreement***" means the Confidentiality Agreement, dated as of June 9, 2005, among Symphony Evolution, Holdings, Exelixis, each Symphony Fund, SCP, SSP, Investors, Symphony Capital, RRD and Daniel F. Hoth, M.D., Herbert J. Conrad, and Alastair J.J. Wood, M.D.

"***Conflict Transaction***" has the meaning set forth in Article IX of the Symphony Evolution Charter.

"***Control***" means, with respect to any material, information or intellectual property right, that a Party owns or has a license to such item or right, and has the ability to grant the other Party access, a license or a sublicense (as applicable) in or to such item or right as provided in the Operative Documents without violating the terms of any agreement or other arrangement with any third party.

"***C Warrants***" has the meaning set forth in Section 2.03 of the Warrant Purchase Agreement.

"***C Warrant Date***" has the meaning set forth in Section 2.06 of the Warrant Purchase Agreement.

"***C Warrant Shares***" has the meaning set forth in Section 2.03 of the Warrant Purchase Agreement.

"***Debt***" of any Person means, without duplication:

(a) all indebtedness of such Person for borrowed money,

(b) all obligations of such Person for the deferred purchase price of property or services (other than any portion of any trade payable obligation that shall not have remained unpaid for 91 days or more from the later of (A) the original due date of such portion and (B) the customary payment date in the industry and relevant market for such portion),

(c) all obligations of such Person evidenced by bonds, notes, debentures or other similar instruments,

(d) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (whether or not the rights and remedies of the seller or lender under such agreement in an event of default are limited to repossession or sale of such property),

(e) all Capitalized Leases to which such Person is a party,

(f) all obligations, contingent or otherwise, of such Person under acceptance, letter of credit or similar facilities,

(g) all obligations of such Person to purchase, redeem, retire, defease or otherwise acquire for value any Equity Securities of such Person,

(h) the net amount of all financial obligations of such Person in respect of Hedge Agreements,

(i) the net amount of all other financial obligations of such Person under any contract or other agreement to which such Person is a party,

(j) all Debt of other Persons of the type described in clauses (a) through (i) above guaranteed, directly or indirectly, in any manner by such Person, or in effect guaranteed, directly or indirectly, by such Person through an agreement (A) to pay or purchase such Debt or to advance or supply funds for the payment or purchase of such Debt, (B) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Debt or to assure the holder of such Debt against loss, (C) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (D) otherwise to assure a creditor against loss, and

(k) all Debt of the type described in clauses (a) through (i) above secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Encumbrance on property (including accounts and contract rights) owned or held or used under lease or license by such Person, even though such Person has not assumed or become liable for payment of such Debt.

"***Development Budget***" means the budget for the implementation of the Development Plan that is agreed upon by Exelixis and Symphony Evolution as of the Effective Date, as may be revised from time to time in accordance with the Development Committee Charter and the Amended and Restated Research and Development Agreement.

"***Development Committee***" has the meaning set forth in Article 3 of the Amended and Restated Research and Development Agreement.

"***Development Committee Charter***" has the meaning set forth in Article 3 of the Amended and Restated Research and Development Agreement.

"***Development Committee Member***" has the meaning set forth in Paragraph 1 of Annex B to the Amended and Restated Research and Development Agreement.

"***Development Plan***" means the development plan, covering all the Programs, agreed to by Exelixis and Symphony Evolution as of the Effective Date, as may be revised from time to time in accordance with the Development Committee Charter and the Amended and Restated Research and Development Agreement.

"***Directors***" has the meaning set forth in the Preliminary Statement of the Indemnification Agreement.

"***Disclosing Party***" has the meaning set forth in Section 3 of the Confidentiality Agreement.

"***Discontinuation Closing Date***" means the date of Symphony's receipt of the Discontinuation Price.

"***Discontinuation Option***" has the meaning set forth in Section 11.2(a) of the Amended and Restated Research and Development Agreement.

"***Discontinuation Price***" has the meaning set forth in Section 11.2(a) of the Amended and Restated Research and Development Agreement.

"***Discontinued Program***" has the meaning set forth in Section 2.10 of the Novated and Restated Technology License Agreement.

"***Disinterested Directors***" has the meaning set forth in Article IX of the Symphony Evolution Charter.

"***Distribution***" has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

"***Effective Date***" has the meaning set forth in the Novated and Restated Technology License Agreement.

"***Effective Registration Date***" has the meaning set forth in the Registration Rights Agreement

"***Encumbrance***" means (i) any security interest, pledge, mortgage, lien (statutory or other), charge or option to purchase, lease or otherwise acquire any interest, (ii) any adverse claim, restriction, covenant, title defect, hypothecation, assignment, deposit arrangement or other encumbrance of any kind, preference or priority, or (iii) any other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement).

"***Enhancements***" means findings, improvements, discoveries, inventions, additions, modifications, enhancements, derivative works, clinical development data, or changes to the Licensed Intellectual Property and Regulatory Files.

"***Equity Securities***" means, with respect to any Person, shares of capital stock of (or other ownership or profit interests in) such Person, warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and other ownership or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination.

"***ERISA***" means the United States Employee Retirement Income Security Act of 1974, as amended.

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

"***Exelixis***" means Exelixis, Inc., a Delaware corporation.

"***Exelixis Common Stock***" means the common stock, par value $0.001 per share, of Exelixis.

"***Exelixis Common Stock Valuation***" has the meaning set forth in Section 2(e) of the Purchase Option Agreement.

"***Exelixis-GlaxoSmithKline Collaboration Committee***" means the committee established by Exelixis and GlaxoSmithKline pursuant to Section 2.2 of the GSK Agreement.

"***Exelixis Member***" has the meaning set forth in Section 2(c) of the Management Services Agreement.

"***Exelixis Obligations***" has the meaning set forth in Section 6.1 of the Amended and Restated Research and Development Agreement.

"***Exelixis Personnel***" has the meaning set forth in Section 8.4 of the Amended and Restated Research and Development Agreement.

"***Existing NDA***" has the meaning set forth in Section 2 of the Confidentiality Agreement.

"***Expert***" has the meaning set forth in Section 11.2(c) of the Amended and Restated Research and Development Agreement.

"***Extension Funding***" has the meaning set forth in Section 2 of the Research Cost Sharing and Extension Agreement.

"***External Directors***" has the meaning set forth in the preamble of the Confidentiality Agreement.

"***FDA***" means the United States Food and Drug Administration or its successor agency in the United States.

"***FDA Sponsor***" has the meaning set forth in Section 5.1 of the Amended and Restated Research and Development Agreement.

"***Final Purchase Price***" has the meaning set forth in Section 2(j)(ii) of the Purchase Option Agreement.

"***Financial Audits***" has the meaning set forth in Section 6.7 of the Amended and Restated Research and Development Agreement.

"***Financing***" has the meaning set forth in the Preliminary Statement of the Purchase Option Agreement.

"***Fiscal Year***" has for each Operative Document in which it appears the meaning set forth in such Operative Document.

"***Form S-3***" means the Registration Form S-3 as defined under the Securities Act.

"***FTE***" has the meaning set forth in Section 4.1 of the Amended and Restated Research and Development Agreement.

"***Funded Capital***" has the meaning set forth in Section 2.02(b) of the Warrant Purchase Agreement.

"***Funding Agreement***" means the Funding Agreement, dated June 9, 2005, among Exelixis, SCP and Investors.

"***Funding Notice***" has the meaning set forth in Section 2(a) of the Funding Agreement.

"***Funds Price***" has the meaning set forth in Section 2(b) of the Purchase Option Agreement.

"***GAAP***" means generally accepted accounting principles in effect in the United States of America from time to time.

"***GlaxoSmithKline***" means SmithKline Beecham Corporation, a Pennsylvania corporation, doing business as GlaxoSmithKline.

"***Governmental Approvals***" means authorizations, consents, orders, declarations or approvals of, or filings with, or terminations or expirations of waiting periods imposed by any Governmental Authority.

"***Governmental Authority***" means any United States or non-United States federal, national, supranational, state, provincial, local, or similar government, governmental, regulatory or administrative authority, agency or commission or any court, tribunal, or judicial or arbitral body.

"***Governmental Order***" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"***GSK Agreement***" has the meaning set forth in Section 4.10 of the Novated and Restated Technology License Agreement.

"***Hedge Agreement***" means any interest rate swap, cap or collar agreement, interest rate future or option contract, currency swap agreement, currency future or option contract or other similar hedging agreement.

"***HHMI***" has the meaning set forth in Annex C of the Novated and Restated Technology License Agreement.

"***Holdings***" means Symphony Evolution Holdings LLC, a Delaware limited liability company.

"***Holdings Claims***" has the meaning set forth in Section 5.01 of the Warrant Purchase Agreement.

"***Holdings LLC Agreement***" means the Second Amended and Restated Limited Liability Company Agreement of Holdings dated June 9, 2005.

"***HSR Act Filings***" means the premerger notification and report forms required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"***IND***" means an Investigational New Drug Application, as described in 21 U.S.C. § 355(i)(1) and 21 C.F.R. § 312 in the regulations promulgated by the United States Food and Drug Administration, or any foreign equivalent thereof.

"***Indemnification Agreement***" means the Indemnification Agreement among Symphony Evolution and the Directors named therein, dated June 9, 2005.

"***Independent Accountant***" has the meaning set forth in Section 2(i)(ii) of the Purchase Option Agreement.

"***Initial Funds***" has the meaning set forth in Section 2(a) of the Funding Agreement.

"***Initial Holdings LLC Agreement***" means the Agreement of Limited Liability Company of Holdings, dated March 30, 2005.

"***Initial Investors LLC Agreement***" means the Agreement of Limited Liability Company of Investors, dated May 20, 2005.

"***Initial LLC Member***" has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

"***Interest Certificate***" has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

"***Interim Holdings LLC Agreement***" means the Amended and Restated Agreement of Limited Liability Company of Holdings, dated June 2, 2005.

"***Investment Company Act***" means the Investment Company Act of 1940, as amended.

"***Investment Overview***" means the investment overview describing the transactions entered into pursuant to the Operative Documents.

"***Investment Policy***" has the meaning set forth in Section 1(a)(viii) of the Management Services Agreement.

"***Investors***" means Symphony Evolution Investors LLC.

"***Investors LLC Agreement***" means Amended and Restated Agreement of Limited Liability Company of Investors dated June 9, 2005.

"***IRS***" means the U.S. Internal Revenue Service.

"***Knowledge***" means the actual (and not imputed) knowledge of the executive officers of Exelixis, without the duty of inquiry or investigation.

"***Law***" means any law, statute, treaty, constitution, regulation, rule, ordinance, order or Governmental Approval, or other governmental restriction, requirement or determination, of or by any Governmental Authority.

"***Ledger Fee***" has the meaning set forth in Section 6(b) of the Management Services Agreement.

"***License***" has the meaning set forth in the Preliminary Statement of the Purchase Option Agreement.

"***Licensed Intellectual Property***" means the Licensed Patent Rights, Symphony Evolution Enhancements, Licensor Enhancements and the Licensed Know-How.

"***Licensed Know-How***" means any and all proprietary technology (other than the University IP) that is Controlled by Licensor as of the Closing Date and that relates to the Licensed Patent Rights, Regulatory Files, XL647, XL784, XL999, Structurally Related Compounds or the Programs, including without limitation, manufacturing processes or protocols, know-how, writings, documentation, data, technical information, techniques, results of experimentation and testing, diagnostic and prognostic assays, specifications, databases, any and all laboratory, research,, pharmacological, toxicological, analytical, quality control pre-clinical and clinical data, and other information and materials, whether or not patentable.

"***Licensed Patent Rights***" means:

(a) any and all patents, patent applications and invention disclosures Controlled by Licensor as of the Closing Date and relating to XL647, XL784, XL999, Structurally Related Compounds or the Programs, including, but not limited to, the patents and patent applications listed on Annex B to the Novated and Restated Technology License Agreement, but excluding the University IP;

(b) any and all reissues, continuations, divisionals, continuations-in-part (but only to the extent the subject matter in such continuations-in-part has been disclosed in the patents or patent applications listed on Annex B), reexaminations, renewals, substitutes, extensions or foreign counterparts of the foregoing, whether filed prior to or after the expiration or termination of the Purchase Option; and

(c) any and all patents and patent applications that claim Licensor Enhancements or Symphony Evolution Enhancements.

"***Licensor***" means Exelixis.

"***Licensor Enhancements***" means all findings, improvements, discoveries, inventions, additions, modifications, enhancements, derivative works, or changes to the Licensed Intellectual Property, Regulatory Files, XL647, XL784, XL999, Structurally Related Compounds or the Programs, in each case, developed by Licensor during the Term in the course of performing Exelixis' rights and obligations under the Amended and Restated Research & Development Agreement, including performing Exelixis' funded research pursuant to Section 4.3 of the Amended and Restated Research and Development Agreement, to the extent such items do not otherwise qualify as Symphony Evolution Enhancements hereunder, regardless of whether such work is funded by Symphony Evolution or Exelixis.

"***Lien***" has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

"***Liquidating Event***" has the meaning set forth in Section 8.01 of the Holdings LLC Agreement.

"***LLC Agreements***" means the Initial Holdings LLC Agreement, the Interim Holdings LLC Agreement, the Holdings LLC Agreement, the Initial Investors LLC Agreement and the Investors LLC Agreement.

"***Loss***" has for each Operative Document in which it appears the meaning set forth in such Operative Document.

"***Management Budget***" has the meaning set forth in Section 4.1 of the Amended and Restated Research and Development Agreement.

"***Management Fee***" has the meaning set forth in Section 6(a) of the Management Services Agreement.

"***Management Plan***" has the meaning set forth in Section 4.1 of the Amended and Restated Research and Development Agreement.

"***Management Services***" has the meaning set forth in Section 1(a) of the Management Services Agreement.

"***Management Services Agreement***" means the Management Services Agreement between Symphony Evolution and RRD, dated as of June 9, 2005.

"***Manager***" means (i) for each LLC Agreement in which it appears, the meaning set forth in such LLC Agreement, and (ii) for each other Operative Document in which it appears, RRD.

"***Manager Event***" has the meaning set forth in Section 3.01(f) of the Holdings LLC Agreement.

"***Material Adverse Effect***" means, with respect to any Person, a material adverse effect on (i) the business, assets, property or condition (financial or otherwise) of such Person or, (ii) its ability to comply with and satisfy its respective agreements and obligations under the Operative Documents or, (iii) the enforceability of the obligations of such Person of any of the Operative Documents to which it is a party.

"***Material Change***" has the meaning set forth in Paragraph 12 of Annex B of the Amended and Restated Research and Development Agreement.

"***Material Contract***" has the meaning set forth in Section 3(j) of the Management Services Agreement.

"Material Subsidiary" means, at any time, a Subsidiary of Exelixis having assets in an amount equal to at least 5% of the amount of total consolidated assets of Exelixis and its Subsidiaries (determined as of the last day of the most recent fiscal quarter of Exelixis) or revenues or net income in an amount equal to at least 5% of the amount of total consolidated revenues or net income of Exelixis and its Subsidiaries for the 12-month period ending on the last day of the most recent fiscal quarter of Exelixis.

"***Maximum Committed Capital***" has the meaning set forth in Section 2.02(b) of the Warrant Purchase Agreement.

"***Medical Discontinuation Event***" means (a) as specified in each Protocol, those data that, if collected in such Protocol, demonstrate that such Protocol should not be continued or (b) a series of adverse events, side effects or other undesirable outcomes that, when collected in a Protocol, would cause a reasonable FDA Sponsor to discontinue such Protocol.

"***Membership Interest***" means (i) for each LLC Agreement in which it appears, the meaning set forth in such LLC Agreement, and (ii) for each other Operative Document in which it appears, the meaning set forth in the Holdings LLC Agreement.

"***NASDAQ***" means the National Association of Securities Dealers Automatic Quotation System.

"***NDA***" means a New Drug Application, as defined in the regulations promulgated by the United States Food and Drug Administration, or any foreign equivalent thereof.

"***Net Debt***" has the meaning set forth in Section 2(b) of the Purchase Option Agreement.

"***Non-Exelixis Capital Transaction***" means any (i) sale or other disposition of all or part of the Symphony Evolution Shares or all or substantially all of the operating assets of Symphony Evolution, to a Person other than Exelixis or an Affiliate of Exelixis or (ii) distribution in kind of the Symphony Evolution Shares following the expiration of the Purchase Option.

"***Novated and Restated Technology License Agreement***" means the Novated and Restated Technology License Agreement, dated as of June 9, 2005, among Exelixis, Symphony Evolution and Holdings.

"***Operative Documents***" means, collectively, the Indemnification Agreement, the Holdings LLC Agreement, the Purchase Option Agreement, the Warrant Purchase Agreement, the Registration Rights Agreement, the Subscription Agreement, the Technology License Agreement, the Novated and Restated Technology License Agreement, the Management Services Agreement, the Research and Development Agreement, the Amended and Restated Research and Development Agreement, the Research Cost Sharing and Extension Agreement, the Confidentiality Agreement, the Funding Agreement and each other certificate and agreement executed in connection with any of the foregoing documents.

"***Organizational Documents***" means any certificates or articles of incorporation or formation, partnership agreements, trust instruments, bylaws or other governing documents.

"***Parties***" means, for each Operative Document or other agreement in which it appears, the parties to such Operative Document or other agreement, as set forth therein (each a "***Party***"). With respect to any agreement in which a provision is included therein by reference to a provision in another agreement, the term "Party" shall be read to refer to the parties to the document at hand, not the agreement that is referenced.

"***Payment Terms***" has the meaning set forth in Section 8.2 of the Amended and Restated Research and Development Agreement.

"***Percentage***" has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

"***Permitted Investments***" has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

"***Permitted Investments Letter***" means the Permitted Investments Letter dated as of June 9, 2005, from Symphony Evolution to RRD, as set forth in Exhibit B to the Management Services Agreement.

"***Permitted Lien***" has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

"***Person***" means any individual, partnership (whether general or limited), limited liability company, corporation, trust, estate, association, nominee or other entity.

"***Personnel***" of a Party means such Party, its employees, subcontractors, consultants, representatives and agents.

"***Prime Rate***" means the quoted "Prime Rate" at JPMorgan Chase Bank or, if such bank ceases to exist or is not quoting a base rate, prime rate reference rate or similar rate for United States dollar loans, such other major money center commercial bank in New York City selected by the Manager.

"***Product***" means any product that contains or comprises XL647, XL784 or XL999 or any Structurally Related Compound thereof.

"***Profit***" has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

"***Program Option***" has the meaning set forth in Section 11.1(a) of the Amended and Restated Research and Development Agreement.

"***Program Option Closing Date***" has the meaning set forth in Section 11.1(d) of the Amended and Restated Research and Development Agreement.

"***Program Option Exercise Date***" has the meaning set forth in Section 11.1(b) of the Amended and Restated Research and Development Agreement.

"***Program Option Exercise Notice***" has the meaning set forth in Section 11.1(b) of the Amended and Restated Research and Development Agreement.

"***Program Option Exercise Price***" has the meaning set forth in Section 11.1(c) of the Amended and Restated Research and Development Agreement.

"***Program Option Period***" has the meaning set forth in Section 11.1(a) of the Amended and Restated Research and Development Agreement.

"***Programs***" means those certain clinical programs pursuing indications for XL647, XL784, and XL999 in accordance with the Development Plan (each a "***Program***").

"Protocol" means a written protocol that meets the substantive requirements of Section 6 of the ICH Guideline for Good Clinical Practice as adopted by the FDA, effective May 9, 1997 and is included within the Clinical Plan or later modified or added to the Clinical Plan pursuant to Section 4.2 of the Amended and Restated Research and Development Agreement.

"***Public Companies***" has the meaning set forth in Section 5(e) of the Purchase Option Agreement.

"***Purchase Option***" has the meaning set forth in Section 1(a) of the Purchase Option Agreement.

"***Purchase Option Agreement***" means this Purchase Option Agreement dated as of June 9, 2005, among Exelixis, Holdings and Symphony Evolution.

"***Purchase Option Closing Date***" has the meaning set forth in Section 2(a) of the Purchase Option Agreement.

"***Purchase Option Dispute Notice***" has the meaning set forth in Section 2(b) of the Purchase Option Agreement.

"***Purchase Option Exercise Date***" has the meaning set forth in Section 2(a) of the Purchase Option Agreement.

"***Purchase Option Exercise Notice***" has the meaning set forth in Section 2(a) of the Purchase Option Agreement.

"***Purchase Option Period***" has the meaning set forth in Section 1(c)(iii) of the Purchase Option Agreement.

"***Purchase Price***" has the meaning set forth in Section 2(b) of the Purchase Option Agreement.

"***QA Audits***" has the meaning set forth in Section 6.6 of the Amended and Restated Research and Development Agreement.

"***Quarterly Meeting***" has the meaning set forth in Paragraph 6 of Annex B of the Amended and Restated Research and Development Agreement.

"***Regents***" has the meaning set forth in Section 3.1 of the Novated and Restated Technology License Agreement.

"***Regents Agreement***" has the meaning set forth in Section 3.1 of the Novated and Restated Technology License Agreement.

"***Regents Claims***" has the meaning set forth in Annex C of the Novated and Restated Technology License Agreement.

"***Regents Indemnitees***" has the meaning set forth in Annex C of the Novated and Restated Technology License Agreement.

"***Regents Technology***" has the meaning set forth in Annex C of the Novated and Restated Technology License Agreement.

"***Registration Rights Agreement***" means the Registration Rights Agreement dated as of the Closing Date, between Exelixis and Holdings.

"***Registration Statement***" has the meaning set forth in Section 1(b) of the Registration Rights Agreement.

"***Regulatory Authority***" means the United States Food and Drug Administration, or any successor agency in the United States, or any health regulatory authority(ies) in any other country that is a counterpart to the FDA and has responsibility for granting registrations or other regulatory approval for the marketing, manufacture, storage, sale or use of drugs in such other country.

"***Regulatory Allocation***" has the meaning set forth in Section 3.06 of the Holdings LLC Agreement.

"***Regulatory Files***" means any IND, NDA or any other filings filed with any Regulatory Authority with respect to XL647, XL784, XL999 or the Programs.

"***Removed Director***" has the meaning set forth in Section 3.01(h)(i) of the Holdings LLC Agreement.

"***Representative***" of any Person means such Person's shareholders, principals, directors, officers, employees, members, managers and/or partners.

"***Research and Development Agreement***" means the Research and Development Agreement dated as of June 9, 2005, between Exelixis and Holdings.

"***Research Cost Sharing and Extension Agreement***" means the Research Cost Sharing and Extension Agreement dated as of June 9, 2005, between Exelixis, Holdings, and Symphony Evolution.

"***RRD***" means RRD International, LLC, a Delaware limited liability company.

"***RRD Indemnified Party***" has the meaning set forth in Section 10(a)(i) of the Management Services Agreement.

"***RRD Loss***" has the meaning set forth in Section 10(a)(i) of the Management Services Agreement.

"***Schedule K-1***" has the meaning set forth in Section 9.02(a) of the Holdings LLC Agreement.

"***Scientific Discontinuation Event***" has the meaning set forth in Section 4.2(f) of the Amended and Restated Research and Development Agreement.

"***SCP***" means Symphony Capital Partners, L.P., a Delaware limited partnership.

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

"***Securities Act***" means the Securities Act of 1933, as amended.

"***Shareholder***" means any Person who owns any Symphony Evolution Shares.

"***Solvent***" has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

"***SSP***" means Symphony Strategic Partners, LLC, a Delaware limited liability company.

"***Stock Payment Date***" has the meaning set forth in Section 2 of the Subscription Agreement.

"***Stock Purchase Price***" has the meaning set forth in Section 2 of the Subscription Agreement.

"***Structurally Related Compound"*** means:

(a) with respect to XL647, any compound that is claimed in any patent within the Licensed Patent Rights, which patent:

(i) also specifically claims XL647;

(ii) issues from a continuation or a divisional of a patent described in (i); or

(iii) claims priority to one or more of the following patent applications: U.S. provisional application Serial No. 60/396,269 (filed July 15, 2002); U.S. provisional application Serial No. 60/447,212 (filed February 13, 2003); or PCT application Serial No. PCT/US03/21923 (filed July 14, 2003);

(b) with respect to XL784, any compound that is claimed in any patent within the Licensed Patent Rights, which patent:

(i) also specifically claims XL784;

(ii) issues from a continuation or a divisional of a patent described in (i); or

(iii) claims priority to one or more of the following patent applications: U.S. provisional application Serial No. 60/388,326 (filed June 12, 2002); or PCT application Serial No. PCT/US03/18262 (filed June 11, 2003); and

(c) with respect to XL999, any compound that is claimed in any patent within the Licensed Patent Rights, which patent:

(i) also specifically claims XL999;

(ii) issues from a continuation or a divisional of a patent described in (i); or

(iii) claims priority to one or more of the following patent applications: U.S. provisional application Serial No. 60/426,680 (filed November 15, 2002); U.S. provisional application Serial No. 60/470,674 (filed May 14, 2003); or PCT application Serial No. PCT/US03/36567 (filed November 14, 2003).

"***Subcontracting Agreement***" has the meaning set forth in Section 6.3 of the Amended and Restated Research and Development Agreement.

"***Subcontractor***" has the meaning set forth in Section 6.3 of the Amended and Restated Research and Development Agreement.

"***Subscription Agreement***" means the Subscription Agreement between Symphony Evolution and Holdings, dated as of June 9, 2005.

"***Subsidiary***" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time capital stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency); (b) the interest in the capital or profits of such partnership, joint venture or limited liability company; or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"***Surviving Entity***" means the surviving legal entity which is surviving entity to Exelixis after giving effect to a Change of Control.

"***Symphony Capital***" means Symphony Capital LLC, a Delaware limited liability company.

"***Symphony Evolution***" means Symphony Evolution, Inc., a Delaware corporation.

"***Symphony Evolution Board***" means the Symphony Evolution board of directors.

"***Symphony Evolution By-laws***" means the By-laws of Symphony Evolution, as adopted by resolution of the Symphony Evolution Board on June 9, 2005.

"***Symphony Evolution Charter***" means the Amended and Restated Certificate of Incorporation of Symphony Evolution, dated as of June 9, 2005.

"***Symphony Evolution Director Event***" has the meaning set forth in Section 3.01(h)(i) of the Holdings LLC Agreement.

"***Symphony Evolution Enhancements***" means findings, improvements, discoveries, inventions, additions, modifications, enhancements, derivative works, or changes to the Licensed Intellectual Property, Regulatory Files, XL647, XL784, XL999, Products or the Programs, made by or on behalf of Symphony Evolution during the Term.

"***Symphony Evolution Equity Securities***" means the Common Stock and any other stock or shares issued by Symphony Evolution.

"***Symphony Evolution Loss***" has the meaning set forth in Section 10(b) of the Management Services Agreement.

"***Symphony Evolution Securities Encumbrance***" has the meaning set forth in Section 4(b)(ii) of the Purchase Option Agreement.

"***Symphony Evolution Shares***" has the meaning set forth in Section 2.02 of the Holdings LLC Agreement.

"***Symphony Funds***" means Symphony Capital Partners, L.P., a Delaware limited partnership, and Symphony Strategic Partners, LLC, a Delaware limited liability company (each a "***Symphony Fund***").

"***Symphony Member***" has the meaning set forth in Section 4.2(d) of the Amended and Restated Research and Development Agreement.

"***Tangible Materials***" means any tangible documentation, whether written or electronic, existing as of the Closing Date or during the Term, that is Controlled by the Licensor, embodying the Licensed Intellectual Property, Regulatory Files, XL647, XL784, XL999, Products or the Programs, including, but not limited to, documentation, patent applications and invention disclosures.

"***Tax Amount***" has the meaning set forth in Section 4.02 of the Holdings LLC Agreement.

"***Technology License Agreement***" means the Technology License Agreement, dated as of June 9, 2005, between Exelixis and Holdings.

"***Term***" means the period starting on the Closing Date and ending upon the termination or expiration of the Purchase Option Period.

"***Territory***" means the world.

"***Third Party IP***" has the meaning set forth in Section 2.9 of the Novated and Restated Technology License Agreement.

"***Third Party Licensor***" means (a) a third party from which Exelixis has received a license or sublicense to Licensed Intellectual Property or (b) a third party to which Exelixis has granted a license or sublicense to the Licensed Intellectual Property. As of the Closing Date, GlaxoSmithKline is the only Third Party Licensor.

"***Transfer***" has for each Operative Document in which it appears the meaning set forth in such Operative Document.

"***Transferee***" has, for each Operative Document in which it appears, the meaning set forth in such Operative Document.

"***University Agreements***" has the meaning set forth in Section 3.1 of the Novated and Restated Technology License Agreement.

"***University IP***" has the meaning set forth in Section 3.1 of the Novated and Restated Technology License Agreement.

"***Voluntary Bankruptcy***" has the meaning set forth in Section 1.01 of the Holdings LLC Agreement.

"***Warrant Closing***" has the meaning set forth in Section 2.07 of the Warrant Purchase Agreement.

"***Warrant Date***" has the meaning set forth in Section 2.06 of the Warrant Purchase Agreement.

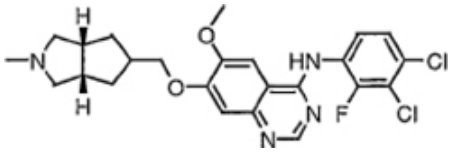
"***Warrant Purchase Agreement***" means the Warrant Purchase Agreement dated as of the Closing Date, between Exelixis and Holdings.

"***Warrants***" has the meaning set forth in Section 2.03 of the Warrant Purchase Agreement.

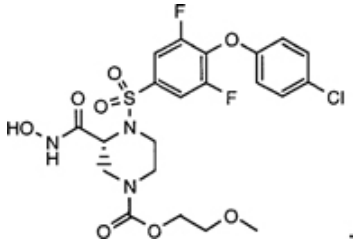
"***Warrant Share Legend***" has the meaning set forth in Section 6.02 of the Warrant Purchase Agreement.

"***Warrant Shares***" has the meaning set forth in Section 2.03 of the Warrant Purchase Agreement.

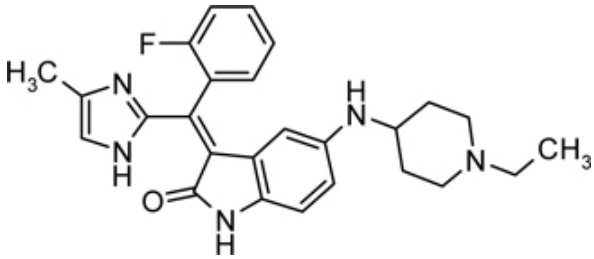
"***XL647***" means:



"***XL784***" means:



"***XL999***" means:



"***Yale***" has the meaning set forth in Section 3.1 of the Novated and Restated Technology License Agreement.

"***Yale Agreement***" has the meaning set forth in Section 3.1 of the Novated and Restated Technology License Agreement.

"***Yale Claims***" has the meaning set forth in Annex C of the Novated and Restated Technology License Agreement.

"***Yale Indemnitees***" has the meaning set forth in Annex C of the Novated and Restated Technology License Agreement.

"***Yale Technology***" has the meaning set forth in Annex C of the Novated and Restated Technology License Agreement.

EXHIBIT A

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June 9, 2005

Symphony Evolution Holdings LLC
7361 Calhoun Place, Suite 325
Rockville, MD 20850

Dear Ladies and Gentlemen:

We have acted as counsel for Exelixis, Inc., a Delaware corporation (the "Company"), in connection with the financing of the clinical development of certain of the Company's product candidates (the "Financing"). In connection with the Financing, the Company is entering into the agreements listed on Schedule I hereto (collectively, the "Transaction Agreements"). We are rendering this opinion pursuant to Section 3.02(d) of the Warrant Purchase Agreement.

In connection with this opinion, we have examined and relied upon the representations and warranties as to factual matters contained in and made pursuant to the Transaction Agreements by the various parties and originals, or copies certified to our satisfaction, of such records, documents, certificates, opinions, memoranda and other instruments as in our judgment are necessary or appropriate to enable us to render the opinion expressed below.

As to certain factual matters, we have relied upon certificates of officers of the Company and have not sought to independently verify such matters. Where we render an opinion "to our knowledge" or concerning an item "known to us" or our opinion otherwise refers to our knowledge, it is based solely upon (i) an inquiry of attorneys within this firm who have represented the Company in this transaction, (ii) receipt of a certificate executed by an officer of the Company covering such matters and (iii) such other investigation, if any, that we specifically set forth herein.

In rendering this opinion, we have assumed: the authenticity of all documents submitted to us as originals; the conformity to originals of all documents submitted to us as copies; the accuracy, completeness and authenticity of certificates of public officials; the due authorization, execution and delivery of all documents (except the due authorization, execution and delivery by the Company of the Transaction Agreements), where authorization, execution and delivery are prerequisites to the effectiveness of such documents; and the genuineness and authenticity of all signatures on original documents (except the signatures on behalf of the Company on the Transaction Agreements). We have also assumed: that all individuals executing and delivering documents had the legal capacity to so execute and deliver; that the Transaction Agreements are obligations binding upon the parties thereto other than the Company; that the parties to the Transaction Agreements other than the Company have filed any required California franchise or income tax returns and have paid any required California franchise or income taxes; and that there are no extrinsic agreements or understandings among the parties to the Transaction Agreements or to the Material Agreements (as defined below) that would modify or interpret the terms of any such agreements or the respective rights or obligations of the parties thereunder.

Our opinion is expressed only with respect to the federal laws of the United States of America and the laws of the State of California and the General Corporation Law of the State of Delaware. We note that the parties to the Transaction Agreements have designated the laws of the State of New York as the laws governing the Transaction Agreements. Our opinion in paragraph 5 below as to the validity, binding effect and enforceability of the Transaction Agreements is premised upon the result that would obtain if a California court were to apply the internal laws of the State of California (notwithstanding the designation of the laws of the State of New York) to the interpretation and enforcement of the Transaction Agreements. We express no opinion as to whether the laws of any particular jurisdiction apply, and no opinion to the extent that the laws of any jurisdiction other than those identified above are applicable to the subject matter hereof.

We are not rendering any opinion as to any statute, rule, regulation, ordinance, decree or decisional law relating to antitrust, banking, land use, environmental, pension, employee benefit, tax, fraudulent conveyance, usury, laws governing the legality of investments for regulated entities, regulations T, U or X of the Board of Governors of the Federal Reserve System or local law. Furthermore, we express no opinion with respect to compliance with antifraud laws, rules or regulations relating to securities or the offer and sale thereof; compliance with fiduciary duties by the Company's Board of Directors or stockholders; compliance with safe harbors for disinterested Board of Director or stockholder approvals; compliance with state securities or blue sky laws except as specifically set forth below; or compliance with laws that place limitations on corporate distributions.

With regard to our opinion in paragraph 1 below with respect to the good standing of the Company, we have relied solely upon a certificate of the Secretary of State of the State of Delaware as of a recent date.

With regard to our opinion paragraph 3 below concerning defaults under and any material breaches of any agreement identified on Schedule II hereto, we have relied solely upon (i) a certificate of an officer of the Company, (ii) a list supplied to us by the Company of material agreements to which the Company is a party, or by which it is bound, a copy of which is attached hereto as Schedule II (the "Material Agreements") and (iii) an examination of the Material Agreements in the form provided to us by the Company. We have made no further investigation. Further, with regard to our opinion in paragraph 3 below concerning Material Agreements, we express no opinion as to (i) financial covenants or similar provisions therein requiring financial calculations or determinations to ascertain compliance, (ii) provisions therein relating to the occurrence of a "material adverse event" or words of similar import or (iii) any statement or writing that may constitute parol evidence bearing on interpretation or construction.

With regard to our opinion in paragraph 7 below, we express no opinion to the extent that, notwithstanding its current reservation of shares of Common Stock, future issuances of securities of the Company and/or antidilution adjustments to outstanding securities of the Company may cause the Warrant Shares to be convertible for more shares of Common Stock than the number that then remain authorized but unissued.

With regard to our opinion in paragraph 8 with respect to exemption from registration, no opinion is expressed with respect to the integration of the offer and sale of the Warrants or the Warrant Shares with any offers or sales of securities occurring subsequent to the date hereof.

With regard to our opinion in paragraph 9 below, we have based our opinion, to the extent we consider appropriate, on Rule 3a-8 under the Investment Company Act of 1940, as amended, and a certificate of an officer of the Company as to compliance with each of the requirements necessary to comply with Rule 3a-8. We have conducted no further investigation.

On the basis of the foregoing, in reliance thereon and with the foregoing qualifications, we are of the opinion that:

1. The Company has been duly incorporated and is a validly existing corporation in good standing under the laws of the State of Delaware.

2. The Company has the corporate power to execute, deliver and perform its obligations under the Transaction Agreements. Each of the Transaction Agreements has been duly and validly authorized, executed and delivered by the Company.

3. The execution and delivery of the Transaction Agreements by the Company and the consummation of the transactions contemplated thereby that would occur at the closing of the sale and issuance of the Warrant (as defined on Schedule I hereto) will not, (a) violate any provision of the Company's certificate of incorporation or by-laws, (b) violate any governmental statute, rule or regulation which in our experience is typically applicable to transactions of the nature contemplated by the Transaction Agreements, (c) violate any order, writ, judgment, injunction, decree, determination or award which has been entered against the Company and of which we are aware or (d) constitute a default under or a material breach of any Material Agreement, in the case of clause (d) to the extent such default or breach would materially and adversely affect the Company.

4. All consents, approvals, authorizations or orders of, and filings, registrations and qualifications with any U.S. Federal or California regulatory authority or governmental body required for the due execution or delivery by the Company of any Transaction Agreement and the sale and issuance of the Warrant have been made or obtained, except (a) for the filing of a Form D pursuant to Securities and Exchange Commission Regulation D and (b) for the filing of the notice to be filed under California Corporations Code Section 25102.1(d).

5. Each of the Transaction Agreements constitutes, and, if the B Warrants and C Warrants (each as defined in the Warrant Purchase Agreement) were to be issued at the closing of the sale and issuance of the Warrant in accordance with the terms of the Warrant Purchase Agreement, each of the B Warrants and the C Warrants would constitute, a valid and binding agreement of the Company, enforceable against the Company in accordance with its respective terms, except as rights to indemnity and contribution under Sections 6 and 7 of the Registration Rights Agreement, Section 10 of the Purchase Option Agreement, Article V of the Warrant Purchase Agreement, Section 15 of the Research and Development Agreement, Section 15 of the Amended and Restated Research and Development Agreement, Section 6 of the Technology License Agreement, Section 6 of the Novated and Restated Technology License Agreement, Paragraphs (c)(iv) under "Yale Agreement" in Annex C of the Technology License Agreement, Paragraph (c)(vi) under "Regents Agreement" in Annex C of the Technology License Agreement, Paragraph (c)(iv) under "Yale Agreement" in Annex C of the Novated and Restated Technology License Agreement and Paragraph (c)(vi) under "Regents Agreement" in Annex C of the Novated and Restated Technology License Agreement may be limited by applicable laws and except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, arrangement, suretyship, dissolution, moratorium, receivership or other similar laws affecting creditors' rights and the law of fraudulent transfer, and subject to state law, federal law, or general equity principles and to limitations on availability of equitable relief, including specific performance, regardless of whether enforcement is considered in a proceeding in equity or at law.

6. The offer and sale of the Warrants (as defined in the Warrant Purchase Agreement) have been duly authorized by the Company.

7. The Warrant Shares (as defined in the Warrant Purchase Agreement) and, assuming the Purchase Option (as defined in the Purchase Option Agreement) is exercised in accordance with the Purchase Option Agreement, the Exelixis Common Stock (as defined in the Purchase Option Agreement), when sold and issued in accordance with the terms of the Warrants or the Purchase Option Agreement, as applicable, will be validly issued, fully paid and non-assessable, and the issuance of the Warrant Shares is not be subject to preemptive rights pursuant to the General Corporation Law of the State of Delaware, the certificate of incorporation or by-laws of the Company or similar rights to subscribe pursuant to any Material Agreement.

8. The offer and sale of the Warrants and Warrant Shares are and will be exempt from the registration requirements of the Securities Act of 1933, as amended, subject to the timely filing of a Form D pursuant to Securities and Exchange Commission Regulation D.

9. The Company is not an “investment company” as defined in the Investment Company Act of 1940, as amended.

Our opinion in paragraph 5 above is specifically subject to the following limitations, exceptions, qualifications and assumptions:

A. We express no opinion as to the effect of court decisions, invoking statutes or principles of equity, which have held that certain covenants and provisions of agreements are unenforceable where enforcement of such covenants or provisions under the circumstances would violate the enforcing party’s implied covenant of good faith and fair dealing or would be limited by the principles of course of dealing or course of performance.

B. We express no opinion as to the effect of any federal or state law or equitable principle which provides that a court may refuse to enforce, or may limit the application of, a contract or any clause thereof that the courts find to be unconscionable at the time it was made or contrary to public policy.

C. We express no opinion as to the enforceability under certain circumstances of provisions expressly or by implication waiving broadly or vaguely stated rights, unknown future rights including without limitation rights to damages, or defenses to obligations or rights granted by law, when such waivers are against public policy or prohibited by law.

D. We express no opinion as to the enforceability under certain circumstances of provisions to the effect that rights or remedies are not exclusive, that rights or remedies may be exercised without notice, that every right or remedy is cumulative and may be exercised in addition to or with any other right or remedy, that election of a particular remedy or remedies does not preclude recourse to one or more remedies, or that failure to exercise or delay in exercising rights or remedies will not operate as a waiver of any such right or remedy.

E. We express no opinion as to the enforceability of any provision of an applicable agreement requiring that waivers must be in writing; such provision may not be binding or enforceable if a non-executory oral agreement has been created modifying any such provision or if an implied agreement by trade practice or course of conduct has given rise to a waiver.

F. Enforceability of the following rights and remedies may be limited by applicable law: (i) any provision which provides for a rate of interest which exceeds that permissible under applicable law; (ii) any provision which purports to affect the jurisdiction of a court (including provisions as to methods of service of process and as to property which may be subject to such jurisdiction) or may be subject to the discretion of a court (including provisions as to venue); (iii) any provision which purports to make available remedies for violations, breaches or defaults that are determined by a court of competent jurisdiction to be non-material or unreasonable; (iv) any provision which provides for a choice of law or choice of forum; (v) any provision relating to the indemnification or exculpation of any party; and (vi) any provision that contains a

waiver of the benefits of statutory, regulatory, or constitutional rights, unless and to the extent the statute, regulation, or constitution explicitly allows waiver, including without limitation, any provision which purports to waive trial by jury.

G. We express no opinion with respect to the following: (i) any document referenced in the Transaction Agreements that is not a Transaction Agreement; and (ii) the enforceability of the Transaction Agreements by or against any person or entity that is not a party thereto.

H. We express no opinion as to the enforceability of any provision for penalties, liquidated damages, acceleration of future amounts due (other than principal) without appropriate discount to present value, late charges, prepayment charges, or increased interest rates upon default.

I. We express no opinion as the enforceability of any provision stating that the provisions of a contract are severable.

J. We express no opinion as to the enforceability of any provision that would permit the other party to require performance without requiring consideration of the impracticability or impossibility of performance at the time of attempted enforcement due to unforeseen circumstances not within the contemplation of the parties.

K. We express no opinion as to the Company's rights in the technology which is the subject of the Technology License Agreement, the Novated and Restated Technology License Agreement, the Research and Development Agreement, or the Amended and Restated Research and Development Agreement (collectively, the "Technology Agreements"). We further express no opinion to the extent that portions of the Technology Agreements may be deemed to be agreements to agree, or as to the future interpretation of these agreements.

This opinion is intended solely for your benefit and is not to be made available to or be relied upon by any other person, firm, or entity without our prior written consent.

Very truly yours,

COOLEY GODWARD LLP

By: _____
Robert L. Jones

SCHEDULE I

LIST OF TRANSACTION AGREEMENTS

1. Warrant Purchase Agreement, dated as of June 9, 2005, between the Company and Symphony Evolution Holdings LLC (the "Warrant Purchase Agreement").

2. Warrant to purchase 750,000 shares of common stock of the Company, dated as of June 9, 2005 (the "Warrant").

3. Purchase Option Agreement, dated as of June 9, 2005, by and among the Company, Symphony Evolution Holdings LLC and Symphony Evolution, Inc. (the "Purchase Option Agreement").

4. Research and Development Agreement, dated as of June 9, 2005, between the Company and Symphony Evolution Holdings LLC (the "Research and Development Agreement").

5. Amended & Restated Research and Development Agreement, dated as of June 9, 2005, between the Company, Symphony Evolution, Inc. and Symphony Evolution Holdings LLC (the "Amended & Restated Research and Development Agreement").

6. Technology License Agreement, dated as of June 9, 2005, between the Company and Symphony Evolution Holdings LLC (the "Technology License Agreement").

7. Novated and Restated Technology License Agreement, dated as of June 9, 2005, between the Company, Symphony Evolution, Inc. and Symphony Evolution Holdings LLC (the "Novated and Restated Technology License Agreement").

8. Confidentiality Agreement, dated as of June 9, 2005, by and among the Company, Symphony Evolution, Inc. and Symphony Evolution Holdings LLC, Symphony Capital Partners, L.P., Symphony Strategic Partners, LLC, Symphony Evolution Investors, LLC, Symphony Capital LLC, RRD International, LLC, Daniel F. Hoth, M.D., Herbert J. Conrad, and Alastair J.J. Wood, M.D. (the "Confidentiality Agreement").

9. Funding Agreement, dated as of June 9, 2005, by and among the Company, Symphony Capital Partners, L.P., Symphony Evolution Holdings LLC and Symphony Evolution Investors, LLC (the "Funding Agreement").

10. Registration Rights Agreement, dated as of June 9, 2005, between the Company and Symphony Evolution Holdings LLC (the "Registration Rights Agreement").

11. Research Cost Sharing and Extension Agreement, dated as of June 9, 2005, by and among the Company, Symphony Evolution Holdings LLC and Symphony Evolution, Inc. (the "Research Cost Sharing and Extension Agreement").

SCHEDULE II

LIST OF MATERIAL AGREEMENTS

1. Indemnity Agreement, dated various dates, between Exelixis, Inc. and each of its directors and certain of its officers.

2. Form of Convertible Promissory Note, dated May 22, 2001 by and between Exelixis, Inc. and Protein Design Labs, Inc.

3. Form of Note Purchase Agreement, dated May 22, 2001 by and between Exelixis, Inc. and Protein Design Labs, Inc.

4. Fourth Amended and Restated Registration Rights Agreement, dated February 26, 1999 among Exelixis, Inc. and certain Stockholders of Exelixis, Inc.

5. Registration Rights Agreement, dated October 18, 2004, by and among Exelixis, Inc., X-Ceptor Therapeutics, Inc., and certain holders of capital stock of X-Ceptor Therapeutics, Inc. listed in Annex I thereto.

6. Registration Rights Agreement, dated October 18, 2004, by and among Exelixis, Inc., X-Ceptor Therapeutics, Inc., and certain holders of capital stock of X-Ceptor Therapeutics, Inc. listed in Annex I thereto.

7. Collaboration Agreement, dated December 16, 1999, between Exelixis, Inc., Bayer Corporation and Genoptera LLC.

8. Amendment No. 1, effective January 1, 2005, to Collaboration Agreement, among Exelixis, Inc. Bayer CropScience LP and Genoptera LLC.

9. Operating Agreement, dated December 15, 1999, between Exelixis, Inc., Bayer Corporation and Genoptera LLC.

10. Collaboration Agreement, dated May 22, 2001, by and between Exelixis, Inc. and Protein Design Labs, Inc.

11. Amended and Restated Cancer Collaboration Agreement, dated as of December 15, 2003, by and between Exelixis, Inc. and Bristol-Myers Squibb Company.

12. Product Development and Commercialization Agreement, dated as of October 28, 2002, by and between SmithKlineBeecham Corporation and Exelixis, Inc.

13. First Amendment to the Product Development and Commercialization Agreement, dated as of October 28, 2002, by and between SmithKlineBeecham Corporation and Exelixis, Inc.

14. Stock Purchase and Stock Issuance Agreement, dated as of October 28, 2002, by and between SmithKlineBeecham Corporation and Exelixis, Inc.

15. First Amendment to the Stock Purchase and Stock Issuance Agreement, dated as of October 28, 2002, by and between SmithKlineBeecham Corporation and Exelixis, Inc.

16. Loan and Security Agreement, dated as of October 28, 2002, by and between SmithKlineBeecham Corporation and Exelixis, Inc.

17. Second Amendment the Loan and Security Agreement, dated as of October 28, 2002, by and between SmithKlineBeecham Corporation and Exelixis, Inc.

18. Third Amendment to the Loan and Security Agreement, dated as of October 28, 2002, by and between SmithKlineBeecham Corporation and Exelixis, Inc.

19. Sublease Agreement, dated June 1, 1997, between Arris Pharmaceutical Corporation and Exelixis, Inc.

20. Lease, dated May 12, 1999, between Britannia Pointe Grand Limited Partnership and Exelixis, Inc.

21. First Amendment to Lease, dated March 29, 2000, between Britannia Pointe Grand Limited Partnership and Exelixis, Inc.

22. Lease Agreement, dated May 24, 2001, between Britannia Pointe Grand Limited Partnership and Exelixis, Inc.

23. Second Amendment to Lease, dated July 20, 2004, between Britannia Pointe Grand Limited Partnership and Exelixis, Inc.

24. Master Lease Agreement, dated April 9, 2001, between GE Capital Corporation and Exelixis, Inc.

25. Loan and Security Agreement, dated May 22, 2002, by and between Silicon Valley Bank and Exelixis, Inc.

26. Loan Modification Agreement, dated December 21, 2004, between Silicon Valley Bank and Exelixis, Inc.

27. Collaboration agreement, dated May 31, 2005, between Exelixis, Inc. and Genentech, Inc.

28. Lease Agreement, dated May 27, 2005, between Britannia Pointe Grand Limited Partnership and Exelixis, Inc.

EXHIBIT B

NEITHER THIS WARRANT NOR THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE BEEN THE SUBJECT OF REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE, AND THE SAME HAVE BEEN (OR WILL BE, WITH RESPECT TO THE SECURITIES ISSUABLE UPON EXERCISE HEREOF) ISSUED IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. NEITHER THIS WARRANT NOR THE SECURITIES ISSUABLE UPON EXERCISE HEREOF MAY BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT AS PERMITTED UNDER SUCH SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

THE WARRANT EVIDENCED BY THIS CERTIFICATE IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE WARRANT PURCHASE AGREEMENT, DATED AS OF JUNE 9, 2005, COPIES OF WHICH ARE ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF THE ISSUER. NO REGISTRATION OF TRANSFER OF THIS WARRANT WILL BE MADE ON THE BOOKS OF THE ISSUER UNLESS AND UNTIL SUCH RESTRICTIONS SHALL HAVE BEEN COMPLIED WITH.

EXELIXIS, INC.

WARRANT TO PURCHASE COMMON STOCK

June 9, 2005

Void After June 9, 2010

THIS CERTIFIES THAT, for value received, **SYMPHONY EVOLUTION HOLDINGS LLC**, a Delaware limited liability company, with its principal office at 7361 Calhoun Place, Suite 325, Rockville, MD 20850, or its assigns (the "Holder"), is entitled to subscribe for and purchase at the Exercise Price (as defined below) from **EXELIXIS, INC.**, a Delaware corporation, with its principal office at 170 Harbor Way, P.O. Box 511, South San Francisco, CA 94083 (the "Company"), up to Seven Hundred Fifty Thousand (750,000) shares of Common Stock, par value $0.001 per share, of the Company (the "Common Stock").

This Warrant is being issued pursuant to the terms of the Warrant Purchase Agreement, dated as of June 9, 2005, between the Company and Holder (the "Warrant Purchase Agreement").

1. DEFINITIONS. As used herein, the following terms shall have the following respective meanings:

(a) "Exercise Period" shall mean the period commencing on the date hereof and ending on June 9, 2010.

(b) "Exercise Price" shall mean $8.90 per share, subject to adjustment pursuant to Section 4 below.

(c) "Exercise Shares" shall mean the shares of Common Stock issuable upon exercise of this Warrant, subject to adjustment pursuant to the terms herein, including but not limited to adjustment pursuant to Section 4 below.

2. EXERCISE OF WARRANT.

2.1 Generally. The rights represented by this Warrant may be exercised in whole or in part at any time during the Exercise Period, by delivery of the following to the Company at its address set forth above (or at such other address as it may designate pursuant to Section 12 hereof):

(a) an executed Notice of Exercise in the form attached hereto;

(b) payment of the Exercise Price of the shares thereby subscribed for by wire transfer or cashier's check drawn on a United States bank to the Company, or by means of a cashless exercise pursuant to Section 2.2; and

(c) this Warrant.

Upon the exercise of the rights represented by this Warrant, a certificate or certificates for the Exercise Shares so purchased, registered in the name of the Holder or persons affiliated with the Holder, if the Holder so designates, shall be issued and delivered to the Holder as soon as practicable, but in no event longer than 30 days, after the rights represented by this Warrant shall have been so exercised. The Company shall, upon request of the Holder, if available and if allowed under applicable securities laws, use its commercially reasonable efforts to deliver any certificate or certificates required to be delivered by the Company under this section electronically through the Depository Trust Corporation or another established clearing corporation performing similar functions. If this Warrant shall have been exercised in part, the Company shall, at the time of delivery of the certificate or certificates representing Exercise Shares, deliver to Holder a new Warrant evidencing the rights of Holder to purchase the unpurchased Exercise Shares called for by this Warrant, which new Warrant shall in all other respects be identical to this Warrant.

The person in whose name any certificate or certificates for Exercise Shares are to be issued upon exercise of this Warrant shall be deemed to have become the holder of record of such shares on the date on which this Warrant was surrendered and payment of the Exercise Price and all taxes required to be paid by the Holder, if any, was made, irrespective of the date of delivery of such certificate or certificates, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of such shares at the close of business on the next succeeding date on which the stock transfer books are open.

2.2 Cashless Exercise. Notwithstanding any provisions herein to the contrary, if the fair market value of one share of Common Stock is greater than the Exercise Price (at the date of calculation as set forth below), in lieu of exercising this Warrant by payment of cash, the Holder may elect to receive shares equal to the value (as determined below) of this Warrant (or the portion thereof being exercised) by surrender of this Warrant together with the properly endorsed Notice of Exercise, in which event the Company shall issue to the Holder a number of shares of Common Stock computed using the following formula:

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

Where X = the number of shares of Common Stock to be issued to the Holder

Y = the number of shares of Common Stock purchasable under the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised (at the date of such calculation)

A = the fair market value of one share of Common Stock (at the date of such calculation)

B = Exercise Price (as adjusted to the date of such calculation)

For purposes of the above calculation, the fair market value of one share of Common Stock shall equal the average closing price of the Common Stock, as reported in the *Wall Street Journal*, on the NASDAQ National Market, or other national exchange that is then the primary exchange on which the Common Stock is listed (the "the Principal Market"), for the 30 trading days immediately preceding the second trading day prior to the date on which the Holder delivers to the Company an executed Notice of Exercise in the form attached hereto. If the Common Stock is not quoted on the NASDAQ National Market, or listed on another national exchange, the fair market value of one share of Common Stock shall be determined by the Company's Board of Directors in good faith.

2.3 Legend. All certificates evidencing the shares to be issued to the Holder may bear the following legends:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE, AND THE SAME HAVE BEEN ISSUED IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. SUCH SHARES MAY NOT BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT AS PERMITTED UNDER SUCH SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM."

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE WARRANT PURCHASE AGREEMENT, DATED AS OF JUNE 9, 2005, COPIES OF WHICH ARE ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF THE ISSUER. NO REGISTRATION OF TRANSFER OF THESE SHARES WILL BE MADE ON THE BOOKS OF THE ISSUER UNLESS AND UNTIL SUCH RESTRICTIONS SHALL HAVE BEEN COMPLIED WITH."

2.4 Charges, Taxes and Expenses. Issuance of certificates for Exercise Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event certificates for Exercise Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder; and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto.

3. COVENANTS OF THE COMPANY.

3.1 No Impairment. Except and to the extent as waived or consented to by the Holder, the Company will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may be necessary or appropriate in order to protect the exercise rights of the Holder against impairment.

3.2 Notices of Record Date. If at any time:

(a) the Company shall take a record of the holders of Common Stock for the purpose of entitling them to receive a dividend or other distribution, or any right to subscribe for or purchase any evidences of its indebtedness, any shares of stock of any class or any other securities or property, or to receive any other right (other than with respect to any equity or equity equivalent security issued pursuant to a rights plan adopted by the Company's Board of Directors);

(b) there shall be any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company or any consolidation or merger of the Company, or any sale, transfer or other disposition of all or substantially all the property, assets or business of the Company; or

(c) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Company;

then, in any one or more of such cases, the Company shall give to Holder (i) at least 10 days' prior written notice of the date on which a record date shall be selected for such dividend, distribution or right or for determining rights to vote in respect of any such reorganization, reclassification, recapitalization, consolidation, merger, sale, transfer, disposition, dissolution, liquidation or winding up and (ii) in the case of any such reorganization, reclassification, recapitalization, consolidation, merger, sale, transfer, disposition, dissolution, liquidation or winding up, at least 10 days' prior written notice of the date on which the same shall take place. Such notice in accordance with the foregoing clause also shall specify the date on which the holders of Common Stock shall be entitled to any such dividend, distribution or right, and the amount and character thereof.

4. ADJUSTMENT OF EXERCISE PRICE. In the event of changes in the outstanding Common Stock by reason of stock dividends, split-ups, recapitalizations, reclassifications, combinations or exchanges of shares, separations, reorganizations, liquidations or the like, the number and class of shares available under this Warrant in the aggregate and the Exercise Price shall be correspondingly adjusted to give the Holder of this Warrant, on exercise for the same aggregate Exercise Price, the total number, class and kind of shares as the Holder would have owned had the Warrant been exercised prior to the event and had the Holder continued to hold such shares until after the event requiring adjustment. The form of this Warrant need not be changed because of any adjustment in the number of Exercise Shares subject to this Warrant.

5. FRACTIONAL SHARES. No fractional shares shall be issued upon the exercise of this Warrant, including as a consequence of any adjustment pursuant hereto. If the exercise would result in the issuance of a fractional share, the Company shall, in lieu of issuance of any fractional share, pay the Holder otherwise entitled to such fraction a sum in cash equal to the product resulting from multiplying the then current fair market value of an Exercise Share (determined as provided in Section 2.2 hereof) by such fraction; provided, however, that the Company may elect in its sole discretion to issue the next higher number of full shares of Common Stock by issuing a full share with respect to such fractional share.

6. CORPORATE TRANSACTIONS. In case the Company shall reorganize its capital, reclassify its capital stock, consolidate or merge with or into another corporation (where the Company is not the surviving corporation or where there is a change in or distribution with respect to the Common Stock), or sell, transfer or otherwise dispose of all or substantially all its property, assets or business and, pursuant to the terms of such reorganization, reclassification, merger, consolidation or disposition of assets, shares of common stock of the successor or acquiring corporation, or any cash, shares of stock or other securities or property of any nature whatsoever (including warrants or other subscription or purchase rights) in addition to or in lieu of common stock of the successor or acquiring corporation ("Other Property"), are to be received by or distributed to the holders of the Common Stock, then the Holder shall have the right thereafter to receive, upon exercise of this Warrant, the number of shares of common stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and Other Property receivable upon or as a result of such reorganization, reclassification, merger, consolidation or disposition of assets by a Holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such event. For purposes of this Section 6, "common stock of the successor or acquiring corporation" shall include stock of such corporation of any class which is not preferred as to dividends or assets over any other class of stock of such corporation and which is not subject to redemption and shall also include any evidences of indebtedness, shares of stock or other securities which are convertible into or exchangeable for any such stock, either immediately or upon the arrival of a specified date or the happening of a specified event and any warrants or other rights to subscribe for or purchase any such stock. The foregoing provisions of this Section 6 shall similarly apply to successive reorganizations, reclassifications, mergers, consolidations or disposition of assets.

7. NOTICE OF ADJUSTMENT. Whenever the number of Exercise Shares or number or kind of securities or other property purchasable upon the exercise of this Warrant or the Exercise Price is adjusted, as herein provided, the Company shall give notice thereof to the Holder at the address of such Holder appearing on the books of the Company, which notice shall

state the number of Exercise Shares (and other securities or property) purchasable upon the exercise of this Warrant and the Exercise Price of such Exercise Shares (and other securities or property) after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made.

8. ORDERLY SALE. This Warrant and the Exercise Shares are subject to the provisions of Section 6.05 of the Warrant Purchase Agreement.

9. NO STOCKHOLDER RIGHTS. This Warrant does not entitle the Holder to any voting rights or other rights as a stockholder of the Company prior to the exercise hereof. Upon the exercise of this Warrant in accordance with Section 2, the Exercise Shares so purchased shall be and be deemed to be issued to such Holder as the record owner of such shares as of the close of business on the date of such exercise.

10. TRANSFER OF WARRANT. Subject to applicable laws, the restriction on transfer set forth on the first page of this Warrant and the provisions of Article VI of the Warrant Purchase Agreement, this Warrant and all rights hereunder are transferable by the Holder, in person or by duly authorized attorney, upon delivery of this Warrant, the Assignment Form attached hereto and funds sufficient to pay any transfer taxes payable upon the making of such transfer, to any transferee designated by Holder. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. A Warrant, if properly assigned, may be exercised by a new holder for the purchase of Exercise Shares without having a new Warrant issued. The Company may require, as a condition of allowing a transfer (i) that the Holder or transferee of this Warrant, as the case may be, furnish to the Company a written opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that such transfer may be made without registration under the Securities Act and under applicable state securities or blue sky laws, (ii) that the holder or transferee execute and deliver to the Company an investment letter in form and substance acceptable to the Company, (iii) that the transferee be an “accredited investor” as defined in Rule 501(a) promulgated under the Securities Act and (iv) the transferee agree in writing to be bound by the terms of this Warrant and the Warrant Purchase Agreement as if an original signatory thereto.

11. LOST, STOLEN, MUTILATED OR DESTROYED WARRANT. If this Warrant is lost, stolen, mutilated or destroyed, the Company may, on such terms as to indemnity or otherwise as it may reasonably impose (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination and tenor as the Warrant so lost, stolen, mutilated or destroyed.

12. NOTICES, ETC. Any notice, request, demand, waiver, consent, approval or other communication that is required or permitted to be given hereto shall be in writing and shall be deemed given only if delivered to the applicable party personally or sent to the party by facsimile transmission (promptly followed by a hard-copy delivered in accordance with this Section 12), by next business day delivery by a nationally recognized courier service, or by registered or

certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the party at its address set forth in the Warrant Purchase Agreement, or at such other address as the Company or Holder may designate by ten (10) days advance written notice to the other party hereto.

13. ACCEPTANCE. Receipt of this Warrant by the Holder shall constitute acceptance of and agreement to all of the terms and conditions contained herein.

14. GOVERNING LAW. This Warrant and all rights, obligations and liabilities hereunder shall be governed by the laws of the State of New York.

15. SATURDAYS, SUNDAYS, HOLIDAYS, ETC. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday, Sunday or a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a Saturday, Sunday or legal holiday.

16. AMENDMENT. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

17. SUCCESSORS AND ASSIGNS. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors of the Company and the successors and permitted assigns of Holder.

18. HEADINGS. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its duly authorized officer as of June 9, 2005.

EXELIXIS, INC.

By: _____

Name: Christoph Pereira
Title: Vice President, Legal Affairs and Secretary

NOTICE OF EXERCISE

TO: EXELIXIS, INC.

(1) ☐ The undersigned hereby elects to purchase _____ shares of Common Stock of **EXELIXIS, INC.** (the "Company") pursuant to the terms of the attached Warrant, and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

☐ The undersigned hereby elects to purchase _____ shares of Common Stock of **EXELIXIS, INC.** (the "Company") pursuant to the terms of the net exercise provisions set forth in Section 2.2 of the attached Warrant, and shall tender payment of all applicable transfer taxes, if any.

(2) Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned or in such other name as is specified below:

_____
(Name)

_____

_____
(Address)

(ii) **(3)** The undersigned represents that:

(A) It is an "accredited investor" within the meaning of Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act").

(B) It has relied completely on the advice of, or has consulted with or has had the opportunity to consult with, its own personal tax, investment, legal or other advisors and has not relied on the Company or any of its affiliates for advice.

(C) It has been advised and understands that the offer and sale of the attached Warrant and the shares of Common Stock issued upon exercise of the Warrant (the "Warrant Shares") have not been registered under the Securities Act. It is able to bear the economic risk of such investment for an indefinite period and to afford a complete loss thereof.

(D) It is acquiring the Warrant Shares solely for its own account for investment purposes as a principal and not with a view to the resale of all or any part thereof. It agrees that the Warrant Shares may not be resold (1) without registration thereof under the Securities Act (unless an exemption from such registration is available), or (2) in violation of any law. It acknowledges that the Company is not required to register the Warrant Shares under the Securities Act. It is not and will not be an underwriter within the meaning of Section 2(11) of the Securities Act with respect to the Warrant Shares.

(E) No person or entity acting on behalf of, or under the authority of, the undersigned is or will be entitled to any broker's, finder's, or similar fees or commission payable by the Company or any of its affiliates.

(Date)

(Signature)

(Print name)

ASSIGNMENT FORM

(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name: _____
(Please Print)

Address: _____
(Please Print)

Dated: _____, 2___

Holder's
Signature: _____

Holder's
Address: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatever. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

EXHIBIT C

FORM OF "B" WARRANT

NEITHER THIS WARRANT NOR THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE BEEN THE SUBJECT OF REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE, AND THE SAME HAVE BEEN (OR WILL BE, WITH RESPECT TO THE SECURITIES ISSUABLE UPON EXERCISE HEREOF) ISSUED IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. NEITHER THIS WARRANT NOR THE SECURITIES ISSUABLE UPON EXERCISE HEREOF MAY BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT AS PERMITTED UNDER SUCH SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

THE WARRANT EVIDENCED BY THIS CERTIFICATE IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE WARRANT PURCHASE AGREEMENT, DATED AS OF JUNE 9, 2005, COPIES OF WHICH ARE ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF THE ISSUER. NO REGISTRATION OF TRANSFER OF THIS WARRANT WILL BE MADE ON THE BOOKS OF THE ISSUER UNLESS AND UNTIL SUCH RESTRICTIONS SHALL HAVE BEEN COMPLIED WITH.

EXELIXIS, INC.

WARRANT TO PURCHASE COMMON STOCK

_____ __, 2006

Void After June 9, 2010

THIS CERTIFIES THAT, for value received, **SYMPHONY EVOLUTION HOLDINGS LLC**, a Delaware limited liability company, with its principal office at 7361 Calhoun Place, Suite 325, Rockville, MD 20850, or its assigns (the "Holder"), is entitled to subscribe for and purchase at the Exercise Price (as defined below) from **EXELIXIS, INC.**, a Delaware corporation, with its principal office at 170 Harbor Way, P.O. Box 511, South San Francisco, CA 94083 (the "Company"), up to _____ (_____) [FILL IN NUMBER OF SHARES AT ISSUANCE BASED ON SECTION 2.02 OF WARRANT PURCHASE AGREEMENT] shares of Common Stock, par value $0.001 per share, of the Company (the "Common Stock").

This Warrant is being issued pursuant to the terms of the Warrant Purchase Agreement, dated as of June 9, 2005, between the Company and Holder (the "Warrant Purchase Agreement").

19. DEFINITIONS. As used herein, the following terms shall have the following respective meanings:

(a) "Exercise Period" shall mean the period commencing on the date hereof and ending on June 9, 2010.

(b) "Exercise Price" shall mean $8.90 per share, subject to adjustment pursuant to Section 4 below.

(c) "Exercise Shares" shall mean the shares of Common Stock issuable upon exercise of this Warrant, subject to adjustment pursuant to the terms herein, including but not limited to adjustment pursuant to Section 4 below.

20. EXERCISE OF WARRANT.

20.1 Generally. The rights represented by this Warrant may be exercised in whole or in part at any time during the Exercise Period, by delivery of the following to the Company at its address set forth above (or at such other address as it may designate pursuant to Section 12 hereof):

(a) an executed Notice of Exercise in the form attached hereto;

(b) payment of the Exercise Price of the shares thereby subscribed for by wire transfer or cashier's check drawn on a United States bank to the Company, or by means of a cashless exercise pursuant to Section 2.2; and

(c) this Warrant.

Upon the exercise of the rights represented by this Warrant, a certificate or certificates for the Exercise Shares so purchased, registered in the name of the Holder or persons affiliated with the Holder, if the Holder so designates, shall be issued and delivered to the Holder as soon as practicable, but in no event longer than 30 days, after the rights represented by this Warrant shall have been so exercised. The Company shall, upon request of the Holder, if available and if allowed under applicable securities laws, use its commercially reasonable efforts to deliver any certificate or certificates required to be delivered by the Company under this section electronically through the Depository Trust Corporation or another established clearing corporation performing similar functions. If this Warrant shall have been exercised in part, the Company shall, at the time of delivery of the certificate or certificates representing Exercise Shares, deliver to Holder a new Warrant evidencing the rights of Holder to purchase the unpurchased Exercise Shares called for by this Warrant, which new Warrant shall in all other respects be identical to this Warrant.

The person in whose name any certificate or certificates for Exercise Shares are to be issued upon exercise of this Warrant shall be deemed to have become the holder of record of such shares on the date on which this Warrant was surrendered and payment of the Exercise Price and all taxes required to be paid by the Holder, if any, was made, irrespective of the date of delivery of such certificate or certificates, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of such shares at the close of business on the next succeeding date on which the stock transfer books are open.

20.2 Cashless Exercise. Notwithstanding any provisions herein to the contrary, if the fair market value of one share of Common Stock is greater than the Exercise Price (at the date of calculation as set forth below), in lieu of exercising this Warrant by payment of cash, the Holder may elect to receive shares equal to the value (as determined below) of this Warrant (or the portion thereof being exercised) by surrender of this Warrant together with the properly endorsed Notice of Exercise, in which event the Company shall issue to the Holder a number of shares of Common Stock computed using the following formula:

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

Where X = the number of shares of Common Stock to be issued to the Holder

Y = the number of shares of Common Stock purchasable under the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised (at the date of such calculation)

A = the fair market value of one share of Common Stock (at the date of such calculation)

B = Exercise Price (as adjusted to the date of such calculation)

For purposes of the above calculation, the fair market value of one share of Common Stock shall equal the average closing price of the Common Stock, as reported in the *Wall Street Journal*, on the NASDAQ National Market, or other national exchange that is then the primary exchange on which the Common Stock is listed (the "the Principal Market"), for the 30 trading days immediately preceding the second trading day prior to the date on which the Holder delivers to the Company an executed Notice of Exercise in the form attached hereto. If the Common Stock is not quoted on the NASDAQ National Market, or listed on another national exchange, the fair market value of one share of Common Stock shall be determined by the Company's Board of Directors in good faith.

20.3 Legend. All certificates evidencing the shares to be issued to the Holder may bear the following legends:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE, AND THE SAME HAVE BEEN ISSUED IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. SUCH SHARES MAY NOT BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT AS PERMITTED UNDER SUCH SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM."

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE WARRANT PURCHASE AGREEMENT, DATED AS OF JUNE 9, 2005, COPIES OF WHICH ARE ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF THE ISSUER. NO REGISTRATION OF TRANSFER OF THESE SHARES WILL BE MADE ON THE BOOKS OF THE ISSUER UNLESS AND UNTIL SUCH RESTRICTIONS SHALL HAVE BEEN COMPLIED WITH."

20.4 Charges, Taxes and Expenses. Issuance of certificates for Exercise Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event certificates for Exercise Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder; and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto.

21. COVENANTS OF THE COMPANY.

21.1 No Impairment. Except and to the extent as waived or consented to by the Holder, the Company will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may be necessary or appropriate in order to protect the exercise rights of the Holder against impairment.

21.2 Notices of Record Date. If at any time:

(a) the Company shall take a record of the holders of Common Stock for the purpose of entitling them to receive a dividend or other distribution, or any right to subscribe for or purchase any evidences of its indebtedness, any shares of stock of any class or any other securities or property, or to receive any other right (other than with respect to any equity or equity equivalent security issued pursuant to a rights plan adopted by the Company's Board of Directors);

(b) there shall be any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company or any consolidation or merger of the Company, or any sale, transfer or other disposition of all or substantially all the property, assets or business of the Company; or

(c) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Company;

then, in any one or more of such cases, the Company shall give to Holder (i) at least 10 days' prior written notice of the date on which a record date shall be selected for such dividend, distribution or right or for determining rights to vote in respect of any such reorganization,

reclassification, recapitalization, consolidation, merger, sale, transfer, disposition, dissolution, liquidation or winding up and (ii) in the case of any such reorganization, reclassification, recapitalization, consolidation, merger, sale, transfer, disposition, dissolution, liquidation or winding up, at least 10 days' prior written notice of the date on which the same shall take place. Such notice in accordance with the foregoing clause also shall specify the date on which the holders of Common Stock shall be entitled to any such dividend, distribution or right, and the amount and character thereof.

22. ADJUSTMENT OF EXERCISE PRICE. In the event of changes in the outstanding Common Stock by reason of stock dividends, split-ups, recapitalizations, reclassifications, combinations or exchanges of shares, separations, reorganizations, liquidations or the like, the number and class of shares available under this Warrant in the aggregate and the Exercise Price shall be correspondingly adjusted to give the Holder of this Warrant, on exercise for the same aggregate Exercise Price, the total number, class and kind of shares as the Holder would have owned had the Warrant been exercised prior to the event and had the Holder continued to hold such shares until after the event requiring adjustment. The form of this Warrant need not be changed because of any adjustment in the number of Exercise Shares subject to this Warrant.

23. FRACTIONAL SHARES. No fractional shares shall be issued upon the exercise of this Warrant, including as a consequence of any adjustment pursuant hereto. If the exercise would result in the issuance of a fractional share, the Company shall, in lieu of issuance of any fractional share, pay the Holder otherwise entitled to such fraction a sum in cash equal to the product resulting from multiplying the then current fair market value of an Exercise Share (determined as provided in Section 2.2 hereof) by such fraction; provided, however, that the Company may elect in its sole discretion to issue the next higher number of full shares of Common Stock by issuing a full share with respect to such fractional share.

24. CORPORATE TRANSACTIONS. In case the Company shall reorganize its capital, reclassify its capital stock, consolidate or merge with or into another corporation (where the Company is not the surviving corporation or where there is a change in or distribution with respect to the Common Stock), or sell, transfer or otherwise dispose of all or substantially all its property, assets or business and, pursuant to the terms of such reorganization, reclassification, merger, consolidation or disposition of assets, shares of common stock of the successor or acquiring corporation, or any cash, shares of stock or other securities or property of any nature whatsoever (including warrants or other subscription or purchase rights) in addition to or in lieu of common stock of the successor or acquiring corporation ("Other Property"), are to be received by or distributed to the holders of the Common Stock, then the Holder shall have the right thereafter to receive, upon exercise of this Warrant, the number of shares of common stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and Other Property receivable upon or as a result of such reorganization, reclassification, merger, consolidation or disposition of assets by a Holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such event. For purposes of this Section 6, "common stock of the successor or acquiring corporation" shall include stock of such corporation of any class which is not preferred as to dividends or assets over any other class of stock of such corporation and which is not subject to redemption and shall also include any evidences of indebtedness, shares of stock or other securities which are convertible into or exchangeable for any such stock, either immediately or upon the arrival of a specified date or the

happening of a specified event and any warrants or other rights to subscribe for or purchase any such stock. The foregoing provisions of this Section 6 shall similarly apply to successive reorganizations, reclassifications, mergers, consolidations or disposition of assets.

25. NOTICE OF ADJUSTMENT. Whenever the number of Exercise Shares or number or kind of securities or other property purchasable upon the exercise of this Warrant or the Exercise Price is adjusted, as herein provided, the Company shall give notice thereof to the Holder at the address of such Holder appearing on the books of the Company, which notice shall state the number of Exercise Shares (and other securities or property) purchasable upon the exercise of this Warrant and the Exercise Price of such Exercise Shares (and other securities or property) after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made.

26. ORDERLY SALE. This Warrant and the Exercise Shares are subject to the provisions of Section 6.05 of the Warrant Purchase Agreement.

27. NO STOCKHOLDER RIGHTS. This Warrant does not entitle the Holder to any voting rights or other rights as a stockholder of the Company prior to the exercise hereof. Upon the exercise of this Warrant in accordance with Section 2, the Exercise Shares so purchased shall be and be deemed to be issued to such Holder as the record owner of such shares as of the close of business on the date of such exercise.

28. TRANSFER OF WARRANT. Subject to applicable laws, the restriction on transfer set forth on the first page of this Warrant and the provisions of Article VI of the Warrant Purchase Agreement, this Warrant and all rights hereunder are transferable by the Holder, in person or by duly authorized attorney, upon delivery of this Warrant, the Assignment Form attached hereto and funds sufficient to pay any transfer taxes payable upon the making of such transfer, to any transferee designated by Holder. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. A Warrant, if properly assigned, may be exercised by a new holder for the purchase of Exercise Shares without having a new Warrant issued. The Company may require, as a condition of allowing a transfer (i) that the Holder or transferee of this Warrant, as the case may be, furnish to the Company a written opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that such transfer may be made without registration under the Securities Act and under applicable state securities or blue sky laws, (ii) that the holder or transferee execute and deliver to the Company an investment letter in form and substance acceptable to the Company, (iii) that the transferee be an “accredited investor” as defined in Rule 501(a) promulgated under the Securities Act and (iv) the transferee agree in writing to be bound by the terms of this Warrant and the Warrant Purchase Agreement as if an original signatory thereto.

29. LOST, STOLEN, MUTILATED OR DESTROYED WARRANT. If this Warrant is lost, stolen, mutilated or destroyed, the Company may, on such terms as to indemnity or otherwise as it may reasonably impose (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination and tenor as the Warrant so lost, stolen, mutilated or destroyed.

30. NOTICES, ETC. Any notice, request, demand, waiver, consent, approval or other communication that is required or permitted to be given hereto shall be in writing and shall be deemed given only if delivered to the applicable party personally or sent to the party by facsimile transmission (promptly followed by a hard-copy delivered in accordance with this Section 12), by next business day delivery by a nationally recognized courier service, or by registered or certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the party at its address set forth in the Warrant Purchase Agreement, or at such other address as the Company or Holder may designate by ten (10) days advance written notice to the other party hereto.

31. ACCEPTANCE. Receipt of this Warrant by the Holder shall constitute acceptance of and agreement to all of the terms and conditions contained herein.

32. GOVERNING LAW. This Warrant and all rights, obligations and liabilities hereunder shall be governed by the laws of the State of New York.

33. SATURDAYS, SUNDAYS, HOLIDAYS, ETC. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday, Sunday or a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a Saturday, Sunday or legal holiday.

34. AMENDMENT. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

35. SUCCESSORS AND ASSIGNS. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors of the Company and the successors and permitted assigns of Holder.

36. HEADINGS. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its duly authorized officer as of _____ __, 2006.

EXELIXIS, INC.

By: _____

Name: _____

Title: _____

NOTICE OF EXERCISE

TO: EXELIXIS, INC.

(1) ☐ The undersigned hereby elects to purchase _____ shares of Common Stock of **EXELIXIS, INC.** (the "Company") pursuant to the terms of the attached Warrant, and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

☐ The undersigned hereby elects to purchase _____ shares of Common Stock of **EXELIXIS, INC.** (the "Company") pursuant to the terms of the net exercise provisions set forth in Section 2.2 of the attached Warrant, and shall tender payment of all applicable transfer taxes, if any.

(2) Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned or in such other name as is specified below:

_____

(Name)

_____

_____

(Address)

(iii) **(3)** The undersigned represents that:

(A) It is an "accredited investor" within the meaning of Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act").

(B) It has relied completely on the advice of, or has consulted with or has had the opportunity to consult with, its own personal tax, investment, legal or other advisors and has not relied on the Company or any of its affiliates for advice.

(C) It has been advised and understands that the offer and sale of the attached Warrant and the shares of Common Stock issued upon exercise of the Warrant (the "Warrant Shares") have not been registered under the Securities Act. It is able to bear the economic risk of such investment for an indefinite period and to afford a complete loss thereof.

(D) It is acquiring the Warrant Shares solely for its own account for investment purposes as a principal and not with a view to the resale of all or any part thereof. It agrees that the Warrant Shares may not be resold (1) without registration thereof under the Securities Act (unless an exemption from such registration is available), or (2) in violation of any law. It acknowledges that the Company is not required to register the Warrant Shares under the Securities Act. It is not and will not be an underwriter within the meaning of Section 2(11) of the Securities Act with respect to the Warrant Shares.

(E) No person or entity acting on behalf of, or under the authority of, the undersigned is or will be entitled to any broker's, finder's, or similar fees or commission payable by the Company or any of its affiliates.

(Date)

(Signature)

(Print name)

ASSIGNMENT FORM

(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name: _____
(Please Print)

Address: _____
(Please Print)

Dated: _____, 2___

Holder's
Signature: _____

Holder's
Address: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatever. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

EXHIBIT D

FORM OF "C" WARRANT

NEITHER THIS WARRANT NOR THE SECURITIES ISSUABLE UPON EXERCISE HEREOF HAVE BEEN THE SUBJECT OF REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE, AND THE SAME HAVE BEEN (OR WILL BE, WITH RESPECT TO THE SECURITIES ISSUABLE UPON EXERCISE HEREOF) ISSUED IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. NEITHER THIS WARRANT NOR THE SECURITIES ISSUABLE UPON EXERCISE HEREOF MAY BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT AS PERMITTED UNDER SUCH SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM.

THE WARRANT EVIDENCED BY THIS CERTIFICATE IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE WARRANT PURCHASE AGREEMENT, DATED AS OF JUNE 9, 2005, COPIES OF WHICH ARE ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF THE ISSUER. NO REGISTRATION OF TRANSFER OF THIS WARRANT WILL BE MADE ON THE BOOKS OF THE ISSUER UNLESS AND UNTIL SUCH RESTRICTIONS SHALL HAVE BEEN COMPLIED WITH.

EXELIXIS, INC.

WARRANT TO PURCHASE COMMON STOCK

_____ __, 2009

Void After _____ __, 2014

THIS CERTIFIES THAT, for value received, **SYMPHONY EVOLUTION HOLDINGS LLC**, a Delaware limited liability company, with its principal office at 7361 Calhoun Place, Suite 325, Rockville, MD 20850, or its assigns (the "Holder"), is entitled to subscribe for and purchase at the Exercise Price (as defined below) from **EXELIXIS, INC.**, a Delaware corporation, with its principal office at 170 Harbor Way, P.O. Box 511, South San Francisco, CA 94083 (the "Company"), up to _____ (_____) [FILL IN NUMBER OF SHARES AT ISSUANCE BASED ON SECTION 2.03 OF WARRANT PURCHASE AGREEMENT] shares of Common Stock, par value $0.001 per share, of the Company (the "Common Stock").

This Warrant is being issued pursuant to the terms of the Warrant Purchase Agreement, dated as of June 9, 2005, between the Company and Holder (the "Warrant Purchase Agreement").

37. DEFINITIONS. As used herein, the following terms shall have the following respective meanings:

(a) "Exercise Period" shall mean the period commencing on the date hereof and ending on _____ [FILL IN DATE 5 YEARS AFTER ISSUANCE DATE].

(b) "Exercise Price" shall mean $____ [FILL IN AT ISSUANCE DATE BASED ON SECTION 2.03 OF WARRANT PURCHASE AGREEMENT] per share, subject to adjustment pursuant to Section 4 below.

(c) "Exercise Shares" shall mean the shares of Common Stock issuable upon exercise of this Warrant, subject to adjustment pursuant to the terms herein, including but not limited to adjustment pursuant to Section 4 below.

38. EXERCISE OF WARRANT.

38.1 Generally. The rights represented by this Warrant may be exercised in whole or in part at any time during the Exercise Period, by delivery of the following to the Company at its address set forth above (or at such other address as it may designate pursuant to Section 12 hereof):

(a) an executed Notice of Exercise in the form attached hereto;

(b) payment of the Exercise Price of the shares thereby subscribed for by wire transfer or cashier's check drawn on a United States bank to the Company, or by means of a cashless exercise pursuant to Section 2.2; and

(c) this Warrant.

Upon the exercise of the rights represented by this Warrant, a certificate or certificates for the Exercise Shares so purchased, registered in the name of the Holder or persons affiliated with the Holder, if the Holder so designates, shall be issued and delivered to the Holder as soon as practicable, but in no event longer than 30 days, after the rights represented by this Warrant shall have been so exercised. The Company shall, upon request of the Holder, if available and if allowed under applicable securities laws, use its commercially reasonable efforts to deliver any certificate or certificates required to be delivered by the Company under this section electronically through the Depository Trust Corporation or another established clearing corporation performing similar functions. If this Warrant shall have been exercised in part, the Company shall, at the time of delivery of the certificate or certificates representing Exercise Shares, deliver to Holder a new Warrant evidencing the rights of Holder to purchase the unpurchased Exercise Shares called for by this Warrant, which new Warrant shall in all other respects be identical to this Warrant.

The person in whose name any certificate or certificates for Exercise Shares are to be issued upon exercise of this Warrant shall be deemed to have become the holder of record of such shares on the date on which this Warrant was surrendered and payment of the Exercise Price and all taxes required to be paid by the Holder, if any, was made, irrespective of the date of delivery of such certificate or certificates, except that, if the date of such surrender and payment is a date when the stock transfer books of the Company are closed, such person shall be deemed to have become the holder of such shares at the close of business on the next succeeding date on which the stock transfer books are open.

38.2 Cashless Exercise. Notwithstanding any provisions herein to the contrary, if the fair market value of one share of Common Stock is greater than the Exercise Price (at the date of calculation as set forth below), in lieu of exercising this Warrant by payment of cash, the Holder may elect to receive shares equal to the value (as determined below) of this Warrant (or the portion thereof being exercised) by surrender of this Warrant together with the properly endorsed Notice of Exercise, in which event the Company shall issue to the Holder a number of shares of Common Stock computed using the following formula:

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

Where X = the number of shares of Common Stock to be issued to the Holder

Y = the number of shares of Common Stock purchasable under the Warrant or, if only a portion of the Warrant is being exercised, the portion of the Warrant being exercised (at the date of such calculation)

A = the fair market value of one share of Common Stock (at the date of such calculation)

B = Exercise Price (as adjusted to the date of such calculation)

For purposes of the above calculation, the fair market value of one share of Common Stock shall equal the average closing price of the Common Stock, as reported in the *Wall Street Journal*, on the NASDAQ National Market, or other national exchange that is then the primary exchange on which the Common Stock is listed (the "the Principal Market"), for the 30 trading days immediately preceding the second trading day prior to the date on which the Holder delivers to the Company an executed Notice of Exercise in the form attached hereto. If the Common Stock is not quoted on the NASDAQ National Market, or listed on another national exchange, the fair market value of one share of Common Stock shall be determined by the Company's Board of Directors in good faith.

38.3 Legend. All certificates evidencing the shares to be issued to the Holder may bear the following legends:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER THE SECURITIES LAWS OF ANY STATE, AND THE SAME HAVE BEEN ISSUED IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID

ACT AND SUCH LAWS. SUCH SHARES MAY NOT BE SOLD, TRANSFERRED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF EXCEPT AS PERMITTED UNDER SUCH SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM."

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN THE WARRANT PURCHASE AGREEMENT, DATED AS OF JUNE 9, 2005, COPIES OF WHICH ARE ON FILE AT THE PRINCIPAL EXECUTIVE OFFICES OF THE ISSUER. NO REGISTRATION OF TRANSFER OF THESE SHARES WILL BE MADE ON THE BOOKS OF THE ISSUER UNLESS AND UNTIL SUCH RESTRICTIONS SHALL HAVE BEEN COMPLIED WITH."

38.4 Charges, Taxes and Expenses. Issuance of certificates for Exercise Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such certificate, all of which taxes and expenses shall be paid by the Company, and such certificates shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event certificates for Exercise Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder; and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto.

39. COVENANTS OF THE COMPANY.

39.1 No Impairment. Except and to the extent as waived or consented to by the Holder, the Company will at all times in good faith assist in the carrying out of all the provisions of this Warrant and in the taking of all such action as may be necessary or appropriate in order to protect the exercise rights of the Holder against impairment.

39.2 Notices of Record Date. If at any time:

(a) the Company shall take a record of the holders of Common Stock for the purpose of entitling them to receive a dividend or other distribution, or any right to subscribe for or purchase any evidences of its indebtedness, any shares of stock of any class or any other securities or property, or to receive any other right (other than with respect to any equity or equity equivalent security issued pursuant to a rights plan adopted by the Company's Board of Directors);

(b) there shall be any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company or any consolidation or merger of the Company, or any sale, transfer or other disposition of all or substantially all the property, assets or business of the Company; or

(c) there shall be a voluntary or involuntary dissolution, liquidation or winding up of the Company;

then, in any one or more of such cases, the Company shall give to Holder (i) at least 10 days' prior written notice of the date on which a record date shall be selected for such dividend, distribution or right or for determining rights to vote in respect of any such reorganization, reclassification, recapitalization, consolidation, merger, sale, transfer, disposition, dissolution, liquidation or winding up and (ii) in the case of any such reorganization, reclassification, recapitalization, consolidation, merger, sale, transfer, disposition, dissolution, liquidation or winding up, at least 10 days' prior written notice of the date on which the same shall take place. Such notice in accordance with the foregoing clause also shall specify the date on which the holders of Common Stock shall be entitled to any such dividend, distribution or right, and the amount and character thereof.

40. ADJUSTMENT OF EXERCISE PRICE. In the event of changes in the outstanding Common Stock by reason of stock dividends, split-ups, recapitalizations, reclassifications, combinations or exchanges of shares, separations, reorganizations, liquidations or the like, the number and class of shares available under this Warrant in the aggregate and the Exercise Price shall be correspondingly adjusted to give the Holder of this Warrant, on exercise for the same aggregate Exercise Price, the total number, class and kind of shares as the Holder would have owned had the Warrant been exercised prior to the event and had the Holder continued to hold such shares until after the event requiring adjustment. The form of this Warrant need not be changed because of any adjustment in the number of Exercise Shares subject to this Warrant.

41. FRACTIONAL SHARES. No fractional shares shall be issued upon the exercise of this Warrant, including as a consequence of any adjustment pursuant hereto. If the exercise would result in the issuance of a fractional share, the Company shall, in lieu of issuance of any fractional share, pay the Holder otherwise entitled to such fraction a sum in cash equal to the product resulting from multiplying the then current fair market value of an Exercise Share (determined as provided in Section 2.2 hereof) by such fraction; provided, however, that the Company may elect in its sole discretion to issue the next higher number of full shares of Common Stock by issuing a full share with respect to such fractional share.

42. CORPORATE TRANSACTIONS. In case the Company shall reorganize its capital, reclassify its capital stock, consolidate or merge with or into another corporation (where the Company is not the surviving corporation or where there is a change in or distribution with respect to the Common Stock), or sell, transfer or otherwise dispose of all or substantially all its property, assets or business and, pursuant to the terms of such reorganization, reclassification, merger, consolidation or disposition of assets, shares of common stock of the successor or acquiring corporation, or any cash, shares of stock or other securities or property of any nature whatsoever (including warrants or other subscription or purchase rights) in addition to or in lieu of common stock of the successor or acquiring corporation ("Other Property"), are to be received by or distributed to the holders of the Common Stock, then the Holder shall have the right thereafter to receive, upon exercise of this Warrant, the number of shares of common stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and Other Property receivable upon or as a result of such reorganization, reclassification, merger, consolidation or disposition of assets by a Holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such event. For purposes of this Section 6, "common stock of the successor or acquiring corporation" shall include stock of such corporation of any class which is not preferred as to dividends or assets over any other class of

stock of such corporation and which is not subject to redemption and shall also include any evidences of indebtedness, shares of stock or other securities which are convertible into or exchangeable for any such stock, either immediately or upon the arrival of a specified date or the happening of a specified event and any warrants or other rights to subscribe for or purchase any such stock. The foregoing provisions of this Section 6 shall similarly apply to successive reorganizations, reclassifications, mergers, consolidations or disposition of assets.

43. NOTICE OF ADJUSTMENT. Whenever the number of Exercise Shares or number or kind of securities or other property purchasable upon the exercise of this Warrant or the Exercise Price is adjusted, as herein provided, the Company shall give notice thereof to the Holder at the address of such Holder appearing on the books of the Company, which notice shall state the number of Exercise Shares (and other securities or property) purchasable upon the exercise of this Warrant and the Exercise Price of such Exercise Shares (and other securities or property) after such adjustment, setting forth a brief statement of the facts requiring such adjustment and setting forth the computation by which such adjustment was made.

44. ORDERLY SALE. This Warrant and the Exercise Shares are subject to the provisions of Section 6.05 of the Warrant Purchase Agreement.

45. NO STOCKHOLDER RIGHTS. This Warrant does not entitle the Holder to any voting rights or other rights as a stockholder of the Company prior to the exercise hereof. Upon the exercise of this Warrant in accordance with Section 2, the Exercise Shares so purchased shall be and be deemed to be issued to such Holder as the record owner of such shares as of the close of business on the date of such exercise.

46. TRANSFER OF WARRANT. Subject to applicable laws, the restriction on transfer set forth on the first page of this Warrant and the provisions of Article VI of the Warrant Purchase Agreement, this Warrant and all rights hereunder are transferable by the Holder, in person or by duly authorized attorney, upon delivery of this Warrant, the Assignment Form attached hereto and funds sufficient to pay any transfer taxes payable upon the making of such transfer, to any transferee designated by Holder. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. A Warrant, if properly assigned, may be exercised by a new holder for the purchase of Exercise Shares without having a new Warrant issued. The Company may require, as a condition of allowing a transfer (i) that the Holder or transferee of this Warrant, as the case may be, furnish to the Company a written opinion of counsel (which opinion shall be in form, substance and scope customary for opinions of counsel in comparable transactions) to the effect that such transfer may be made without registration under the Securities Act and under applicable state securities or blue sky laws, (ii) that the holder or transferee execute and deliver to the Company an investment letter in form and substance acceptable to the Company, (iii) that the transferee be an “accredited investor” as defined in Rule 501(a) promulgated under the Securities Act and (iv) the transferee agree in writing to be bound by the terms of this Warrant and the Warrant Purchase Agreement as if an original signatory thereto.

47. LOST, STOLEN, MUTILATED OR DESTROYED WARRANT. If this Warrant is lost, stolen, mutilated or destroyed, the Company may, on such terms as to indemnity or otherwise as it may reasonably impose (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination and tenor as the Warrant so lost, stolen, mutilated or destroyed.

48. NOTICES, ETC. Any notice, request, demand, waiver, consent, approval or other communication that is required or permitted to be given hereto shall be in writing and shall be deemed given only if delivered to the applicable party personally or sent to the party by facsimile transmission (promptly followed by a hard-copy delivered in accordance with this Section 12), by next business day delivery by a nationally recognized courier service, or by registered or certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the party at its address set forth in the Warrant Purchase Agreement, or at such other address as the Company or Holder may designate by ten (10) days advance written notice to the other party hereto.

49. ACCEPTANCE. Receipt of this Warrant by the Holder shall constitute acceptance of and agreement to all of the terms and conditions contained herein.

50. GOVERNING LAW. This Warrant and all rights, obligations and liabilities hereunder shall be governed by the laws of the State of New York.

51. SATURDAYS, SUNDAYS, HOLIDAYS, ETC. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall be a Saturday, Sunday or a legal holiday, then such action may be taken or such right may be exercised on the next succeeding day not a Saturday, Sunday or legal holiday.

52. AMENDMENT. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

53. SUCCESSORS AND ASSIGNS. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors of the Company and the successors and permitted assigns of Holder.

54. HEADINGS. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its duly authorized officer as of _____ __, 2009.

EXELIXIS, INC.

By: _____

Name: _____

Title: _____

NOTICE OF EXERCISE

TO: EXELIXIS, INC.

(1) ☐ The undersigned hereby elects to purchase _____ shares of Common Stock of **EXELIXIS, INC.** (the "Company") pursuant to the terms of the attached Warrant, and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

☐ The undersigned hereby elects to purchase _____ shares of Common Stock of **EXELIXIS, INC.** (the "Company") pursuant to the terms of the net exercise provisions set forth in Section 2.2 of the attached Warrant, and shall tender payment of all applicable transfer taxes, if any.

(2) Please issue a certificate or certificates representing said shares of Common Stock in the name of the undersigned or in such other name as is specified below:

_____

(Name)

_____

_____

(Address)

(iv) (3) The undersigned represents that:

(A) It is an "accredited investor" within the meaning of Rule 501(a) of Regulation D promulgated under the Securities Act of 1933, as amended (the "Securities Act").

(B) It has relied completely on the advice of, or has consulted with or has had the opportunity to consult with, its own personal tax, investment, legal or other advisors and has not relied on the Company or any of its affiliates for advice.

(C) It has been advised and understands that the offer and sale of the attached Warrant and the shares of Common Stock issued upon exercise of the Warrant (the "Warrant Shares") have not been registered under the Securities Act. It is able to bear the economic risk of such investment for an indefinite period and to afford a complete loss thereof.

(D) It is acquiring the Warrant Shares solely for its own account for investment purposes as a principal and not with a view to the resale of all or any part thereof. It agrees that the Warrant Shares may not be resold (1) without registration thereof under the Securities Act (unless an exemption from such registration is available), or (2) in violation of any law. It acknowledges that the Company is not required to register the Warrant Shares under the Securities Act. It is not and will not be an underwriter within the meaning of Section 2(11) of the Securities Act with respect to the Warrant Shares.

(E) No person or entity acting on behalf of, or under the authority of, the undersigned is or will be entitled to any broker's, finder's, or similar fees or commission payable by the Company or any of its affiliates.

(Date)

(Signature)

(Print name)

ASSIGNMENT FORM

(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name: _____
(Please Print)

Address: _____
(Please Print)

Dated: _____, 2___

Holder's
Signature: _____

Holder's
Address: _____

NOTE: The signature to this Assignment Form must correspond with the name as it appears on the face of the Warrant, without alteration or enlargement or any change whatever. Officers of corporations and those acting in a fiduciary or other representative capacity should file proper evidence of authority to assign the foregoing Warrant.

REGISTRATION RIGHTS AGREEMENT

between

EXELIXIS, INC.

and

SYMPHONY EVOLUTION HOLDINGS LLC

Dated as of June 9, 2005

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REGISTRATION RIGHTS AGREEMENT

REGISTRATION RIGHTS AGREEMENT (this "**Agreement**"), dated as of June 9, 2005, by and between EXELIXIS, INC., a Delaware corporation ("**Exelixis**"), and SYMPHONY EVOLUTION HOLDINGS LLC, a Delaware limited liability company (together with its permitted successors, assigns and transferees, "**Holdings**").

RECITALS:

WHEREAS, in connection with the exercise by Exelixis of the Purchase Option under the Purchase Option Agreement, among Exelixis, Holdings and Symphony Evolution, Inc., a Delaware corporation ("**Symphony Evolution**"), of even date herewith (the "**Purchase Option Agreement**"), Exelixis may elect to issue shares of Exelixis' common stock, par value $0.001 per share ("**Exelixis Common Stock**") (such shares of Exelixis Common Stock when and if issued, the "**Purchase Option Shares**") to Holdings in partial payment of the Purchase Price in accordance with the terms of the Purchase Option Agreement; and

WHEREAS, to induce Holdings to execute and deliver the Purchase Option Agreement, Exelixis has agreed to provide certain registration rights under the Securities Act of 1933, as amended (the "**Securities Act**"), and applicable state securities laws with respect to the Purchase Option Shares;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Exelixis and Holdings (the "***Parties***") hereby agree as follows:

Section 1. Definitions.

(a) Capitalized terms used but not defined herein are used as defined in Purchase Option Agreement.

(b) As used in this Agreement, the following terms shall have the following meanings:

(i) "**Effective Registration Date**" means the date that the Registration Statement (as defined below) is first declared effective by the SEC.

(ii) "**Investor(s)**" means Holdings, any transferee or assignee thereof to whom Holdings assigns its rights under this Agreement and who agrees to become bound by the provisions of this Agreement in accordance with Section 9 and any transferee or assignee thereof to whom a transferee or assignee assigns its rights under this Agreement and who agrees to become bound by the provisions of this Agreement in accordance with Section 9.

(iii) "**Purchase Option Related Registrable Securities**" means (i) the Purchase Option Shares, and (ii) any Exelixis Common Stock issued with respect to the Purchase Option Shares as a result of any stock split, stock dividend, recapitalization, exchange or similar event or otherwise.

(iv) "**register**," "**registered**," and "**registration**" refer to a registration effected by preparing and filing one or more Registration Statements in compliance with the Securities Act and pursuant to Rule 415, and the declaration or ordering of effectiveness of such Registration Statement(s) by the SEC.

(v) "**Registrable Securities**" means the Purchase Option Related Registrable Securities; provided, however, that such securities will cease to be Registrable Securities on the earlier of (A) the date as of which the Investor(s) may sell such securities without restriction pursuant to Rule 144(k) (or successor thereto) promulgated under the Securities Act or (B) the date on which the Investor(s) shall have sold all such securities.

(vi) "**Registration Statement**" means a registration statement or registration statements of Exelixis filed under the Securities Act covering the Registrable Securities.

(vii) "**Rule 415**" means Rule 415 under the Securities Act or any successor rule providing for offering securities on a continuous or delayed basis.

Section 2. Registration.

(a) Right to Registration. In the event Exelixis elects to exercise the Purchase Option as set forth in the Purchase Option Agreement, and in so doing elects to issue Purchase Option Related Registrable Securities, Exelixis shall prepare and, in accordance with Section 2(a)(ii)(A) of the Purchase Option Agreement, file with the SEC a Registration Statement on Form S-3 covering the resale of the Purchase Option Related Registrable Securities. The Registration Statement prepared pursuant hereto shall register for resale that number of shares of Exelixis Common Stock equal to the number of Purchase Option Related Registrable Securities as would be issued pursuant to the terms of the Purchase Option Agreement. Exelixis shall use commercially reasonable efforts to have the Registration Statement declared effective by the SEC as soon as practicable following the Purchase Option Exercise Date.

(b) Ineligibility for Form S-3. In the event that Form S-3 is not available for the registration of the resale of Registrable Securities hereunder, Exelixis shall (i) in accordance with Section 2(a)(ii)(A) of the Purchase Option Agreement, register the resale of the Registrable Securities on another appropriate form reasonably acceptable to Holdings (which acceptable forms shall include Form S-1), and (ii) undertake to register the Registrable Securities on Form S-3 as soon as such form is available; provided that Exelixis shall maintain the effectiveness of the Registration Statement then in effect until such time as a Registration Statement on Form S-3 covering the Registrable Securities has been declared effective by the SEC.

Section 3. Related Obligations. At such time as Exelixis is obligated to file a Registration Statement with the SEC pursuant to Section 2(a) or 2(b), Exelixis will use commercially reasonable efforts to effect the registration of the Registrable Securities in accordance with the intended method of disposition thereof and, pursuant thereto (except at such times as Exelixis may be required to suspend the use of a prospectus forming a part of the Registration Statement pursuant to Section 3(l), at which time Exelixis' obligations under Sections 3(a), (b), (c), (d), (i) and (k) may also be suspended, as required), Exelixis shall have the following obligations:

(a) Exelixis shall keep each Registration Statement effective pursuant to Rule 415 at all times until the earlier of (i) the date as of which the Investor(s) may sell all of the Registrable Securities covered by such Registration Statement without restriction pursuant to Rule 144(k) (or successor thereto) promulgated under the Securities Act, or (ii) the date on which the Investor(s) shall have sold all the Registrable Securities covered by such Registration Statement (the "**Registration Period**").

(b) Exelixis shall prepare and file with the SEC such amendments (including post-effective amendments) and supplements to a Registration Statement and the prospectus used in connection with such Registration Statement as may be necessary to keep such Registration Statement effective at all times during the Registration Period, and, during such period, comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities of Exelixis covered by such Registration Statement until such time as all of such Registrable Securities shall have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof as set forth in such Registration Statement. In the case of amendments and supplements to a Registration Statement which are required to be filed pursuant to this Agreement (including pursuant to this Section 3(b)) by reason of Exelixis filing a report on Form 10-K, Form 10-Q or Form 8-K or any analogous report under the Securities Exchange Act of 1934, as amended (the "**1934 Act**"), Exelixis shall have incorporated such report by reference into such Registration Statement, if applicable, or shall file such amendments or supplements with the SEC on the same day on which the 1934 Act report is filed which created the requirement for Exelixis to amend or supplement such Registration Statement.

(c) Exelixis shall furnish to each Investor whose Registrable Securities are included in any Registration Statement, without charge, (i) promptly after the same is prepared and filed with the SEC, at least one copy of such Registration Statement and any amendment(s) thereto, including financial statements and schedules, and each preliminary prospectus, (ii) upon the effectiveness of any Registration Statement, ten (10) copies of the prospectus included in such Registration Statement and all amendments and supplements thereto (or such other number of copies as such Investor may reasonably request), and (iii) such other documents, including copies of any preliminary or final prospectus, as such Investor may reasonably request from time to time in order to facilitate the disposition of the Registrable Securities owned by such Investor.

(d) Exelixis shall use commercially reasonable efforts to (i) register and qualify, unless an exemption from registration and qualification applies, the resale by Investor(s) of the Registrable Securities covered by a Registration Statement under such other securities or "blue sky" laws of such jurisdictions in the United States as Investor(s) reasonably request, (ii) prepare and file in those jurisdictions such amendments (including post-effective amendments) and supplements to such registrations and qualifications as may be necessary to maintain the effectiveness thereof during the Registration Period, and (iii) take such other actions as may be necessary to maintain such registrations and qualifications in effect at all times during the Registration Period; provided, however, that Exelixis shall not be required in connection therewith or as a condition thereto to (x) qualify to do business in any jurisdiction where it would not otherwise be required to qualify but for this Section 3(d), (y) subject itself to general taxation in any such jurisdiction, or (z) file a general consent to service of process in any such

jurisdiction. Exelixis shall promptly notify each Investor who holds Registrable Securities of the receipt by Exelixis of any notification with respect to the suspension of the registration or qualification of any of the Registrable Securities for sale under the securities or "blue sky" laws of any jurisdiction in the United States or its receipt of actual notice of the initiation or threatening of any proceeding for such purpose.

(e) Exelixis shall notify each Investor in writing of the happening of any event, as promptly as practicable after becoming aware of such event, as a result of which the prospectus included in a Registration Statement, as then in effect, includes an untrue statement of a material fact or omission to state a 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, and, subject to Section 3(l) hereof, promptly prepare a supplement or amendment to such Registration Statement to correct such untrue statement or omission. Exelixis shall also promptly notify each Investor in writing when a prospectus or any prospectus supplement or post-effective amendment has been filed, and when a Registration Statement or any post-effective amendment has become effective.

(f) Exelixis shall use commercially reasonable efforts to prevent the issuance of any stop order or other suspension of effectiveness of a Registration Statement, or the suspension of the qualification of any of the Registrable Securities for sale in any jurisdiction and, if such an order or suspension is issued, to obtain the withdrawal of such order or suspension at the earliest possible moment.

(g) In the event that any Investor is deemed to be an "underwriter" with respect to the Registrable Securities, upon the written request of such Investor in connection with such Investor's due diligence requirements, if any, Exelixis shall make available for inspection by (i) such Investor, and (ii) any legal counsel, accountants or other agents retained by the Investor (collectively, "**Inspectors**"), all pertinent financial and other records, and pertinent corporate documents and properties of Exelixis (collectively, "**Records**"), as shall be reasonably deemed necessary by each Inspector, and cause Exelixis' officers, directors and employees to supply all information which any Inspector may reasonably request; provided, however, that each Inspector and such Investor shall agree in writing to hold in strict confidence and shall not make any disclosure (except with respect to an Inspector, to the relevant Investor) or use of any Record or other information which Exelixis determines in good faith to be confidential, and of which determination the Inspectors are so notified, unless the release of such Records is ordered pursuant to a final, non-appealable subpoena or order from a court or government body of competent jurisdiction. Each Investor agrees that it shall, upon learning that disclosure of such Records is required or is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt notice to Exelixis and allow Exelixis, at its expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, the Records deemed confidential. Nothing herein (or in any other confidentiality agreement between Exelixis and any Investor) shall be deemed to limit the Investor(s)' ability to sell Registrable Securities in a manner which is otherwise consistent with applicable laws and regulations.

(h) Exelixis shall hold in confidence and not make any disclosure of information concerning an Investor provided to Exelixis unless (i) disclosure of such information is necessary to comply with federal or state securities laws or the rules of any securities exchange or trading market on which the Exelixis Common Stock is listed or traded, (ii) the disclosure of

such information is necessary to avoid or correct a misstatement or omission in any Registration Statement, or (iii) the release of such information is ordered pursuant to a subpoena or other final, non-appealable order from a court or governmental body of competent jurisdiction. Exelixis agrees that it shall, upon learning that disclosure of such information concerning an Investor is sought in or by a court or governmental body of competent jurisdiction or through other means, give prompt written notice to such Investor and allow such Investor, at the Investor's expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, such information.

(i) Exelixis shall use commercially reasonable efforts either to (i) cause all the Registrable Securities covered by a Registration Statement to be listed on each securities exchange on which securities of the same class or series issued by Exelixis are then listed, if any, if the listing of such Registrable Securities is then permitted under the rules of such exchange, or (ii) secure designation and quotation of all the Registrable Securities covered by a Registration Statement on the NASDAQ National Market. Exelixis shall pay all fees and expenses in connection with satisfying its obligation under this Section 3(i).

(j) Exelixis shall cooperate with the Investor(s) who hold Registrable Securities being offered and, to the extent applicable, facilitate the timely preparation and delivery of certificates representing the Registrable Securities to be offered pursuant to a Registration Statement and enable such certificates to be in such denominations or amounts, as the case may be, as the Investor(s) may reasonably request and registered in such names as the Investor(s) may request.

(k) If requested by an Investor, Exelixis shall (i) as soon as practicable incorporate in a prospectus supplement or post-effective amendment such information as an Investor reasonably requests to be included therein relating to the sale and distribution of Registrable Securities, including, without limitation, information with respect to the number of Registrable Securities being offered or sold, the purchase price being paid therefor and any other terms of the offering of the Registrable Securities to be sold in such offering and (ii) as soon as practicable make all required filings of such prospectus supplement or post-effective amendment after being notified of the matters to be incorporated in such prospectus supplement or post-effective amendment.

(l) Notwithstanding anything to the contrary herein, at any time after the Registration Statement has been declared effective by the SEC, Exelixis may delay the disclosure of material, non-public information concerning Exelixis the disclosure of which at the time is not, in the good faith opinion of Exelixis, in the best interest of Exelixis (a "**Grace Period**"); provided, that Exelixis shall promptly notify the Investor(s) in writing of the existence of a Grace Period in conformity with the provisions of this Section 3(l) and the date on which the Grace Period will begin (such notice, a "**Commencement Notice**"; and, provided further, that no Grace Period shall exceed thirty (30) days during any ninety (90) day period and during any three hundred sixty five (365) day period such Grace Periods shall not exceed an aggregate of ninety (90) days. For purposes of determining the length of a Grace Period above, the Grace Period shall begin on and include the date specified by Exelixis in the Commencement Notice and shall end on and include the date Investor(s) receive written notice of the termination of the Grace Period by Exelixis (which notice may be contained in the Commencement Notice). The provisions of Section 3(f) hereof shall not be applicable during any Grace Period. Upon expiration of the Grace Period, Exelixis shall again be bound by the first sentence of Section 3(e) with respect to the information giving rise thereto unless such material, non-public information is no longer applicable.

Section 4. Obligations Of The Investor(s).

(a) At least seven (7) Business Days prior to the first anticipated filing date of a Registration Statement, Exelixis shall notify each Investor in writing of the information Exelixis requires from each such Investor if such Investor elects to have any of such Investor's Registrable Securities included in such Registration Statement. It shall be a condition precedent to the obligations of Exelixis to complete the registration pursuant to this Agreement with respect to the Registrable Securities of a particular Investor that such Investor shall furnish to Exelixis such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it as shall be reasonably required to effect the effectiveness of the registration of such Registrable Securities and shall execute such documents in connection with such registration as Exelixis may reasonably request.

(b) Each Investor, by such Investor's acceptance of the Registrable Securities, agrees to cooperate with Exelixis as reasonably requested by Exelixis in connection with the preparation and filing of any Registration Statement hereunder, unless such Investor has notified Exelixis in writing of such Investor's election to exclude all of such Investor's Registrable Securities from such Registration Statement.

(c) Each Investor agrees that, upon receipt of any notice from Exelixis of the happening of any event of the kind described in Section 3(f) or the first sentence of Section 3(e), such Investor will immediately discontinue disposition of Registrable Securities pursuant to any Registration Statement(s) covering such Registrable Securities until such Investor's receipt of the copies of the supplemented or amended prospectus contemplated by the second sentence of Section 3(e) or receipt of notice that no supplement or amendment is required.

(d) Each Investor covenants and agrees that it will comply with any applicable prospectus delivery requirements of the Securities Act as applicable to it in connection with sales of Registrable Securities pursuant to a Registration Statement.

Section 5. Expenses of Registration. All reasonable expenses, other than underwriting discounts and commissions, incurred in connection with registrations, filings or qualifications pursuant to Sections 2 and 3 hereof, including, without limitation, all registration, listing and qualifications fees, printers and accounting fees, and fees and disbursements of counsel for Exelixis shall be paid by Exelixis. All underwriting discounts and selling commissions applicable to the sale of the Registrable Securities shall be paid by the Investor(s), provided, however, that Exelixis shall reimburse the Investor(s) for the reasonable actual fees and disbursements of one legal counsel designated by the holders of at least a majority of the Registrable Securities in connection with registration, filing or qualification pursuant to Sections 2 and 3 of this Agreement, which amount shall be limited to $30,000 in total over the term of this Agreement.

Section 6. Indemnification. In the event any Registrable Securities are included in a Registration Statement under this Agreement:

(a) To the fullest extent permitted by law, Exelixis will, and hereby does, indemnify and hold harmless each Investor, the directors, officers, partners, members, employees, agents, representatives of, and each Person, if any, who controls any Investor within the meaning of the Securities Act or the 1934 Act (each, an "**Investor Indemnified Person**"), against any losses, claims, damages, liabilities, judgments, fines, penalties, charges, costs, reasonable attorneys' fees, amounts paid in settlement or expenses, joint or several (collectively, "**Claims**"), incurred in investigating, preparing or defending any action, claim, suit, inquiry, proceeding, investigation or appeal taken from the foregoing by or before any court or governmental, administrative or other regulatory agency, body or the SEC, whether pending or threatened, whether or not an indemnified Person is or may be a party thereto ("**Indemnified Damages**"), to which any of them may become subject insofar as such Claims (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact in a Registration Statement or any post-effective amendment thereto or in any filing made in connection with the qualification of the offering under the securities or other "blue sky" laws of any jurisdiction in which Registrable Securities are offered ("**Blue Sky Filing**"), or the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading; (ii) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus if used prior to the Effective Registration Date of such Registration Statement, or contained in the final prospectus (as amended or supplemented, if Exelixis files any amendment thereof or supplement thereto with the SEC) or the omission or alleged omission to state therein any material fact necessary to make the statements made therein, in the light of the circumstances under which the statements therein were made, not misleading; or (iii) any material violation or alleged violation by Exelixis of any federal, state or common law, rule or regulation applicable to Exelixis in connection with any Registration Statement, prospectus or any preliminary prospectus, any amendment or supplement thereto, or the issuance of any Registrable Securities to Holdings (the matters in the foregoing clauses (i) through (iii) being, collectively, "**Violations**"). Subject to Section 6(c), Exelixis shall reimburse the Investor Indemnified Persons, promptly as such expenses are incurred and are due and payable, for any legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(a): (A) shall not apply to a Claim by an Investor Indemnified Person arising out of or based upon a Violation that occurs in reliance upon and in conformity with information furnished in writing to Exelixis by or on behalf of any such Investor Indemnified Person expressly for use in connection with the preparation of the Registration Statement or any such amendment thereof or supplement thereto if such information was timely made available by Exelixis pursuant to Section 3(c); (B) with respect to any preliminary prospectus, shall not inure to the benefit of any such Person from whom the Person asserting any such Claim purchased the Registrable Securities that are the subject thereof (or to the benefit of any Person controlling such Person) if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected in the prospectus, as then amended or supplemented, if such prospectus was timely made available by Exelixis pursuant to Section 3(d), and the Investor Indemnified Person was promptly advised in writing not to use the incorrect prospectus prior to the use giving rise to a violation and such Investor Indemnified Person, notwithstanding such advice, used it or failed to deliver the correct prospectus as required by the Securities Act and such correct prospectus was timely made available pursuant to Section 3(d); (C) shall not be available to the extent such Claim is based on a failure of the

Investor Indemnified Person to deliver or to cause to be delivered the prospectus made available by Exelixis, including a corrected prospectus, if such prospectus or corrected prospectus was timely made available by Exelixis pursuant to Section 3(d); and (D) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of Exelixis, which consent shall not be unreasonably withheld or delayed. Such indemnity shall remain full force and effect regardless of any investigation made by or on behalf of the Investor Indemnified Person and shall survive the transfer of the Registrable Securities by the Investor(s) pursuant to Section 9.

(b) In connection with any Registration Statement in which an Investor is participating, each such Investor agrees to severally and not jointly indemnify, and hold harmless, to the same extent and in the same manner as is set forth in Section 6(a), Exelixis, each of its directors, each of its officers who signs the Registration Statement and each Person, if any, who controls Exelixis within the meaning of the Securities Act or the 1934 Act (each, a "**Company Indemnified Person**"), against any Claim or Indemnified Damages to which any of them may become subject, under the Securities Act, the 1934 Act or otherwise, insofar as such Claim or Indemnified Damages arise out of or are based upon any Violation, in each case to the extent, and only to the extent, that such Violation occurs in reliance upon and in conformity with written information furnished to Exelixis by such Investor expressly for use in connection with such Registration Statement; and, subject to Section 6(d), such Investor will reimburse, promptly as such expenses are incurred and are due and payable, any legal or other expenses reasonably incurred by a Company Indemnified Person in connection with investigating or defending any such Claim; provided, however, that the indemnity agreement contained in this Section 6(b) and the agreement with respect to contribution contained in Section 7 shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of such Investor, which consent shall not be unreasonably withheld or delayed; provided, further, however, that an Investor shall be liable under this Section 6(b) for only that amount of a Claim or Indemnified Damages as does not exceed the net proceeds to such Investor as a result of the sale of Registrable Securities pursuant to such Registration Statement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Company Indemnified Person and shall survive the transfer of the Registrable Securities by the Investor(s) pursuant to Section 9. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 6(b) with respect to any preliminary prospectus shall not inure to the benefit of any Company Indemnified Person if the untrue statement or omission of material fact contained in the preliminary prospectus was corrected on a timely basis in the prospectus, as then amended or supplemented.

(c) If either an Investor Indemnified Person or a Company Indemnified Person (an "**Indemnified Person**") proposes to assert a right to be indemnified under this Section 6, such Indemnified Person shall notify either Exelixis or the relevant Investor(s), as applicable (the "**Indemnifying Person**"), promptly after receipt of notice of commencement of any action, suit or proceeding against such Indemnified Person (an "**Indemnified Proceeding**") in respect of which a Claim is to be made under this Section 6, or the incurrence or realization of any Indemnified Damages in respect of which a Claim is to be made under this Section 6, of the commencement of such Indemnified Proceeding or of such incurrence or realization, enclosing a copy of all relevant documents, including all papers served and claims made, but the omission to so notify the applicable Indemnifying Person promptly of any such Indemnified Proceeding or incurrence or realization shall not relieve (x) such Indemnifying Person from any liability that it

may have to such Indemnified Person under this Section 6 or otherwise, except, as to such Indemnifying Person's liability under this Section 6, to the extent, but only to the extent, that such Indemnifying Person shall have been prejudiced by such omission, or (y) any other Indemnifying Person from liability that it may have to any Indemnified Person under the Operative Documents.

(d) In case any Indemnified Proceeding shall be brought against any Indemnified Person and it shall notify the applicable Indemnifying Person of the commencement thereof as provided by Section 6(c) and such Indemnifying Person shall be entitled to participate in, and provided such Indemnified Proceeding involves a claim solely for money damages and does not seek an injunction or other equitable relief against the Indemnified Person and is not a criminal or regulatory action, to assume the defense of, such Indemnified Proceeding with counsel reasonably satisfactory to such Indemnified Person, and after notice from such Indemnifying Person to such Indemnified Person of such Indemnifying Person's election so to assume the defense thereof and the failure by such Indemnified Person to object to such counsel within ten (10) Business Days following its receipt of such notice, such Indemnifying Person shall not be liable to such Indemnified Person for legal or other expenses related to such Indemnified Proceedings incurred after such notice of election to assume such defense except as provided below and except for the reasonable costs of investigating, monitoring or cooperating in such defense subsequently incurred by such Indemnified Person reasonably necessary in connection with the defense thereof. Such Indemnified Person shall have the right to employ its counsel in any such Indemnified Proceeding, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless:

(i) the employment of counsel by such Indemnified Person at the expense of the applicable Indemnifying Person has been authorized in writing by such Indemnifying Person;

(ii) such Indemnified Person shall have reasonably concluded in its good faith (which conclusion shall be determinative unless a court determines that such conclusion was not reached reasonably and in good faith) that there is or may be a conflict of interest between the applicable Indemnifying Person and such Indemnified Person in the conduct of the defense of such Indemnified Proceeding or that there are or may be one or more different or additional defenses, claims, counterclaims, or causes of action available to such Indemnified Person (it being agreed that in any case referred to in this clause (ii) such Indemnifying Person shall not have the right to direct the defense of such Indemnified Proceeding on behalf of the Indemnified Person);

(iii) the applicable Indemnifying Person shall not have employed counsel reasonably acceptable to the Indemnified Person, to assume the defense of such Indemnified Proceeding within a reasonable time after notice of the commencement thereof (provided, however, that this clause shall not be deemed to constitute a waiver of any conflict of interest that may arise with respect to any such counsel); or

(iv) any counsel employed by the applicable Indemnifying Person shall fail to timely commence or diligently conduct the defense of such Indemnified Proceeding;

in each of which cases the fees and expenses of counsel for such Indemnified Person shall be at the expense of such Indemnifying Person. Only one counsel shall be retained by all Indemnified Persons with respect to any Indemnified Proceeding, unless counsel for any Indemnified Person reasonably concludes in good faith (which conclusion shall be determinative unless a court determines that such conclusion was not reached reasonably and in good faith) that there is or may be a conflict of interest between such Indemnified Person and one or more other Indemnified Persons in the conduct of the defense of such Indemnified Proceeding or that there are or may be one or more different or additional defenses, claims, counterclaims, or causes or action available to such Indemnified Person.

(e) Without the prior written consent of such Indemnified Person, such Indemnifying Person shall not settle or compromise, or consent to the entry of any judgment in, any pending or threatened Indemnified Proceeding, unless such settlement, compromise, consent or related judgment (i) includes an unconditional release of such Indemnified Person from all liability for Losses arising out of such claim, action, investigation, suit or other legal proceeding, (ii) provides for the payment of money damages as the sole relief for the claimant (whether at law or in equity), (iii) involves no finding or admission of any violation of law or the rights of any Person by the Indemnified Person, and (iv) is not in the nature of a criminal or regulatory action. No Indemnified Person shall settle or compromise, or consent to the entry of any judgment in, any pending or threatened Indemnified Proceeding in respect of which any payment would result hereunder or under the Operative Documents without the prior written consent of the Indemnifying Person, such consent not to be unreasonably conditioned, withheld or delayed.

(f) The indemnification required by this Section 6 shall be made by periodic payments of the amount of Claims during the course of the investigation or defense, as and when Indemnified Damages are incurred.

Section 7. Contribution. To the extent any indemnification by an indemnifying Person is prohibited or limited by law, the indemnifying party agrees to make the maximum contribution with respect to any amounts for which it would otherwise be liable under Section 6 to the fullest extent permitted by law; provided, however, that: (i) no Person involved in the sale of Registrable Securities which Person is guilty of fraudulent misrepresentation (within the meaning Section 11(f) of the Securities Act) in connection with such sale shall be entitled to contribution from any Person involved in such sale of Registrable Securities who was not guilty of fraudulent misrepresentation; and (ii) contribution by any seller of Registrable Securities shall be limited in amount to the net amount of proceeds received by such seller from the sale of such Registrable Securities pursuant to such Registration Statement.

Section 8. Reports Under The 1934 Act. With a view to making available to the Investor(s) the benefits of Rule 144 promulgated under the Securities Act or any other similar rule or regulation of the SEC that may at any time permit the Investor(s) to sell securities of Exelixis to the public without registration ("**Rule 144**"), Exelixis agrees to use commercially reasonable efforts to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144;

(b) file with the SEC in a timely manner all reports and other documents required of Exelixis under the Securities Act and the 1934 Act so long as Exelixis remains subject to such requirements and the filing of such reports and other documents is required for the applicable provisions of Rule 144; and

(c) furnish to each Investor so long as such Investor owns Registrable Securities, promptly upon request, (i) a written statement by Exelixis, if true, that it has complied with the reporting requirements of Rule 144, the Securities Act and the 1934 Act, (ii) a copy of the most recent annual or quarterly report of Exelixis and such other reports and documents so filed by Exelixis, and (iii) such other information as may be reasonably requested to permit the Investor(s) to sell such securities pursuant to Rule 144 without registration.

Section 9. Assignment of Registration Rights. The rights under this Agreement shall be automatically assignable by the Investor(s) to any transferee of all or at least 50,000 shares of such Investor's Registrable Securities (or if an Investor shall hold less than 50,000 such shares, then a transfer of all such shares) if: (i) the Investor agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to Exelixis within a reasonable time after such assignment; (ii) Exelixis is, within a reasonable time after such transfer or assignment, furnished with written notice of (A) the name and address of such transferee or assignee, and (B) the securities with respect to which such registration rights are being transferred or assigned; (iii) immediately following such transfer or assignment the further disposition of such securities by the transferee or assignee is restricted under the Securities Act and applicable state securities laws; (iv) at or before the time Exelixis receives the written notice contemplated by clause (ii) of this sentence the transferee or assignee agrees in writing with Exelixis to be bound by all of the provisions contained herein; and (v) such transfer shall have been made in accordance with the applicable requirements, if any, of the Purchase Option Agreement.

Section 10. Amendment of Registration Rights.

(a) The terms of this Agreement shall not be altered, modified, amended, waived or supplemented in any manner whatsoever except by a written instrument signed by each of (i) Exelixis and (ii) Investor(s) holding a majority of the Registrable Securities (other than in the case of any alteration, modification, amendment, waiver or supplement which affects any individual Investor in a manner that is less favorable or more detrimental to such Investor than to the other Investor(s) solely based on the face of such alteration, modification, amendment, waiver or supplement and without regard to the number of Registrable Securities held by such Investor, in which case, such alteration, modification, amendment, waiver or supplement must also be approved by such less favorably or more detrimentally treated Investor).

(b) Notwithstanding Section 10(a), any party hereto may waive, solely with respect to itself, any one or more of its rights hereunder without the consent of any other party hereto; provided that no such waiver shall be effective unless set forth in a written instrument executed by the party against whom such waiver is to be effective.

Section 11. Miscellaneous.

(a) A Person is deemed to be a holder of Registrable Securities whenever such Person owns or is deemed to own of record such Registrable Securities. If Exelixis receives conflicting instructions, notices or elections from two or more Persons with respect to the same Registrable Securities, Exelixis shall act upon the basis of instructions, notice or election received from the such record owner of such Registrable Securities.

(b) Any notice, request, demand, waiver, consent, approval or other communication which is required or permitted to be given to any party hereto shall be in writing and shall be deemed given only if delivered to the party personally or sent to the party by facsimile transmission (promptly followed by a hard-copy delivered in accordance with this Section 11(b)), by next Business Day delivery by a nationally recognized courier service, or by registered or certified mail (return receipt requested), with postage and registration or certification fees thereon prepaid, addressed to the party at its address set forth below:

If to Exelixis:

Exelixis, Inc.
170 Harbor Way
South San Francisco, CA 94083
Attention: Corporate Secretary
Facsimile: (650) 837-7951

with a copy to:

Cooley Godward LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306
Attention: Suzanne Sawochka Hooper
Facsimile: (650) 849-7400

If to Holdings:

Symphony Evolution Holdings LLC
7361 Calhoun Place, Suite 325
Rockville, MD 20850
Attn: Joseph P. Clancy
Facsimile: (301) 762-6154

with a copy to:

Symphony Capital Partners, L.P.
875 Third Avenue, 18th Floor
New York, NY 10022
Facsimile: (212) 632-5401

and

Symphony Strategic Partners, LLC
875 Third Avenue, 18th Floor
New York, NY 10022
Facsimile: (212) 632-5401

or to such other address as such party may from time to time specify by notice given in the manner provided herein to each other party entitled to receive notice hereunder.

(c) This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York; except to the extent that this Agreement pertains to the internal governance of Holdings, and to such extent this Agreement shall be governed and construed in accordance with the laws of the State of Delaware.

(d) Each of the parties hereto hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court, any Delaware State court or federal court of the United States of America sitting in The City of New York, Borough of Manhattan or Wilmington, Delaware, and any appellate court from any jurisdiction thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court, any such Delaware State court or, to the fullest extent permitted by law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party hereto may otherwise have to bring any action or proceeding relating to this Agreement.

(e) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any New York State or federal court, or any Delaware State or Federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court. Each of the parties hereby consent to service of process by mail.

(f) WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER BASED ON CONTRACT, TORT OR OTHERWISE) ARISING OUT OF OR RELATING TO THIS AGREEMENT.

(g) Entire Agreement. This Agreement (including any Annexes, Schedules, Exhibits or other attachments hereto) constitutes the entire agreement between the parties hereto with respect to the matters covered hereby and supersedes all prior agreements and understandings with respect to such matters between the parties hereto.

(h) Amendment; Successors; Assignment; Counterparts.

(i) The terms of this Agreement shall not be waived, altered, modified, amended or supplemented in any manner whatsoever except by a written instrument signed by each of the parties hereto.

(ii) Nothing expressed or implied herein is intended or shall be construed to confer upon or to give to any Person, other than the parties hereto, any right, remedy or claim under or by reason of this Agreement or of any term, covenant or condition hereof, and all the terms, covenants, conditions, promises and agreements contained herein shall be for the sole and exclusive benefit of the parties hereto and their successors and permitted assigns provided, however, that, subject to the requirements of Section 9, this Agreement shall inure to the benefit of and be binding upon the permitted successors and assigns of each of the parties hereto.

(iii) Any party hereto may waive, solely with respect to itself, any one or more of its rights hereunder without the consent of any other party hereto; provided, that no such waiver shall be effective unless set forth in a written instrument executed by the party hereto against whom such waiver is to be effective.

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

(i) Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as any other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(j) All consents and other determinations required to be made by the Investor(s) pursuant to this Agreement shall be made, unless otherwise specified in this Agreement, by Investor(s) holding at least a majority of the Registrable Securities.

[SIGNATURES FOLLOW ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers or other representatives thereunto duly authorized, as of the date first above written.

EXELIXIS, INC.

By: /s/ Christoph Pereira
Name: Christoph Pereira
Title: Vice President, Legal Affairs and Secretary

SYMPHONY EVOLUTION HOLDINGS LLC

By: Symphony Capital Partners, L.P.,
its managing member

By: Symphony Capital GP, L.P.,
its general partner

By: Symphony GP, LLC,
its general partner

By: /s/ Mark Kessel
Name: Mark Kessel
Title: Managing Member

NOTE PURCHASE AGREEMENT

NOTE PURCHASE AGREEMENT (this "Agreement"), dated as of June 2, 2010, between Exelixis, Inc., a Delaware corporation (the "Borrower"), Deerfield Private Design Fund, L.P., a Delaware limited partnership, and Deerfield Private Design International, L.P., a limited partnership organized under the laws of the British Virgin Islands, (individually, a "Purchaser" and together, the "Purchasers" and, together with the Borrower, the "Parties").

W I T N E S S E T H

WHEREAS, the Borrower wishes to issue and sell to the Purchasers, and the Purchasers wish to purchase from the Borrower, Notes in the aggregate initial principal amounts set forth herein;

NOW, THEREFORE, in consideration of the mutual agreements set forth herein, the Purchasers and the Borrower agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 General Definitions. Wherever used in this Agreement, the Exhibits or the Schedules attached hereto, unless the context otherwise requires, the following terms have the following meanings:

"Additional Amounts" has the meaning given to it in Section 2.5(b).

"Affiliate" means any person or entity that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a person or entity, as such terms are used in and construed under Rule 144 under the Securities Act. With respect to a Purchaser, any investment fund or managed account that is managed on a discretionary basis by the same investment manager as such Purchaser will be deemed to be an Affiliate of such Purchaser. As used in this definition of "Affiliate," the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities or partnership or other ownership interest, by contract, or otherwise.

"Business Day" means a day on which banks are open for business in The City of New York and San Francisco.

"Cash and Cash Equivalents" means, with respect to any date of determination and any Person, cash and cash equivalents and short-term and long-term marketable securities, in each case including those included in long-term investments, as set forth on such Person's consolidated balance sheet as of such date.

"Closing" has the meaning given to it in Section 2.1.

"Closing Date" has the meaning given to it in Section 2.1.

"Code" means the Internal Revenue Code of 1986, as amended, and any Treasury Regulations promulgated thereunder.

"Common Stock" means the common stock, par value $0.001 per share, of the Borrower.

"Contract Year" means each one-year period ending on an anniversary of the date of this Agreement.

"Customary Subordination Terms" means, with respect to any subordinated Indebtedness, that no payment in respect of such Indebtedness may be made if (a) an Event of Default pursuant to Section 5.5(a) shall have occurred and is continuing, including as a result of the delivery of an Acceleration Notice (as defined in Section 5.5), until such Acceleration Notice is rescinded or the Notes have been paid in full or (b) any other Event of Default shall have occurred and be continuing and the Purchasers shall have sent to the Borrower a notice of default (a "Payment Blockage Notice"); provided that no more than one Payment Blockage Notice may be sent during any 365 day period and payments in respect of such notes may resume upon the earliest to occur of (i) the date on which such default is cured or waived, (ii) 91 days after the date the Notes are paid in full, (iii) the date 179 days after the date on which the Payment Blockage Notice is received, and (iv) the date the Payment Blockage Notice is rescinded.

"Development/Commercialization Agreement" means any collaborative agreement, license, joint venture, partnership or other collaborative arrangement, regardless of form, for the research, development or commercial exploitation, or the right to research, develop or exploit, technology, intellectual property, regulatory rights or products of any Person, including, without limitation, any agreement, license, joint venture, partnership or arrangement described in clause (a) of the definition of Excluded Transaction.

"Development/Commercialization Revenue" means, with respect to any fiscal year of the Borrower, (a) all cash consideration actually received by the Borrower and its Subsidiaries during such fiscal year relating to (i) upfront payments pursuant to any Development/Commercialization Agreements entered into after the Closing Date, and (ii) milestone, profit share and royalty payments pursuant to any Development/Commercialization Agreements, and (b) any cash actually received by the Borrower and its Subsidiaries during such fiscal year from the monetization of any non-cash consideration relating to payments described in clauses (i) and (ii) above; provided, in each case, any payments received by the Borrower in respect of the expenses of sponsored research and any other expenses and capital expenditures incurred by the Borrower and reimbursed pursuant to any Development Commercialization Agreement shall be excluded from the definition of Development/Commercialization Revenue.

"Default" means any event which, at the giving of notice, lapse of time or fulfillment of any other applicable condition (or any combination of the foregoing), would constitute an Event of Default.

"Discount Factor" means $1/1.00024^{d}$, with "d" being the number of calendar days from the Purchasers' receipt of an Optional Prepayment Payment through the Maturity Date; provided, however, that "d" shall never be greater than 1460.

"Dollars" and the "$" sign mean the lawful currency of the United States of America.

"Event of Default" has the meaning given to it in Section 5.5.

"Excluded Taxes" means all income taxes, minimum or alternative minimum income taxes, withholding taxes imposed on gross amounts, any tax determined based upon income, capital gains, gross income, sales, net profits, windfall profits or similar items, franchise taxes (or any other tax measured by capital, capital stock or net worth), gross receipts taxes, branch profits taxes, margin taxes (or any other taxes imposed on or measured by net income, or imposed in lieu of net income) in any jurisdiction by any Government Authority (or political subdivision or taxing authority thereof) other than, solely with respect to a Purchaser that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code, any Taxes imposed by any U.S. federal, U.S. state or U.S. local Government Authority in connection with any payments received (whether in cash or stock) under this Agreement by such Purchaser or with the execution and delivery of, and the performance of its obligations under, this Agreement.

"Excluded Transaction" means any of the following transactions:

(a) the entering into any collaborative arrangement, licensing agreement, joint venture or partnership providing for the research, development or commercial exploitation of compounds, products or services that provides for the payments received therefrom or the Borrower's income or profits to be shared with another Person, including, without limitation, (1) the grant, to an entity engaged in the pharmaceutical or biotechnology industry, of a license or option to obtain a license to any of the Borrower's intellectual property or other assets, provided that the Borrower or a wholly owned subsidiary of the Borrower (and not any third party or any of the Borrower's stockholders) directly receives from such entity all consideration paid or payable by such entity in consideration of such grant (other than any payments made by such third party in satisfaction of obligations of the Borrower or its wholly-owned subsidiaries), which consideration may, but need not, include (without limitation) upfront, milestone, royalty and profit-sharing payments, and (2) the grant of a license or option to obtain a license to, or the sale or other transfer of, the Borrower's intellectual property or other assets to any entity that intends to research, develop or commercialize products or services covered by such intellectual property or embodying or arising from such other assets, whether directly or through the Borrower or another entity, provided that the Borrower or a wholly owned subsidiary of the Borrower (and not any third party or any of the Borrower's stockholders) retains the right or has the obligation to reacquire such intellectual property or other assets or to terminate such license or option; and

(b) the incurrence, grant or existence of, or any sale or transfer of any assets in connection with, any Permitted Lien.

"Financing Documents" means this Agreement, the Notes, the Security Agreement and any other document or instrument delivered in connection with any of the foregoing whether or not specifically mentioned herein or therein.

"Government Authority" means any government, governmental department, ministry, cabinet, commission, board, bureau, agency, tribunal, regulatory authority, instrumentality, judicial, legislative, fiscal, or administrative body or entity, domestic or foreign, federal, state or local having jurisdiction over the matter or matters and Person or Persons in question, including, without limitation, the SEC.

"GSK Loan" means all Indebtedness of the Borrower to Smith Kline Beecham Corporation pursuant to that certain Loan and Security Agreement, dated as of October 28, 2002, as amended, supplemented or otherwise modified from time to time, between the Borrower and Smith Kline Beecham Corporation.

"Indebtedness" means (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit (but excluding trade and accounts payable in the ordinary course of business), (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations, (d) any guarantees of, or other direct or indirect liability for the obligations of another person, and (e) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designed to protect against fluctuation in interest rates, currency exchange rates or commodity prices; provided that endorsements in the ordinary course of business shall not constitute Indebtedness.

"Indemnified Person" has the meaning given to it in Section 6.11.

"Indemnity" has the meaning given to it in Section 6.11.

"Issue Price" means, with respect to each Note, the "Issue Price" set forth therefor on the Schedule of Purchasers.

"Lien" means any lien, pledge, preferential arrangement, mortgage, security interest, deed of trust, charge, assignment, hypothecation, title retention, privilege or other encumbrance on or with respect to property or interest in property having the practical effect of constituting a security interest, in each case with respect to the payment of any obligation with, or from the proceeds of, any asset or revenue of any kind.

"Loss" has the meaning given to it in Section 6.11.

"Major Transaction" means, any of the following transactions:

(a) a consolidation, merger, exchange of shares, recapitalization, reorganization, business combination or other similar event (in each case other than a stock split, recapitalization, reclassification or other similar transaction of such character that the shares of Common Stock shall be changed into or become exchangeable for a larger or smaller number of shares and other than a merger effected for purposes of changing the Borrower's state of incorporation), (i) following which the holders of Common Stock immediately preceding such consolidation, merger, exchange, recapitalization, reorganization, combination or event either (A) no longer hold a majority of the shares of Common Stock or (B) no longer have the ability to elect a majority of the board of directors of the Borrower or (ii) as a result of which shares of Common

Stock shall be changed into (or the shares of Common Stock become entitled to receive) the same or a different number of shares of the same or another class or classes of stock or securities of another entity (collectively, a "Change of Control Transaction");

(b) (i) the sale or transfer of assets in one transaction or a series of related transactions for a purchase price (excluding any consideration allocable to any Excluded Transaction, as defined below) of more than $400 million (the "Aggregate Consideration") or (ii) a sale or transfer of more than 50% of the Borrower's assets; and

(c) the consummation of a purchase, tender or exchange offer made to the holders of outstanding shares of Common Stock, as result of which a Change of Control Transaction shall have occurred.

If the maximum aggregate consideration payable in a transaction or series of related transactions described in clause (a)(i) above (A) includes contingent payments related to future events, and (B) exceeds the Aggregate Consideration (without applying any discounts or valuation procedures described below), then for purposes of determining whether the Aggregate Consideration has been reached, the net present value of such contingent payments shall be determined prior to the public announcement of such transaction by a qualified third-party valuation firm retained by the Borrower selected from a list of such firms previously agreed upon between the Borrower and the Purchasers and any transferee or assignee of the Purchasers.

Notwithstanding the foregoing, an Excluded Transaction shall not constitute a Major Transaction.

"Major Transaction Put Date" means, with respect to any Major Transaction as to which a Put Notice was sent in accordance with Section 5.4, the date of the consummation of the applicable Major Transaction.

"Mandatory Prepayment Amount" has the meaning given to it in Section 2.2(a).

"Material Adverse Effect" means a material adverse effect on (a) the business, operations, prospects, condition (financial or otherwise) or property of the Borrower, (b) the validity or enforceability of any provision of any Financing Document, (c) the ability of the Borrower to timely perform the Obligations or (d) the rights and remedies of the Purchasers under any Financing Document; provided, however, that none of the following shall be deemed either alone or in combination to constitute, and none of the following shall be taken into account in determining whether there has been or would be, a Material Adverse Effect: (A) any adverse effect that results directly or indirectly from general economic, business, financial or market conditions; and (B) any adverse effect arising directly or indirectly from or otherwise relating to any of the industries or industry sectors in which the Borrower operates.

"Maturity Date" means the fifth anniversary of the Closing Date.

"Notes" means the secured convertible notes purchased by the Purchasers pursuant to Section 2.1 hereof in the forms attached hereto as Exhibit A-1 and Exhibit A-2.

"Obligations" means all obligations (monetary or otherwise) of the Borrower arising under or in connection with the Financing Documents.

"Optional Prepayment Amount" has the meaning set forth in Section 2.2(d).

"Optional Prepayment Price" means, with respect to any optional prepayment pursuant to Section 2.2(c) or 2.2(d), the product of: (i) the portion of the Principal Amount being prepaid, (ii) the Discount Factor, and (iii) (a) 1.105 if the prepayment is prior to the second anniversary of the Closing Date, (b) 1.07 if the prepayment is after the second such anniversary but prior to the third such anniversary and (c) 1.035 if the prepayment is after the third such anniversary.

"Organizational Documents" means the Amended and Restated Certificate of Incorporation, and the certificate of amendment thereto, and the Amended and Restated By-laws of the Borrower.

"Permitted Indebtedness" means: (a) Indebtedness of Borrower in favor of the Purchasers arising under the Notes and this Agreement, (b) Indebtedness existing as of the date hereof and disclosed on Exhibit B hereof, (c) Indebtedness to trade creditors incurred in the ordinary course of business, (d) Indebtedness incurred in connection with collaboration, licensing, joint venture or partnership arrangements, (e) Indebtedness in respect of purchase money financing, capital lease obligations and equipment financing facilities, including without limitation, indebtedness pursuant to that certain Loan and Security Agreement, dated as of May 22, 2002, as amended, supplemented or otherwise modified from time to time, between the Borrower and Silicon Valley Bank (and any borrowings thereunder converted into term loans), (f) unsecured Indebtedness consisting of subordinated convertible notes so long as such notes are subject to the Customary Subordination Terms, (g) Indebtedness incurred to finance insurance premiums or time-based license royalties or payments in the ordinary course of business, (h) Indebtedness in respect of netting services, overdraft protections and other similar and customary services in connection with deposit accounts, (i) guaranties in the ordinary course of business of the obligations of suppliers, customers and licensees of the Borrower, (j) Indebtedness owed to any Subsidiary, (k) Indebtedness in respect of any and all interest rate swap transactions, basis swaps, credit derivative transactions, forward interest rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, interest rate or foreign exchange rate cap, floor or collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), in each case in the ordinary course of business, (l) any Indebtedness the net proceeds of which are used to prepay the Notes, (m) Indebtedness in respect of workers' compensation claims, self-insurance obligations, indemnities, bankers' acceptances, performance and surety bonds, appeal or other similar bonds, in each case in the ordinary course of business, in any such case, any reimbursement obligations in connection therewith, (n) Indebtedness in connection with letter of credit obligations incurred in the ordinary course of business, (o) indebtedness arising from agreements providing for indemnification, and (p) extensions, refinancings, replacements and renewals of any items of Permitted Indebtedness, provided that (i) the principal amounts and premiums, if any, are not increased (plus the amount of any customary penalties, premiums and costs and expenses incurred therewith) and (ii) the GSK Loan shall not be refinanced or replaced with any debt senior to or *pari passu* with the Obligations.

"Permitted Liens" means: (a) Liens existing on the date hereof and disclosed on Exhibit C, hereof; (b) Liens in favor of the Purchasers; (c) statutory Liens created by operation of applicable law; (d) Liens arising in the ordinary course of business and securing obligations that are not overdue or are being contested in good faith by appropriate proceedings; (e) Liens securing purchase money or capitalized lease equipment financing; (f) Liens for Taxes not yet due and payable or that are being contested in good faith by appropriate proceedings; (g) pledges or deposits in the ordinary course of business in connection with workers' compensation, unemployment insurance and other social security legislation; (h) deposits to secure the performance of bids, trade contracts and leases, regulatory or statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business; (i) easements, rights-of-way, municipal and zoning and building ordinances, title defects or other irregularities, restrictions and other similar encumbrances affecting real property which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person; (j) Liens securing judgments for the payment of money not constituting an Event of Default; (k) Liens securing Permitted Indebtedness; (l) Liens on a property of, or on shares of stock of, a Person existing at the time such Person is merged into or consolidated with the Borrower or a Subsidiary and Liens on property existing at the time of acquisition thereof by the Borrower or any Subsidiary; provided that such Liens were not placed on such property in contemplation of the consummation of such merger, consolidation or acquisition and do not extend to any assets other than those of the Person merged into or consolidated with the Borrower or any such Subsidiary, or the property so acquired, and proceeds and products of any of the foregoing; (m) Liens arising from filings under the Uniform Commercial Code (or substantially equivalent filings outside the United States) regarding leases; (n) leases, licenses, subleases or sublicenses granted to others that do not materially interfere with the business of the Borrower and the Subsidiaries, taken as a whole; (o) any option or other agreement to purchase any asset of the Borrower or any Subsidiary the disposition of which is not otherwise prohibited hereby; (p) the disposition of accounts receivables in connection with collection in the ordinary course of business; (q) Liens in favor of financial institutions arising in connection with the Borrower's accounts maintained in the ordinary course of the Borrower's business held at such institutions to secure standard fees for services charged by, but not financing made available by, such institutions; (r) Liens occurring solely by filing of a Uniform Commercial Code financing statement (or substantially equivalent filings outside the United States) which filing has not been consented to by the Borrower; (s) cash collateral pledged to secure standby letter of credit obligations; (t) Liens securing reimbursement obligations with respect to commercial letters of credit which encumber documents and other property relating to such letters of credit and products and proceeds thereof; and (u) Liens on intellectual property of the Borrower and its Subsidiaries granted in connection with collaboration, licensing, joint venture or partnership arrangements not prohibited by the provisions of this Agreement.

"Person" means and includes any natural person, individual, partnership, joint venture, corporation, trust, limited liability company, limited company, joint stock company, unincorporated organization, government entity or any political subdivision or agency thereof, or any other entity.

"Principal Amount" means, with respect to any Note (or portion thereof), the principal amount of such Note (or portion thereof) payable at maturity thereof, and with respect to all Notes, means $124,000,000, in each case, less any repayments pursuant to Section 2.2 hereof.

"Put Notice" has the meaning given to it in Section 5.4.

"Put Price" has the meaning set forth in Section 2.2(c).

"Qualification Criteria" means, in the case of a Major Transaction, a Successor Entity (i) which has a Market Cap of at least $7.5 billion and outstanding indebtedness of less than 25% of its Enterprise Value or (ii) whose long-term debt following a Major Transaction is rated at least "BBB" by Moody's (or an equivalent rating by a comparable rating agency). "Market Cap" means the sum of the number of outstanding shares of each class of equity securities of the Successor Entity traded or listed on a Principal Market (as defined in Section 2.9(c)) multiplied by the per share Volume Weighted Average Price for each such class as of the fifth Trading Day next preceding the announcement of the applicable Major Transaction. "Enterprise Value" means the sum of the Market Cap and indebtedness minus Cash and Cash Equivalents as reflected on the balance sheet of the Successor Entity.

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

"Securities Act" means the Securities Act of 1933, as amended, including the rules and regulations promulgated thereunder.

"Security Agreement" means the Security Agreement, to be dated as of the Closing Date, between the Borrower and the Purchasers.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended, including the rules and regulations promulgated thereunder.

"Subsidiary" or "Subsidiaries" means, as to the Borrower, any entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions are at the time directly or indirectly owned by the Borrower.

"Successor Entity" means any successor to the Borrower resulting from a Major Transaction.

"Taxes" means all deductions or withholdings for any and all present and future taxes, levies, imposts, stamp or other duties, fees, assessments, deductions, withholdings, all other governmental charges, and all liabilities with respect thereto.

"Volume Weighted Average Price" for any security as of any date or during any period means the volume weighted average sale price on The NASDAQ Global Select Market ("NASDAQ") as reported by, or based upon data reported by, Bloomberg Financial Markets or

an equivalent, reliable reporting service mutually acceptable to and designated by the Borrower and the Purchasers ("Bloomberg") or, if NASDAQ is not the principal trading market for such security, the volume weighted average sale price of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or, if no volume weighted average sale price is reported for such security, then the last closing trade price of such security during such period, as reported by Bloomberg, or, if no last closing trade price is reported for such security by Bloomberg, the average of the bid prices of any market makers for such security that are listed in the over the counter market by the National Association of Securities Dealers or in the "pink sheets" by the National Quotation Bureau, Inc. If the Volume Weighted Average Price cannot be calculated for such security on such date in the manner provided above, the volume weighted average price shall be the fair market value as mutually determined by the Borrower and the Purchasers negotiating in good faith.

Section 1.2 Interpretation. In this Agreement, unless the context otherwise requires, all words and personal pronouns relating thereto shall be read and construed as the number and gender of the party or parties requires and the verb shall be read and construed as agreeing with the required word and pronoun; the division of this Agreement into Articles and Sections and the use of headings and captions is for convenience of reference only and shall not modify or affect the interpretation or construction of this Agreement or any of its provisions; the words "herein," "hereof," "hereunder," "hereinafter" and "hereto" and words of similar import refer to this Agreement as a whole and not to any particular Article or Section hereof; the words "include," "including," and derivations thereof shall be deemed to have the phrase "without limitation" attached thereto unless otherwise expressly stated; references to a specified Article, Exhibit, Section or Schedule shall be construed as a reference to that specified Article, Exhibit, Section or Schedule of this Agreement; and any reference to any of the Financing Documents means such agreement or document as the same shall be amended, supplemented or modified and from time to time in effect.

Section 1.3 Business Day Adjustment. If the day by which a payment is due to be made is not a Business Day, that payment shall be made by the next succeeding Business Day. Any such extension or reduction of time will not be taken into account in the computation of interest.

ARTICLE II

AGREEMENT FOR THE LOAN

Section 2.1 Note Purchases. Subject to the terms of this Agreement, the Borrower agrees to issue, and each Purchaser agrees to purchase, Notes in the Principal Amount set forth opposite such Purchaser's name on the Schedule of Purchasers attached hereto. The closing of the sale and purchase of the Notes (the "Closing") shall be held on July 2, 2010, or such other time as agreed upon by the Parties (the "Closing Date"). At the Closing (i) each Purchaser shall deliver to the Borrower, by wire transfer funds to a deposit account specified by the Borrower, an amount in readily available funds equal to the Issue Price set forth opposite such Purchaser's name on the Schedule of Purchasers attached hereto; and (ii) the Borrower shall issue and deliver to each Purchaser Notes in the Principal Amount set forth opposite such Purchaser's name on the Schedule of Purchasers attached hereto.

Section 2.2 Prepayment; Maturity.

(a) Subject to the Mandatory Prepayment Amount (as defined below), on or before January 10, 2013, 2014 and 2015, the Borrower shall prepay a portion of the Principal Amount of the Notes equal to 15% of the Development/Commercialization Revenue actually received by the Borrower during the first three quarters of the previous fiscal year (the "Quarterly Prepayment Amount"); provided that on January 10, 2013 and January 10, 2014, the Quarterly Prepayment Amount shall not be less than $10,000,000.

Subject to the Mandatory Prepayment Amount, (i) on or before the Thirtieth Trading Day (as such term is defined in Section 2.9(e)) after the Borrower files its Annual Report on Form 10-K for the fiscal years ended December 28, 2012, December 27, 2013 and January 2, 2015 or (ii) if the Borrower is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act, on or before January 31, 2013, January 31, 2014 and January 31, 2015, the Borrower shall prepay a portion of the Principal Amount of the Notes equal to the difference between (A) 15% of the Development/Commercialization Revenue actually received by the Borrower during the previous fiscal year and (B) the Quarterly Prepayment Amount for such previous fiscal year.

The Principal Amount of Notes to be prepaid pursuant to this subsection (a) with respect to any fiscal year shall not exceed the lesser of (i) the sum of the Quarterly Prepayment Amount and any further amount payable pursuant to the preceding paragraph and (ii) $27,500,000 (the "Mandatory Prepayment Amount").

The Borrower shall provide to the Purchasers at least five Business Days notice prior to each such mandatory prepayment date the calculation of such Development/Commercialization Revenue for the relevant fiscal year, together with the basis for such calculation, and shall promptly provide to the Purchasers such information as the Purchasers shall reasonably request to permit the Purchasers to verify each such calculation. Upon Purchasers' receipt of the Mandatory Prepayment Amount, the Principal Amount shall be reduced by such Mandatory Prepayment Amount.

(b) On the Maturity Date, the outstanding Principal Amount of the Notes shall become due and payable, together with any other accrued and unpaid Obligations.

(c) On a Major Transaction Put Date, the Borrower shall prepay the Notes in full by paying Purchasers simultaneously with the consummation of the Major Transaction an amount (the "Put Price") equal to the sum of: (i) the Optional Prepayment Price that would be due if the Principal Amount were prepaid in full on such date, (ii) interest accrued and unpaid on such date, and (iii) any other accrued and unpaid expenses reimburseable pursuant to Section 6.3.

(d) At any time, and from time to time, the Borrower may prepay all or a portion (such portion to be not less than $5,000,000) of the Principal Amount (such amount being the "Optional Prepayment Amount") by remitting to the Purchasers (i) the Optional Prepayment Price for the Optional Prepayment Amount, plus (ii) in the case of

a prepayment of the full Principal Amount other than in connection with a Major Transaction, all unpaid interest that would accrue and be payable with respect to the Contract Year in which such prepayment occurs if no prepayment were effected. Upon the Purchasers' receipt of payment pursuant to the preceding sentence, the Principal Amount shall be reduced by the Optional Prepayment Amount.

Section 2.3 Closing Fee. On the Closing Date, the Borrower shall pay to Deerfield Management Company, L.P. a closing fee equal to 2.5% of the aggregate Issue Price of the Notes, which may be payable by set-off against the Issue Price for the Notes (pro-rated based on the Principal Amount of each Note) otherwise payable pursuant to Section 2.1.

Section 2.4 Payments. Payments of any amounts due to the Purchasers under this Agreement shall be made in Dollars in immediately available funds prior to 2:00 p.m New York City time on such date that any such payment is due, at such bank or places as the Purchasers shall from time to time designate in writing at least five Business Days prior to such payment date. The Borrower shall pay all and any costs (administrative or otherwise) imposed by banks, clearing houses, or any other financial institution in connection with making any payments under any of the Financing Documents, except for any costs imposed by any of the Purchasers' banking institutions.

Section 2.5 Taxes, Duties and Fees.

(a) Subject to the proviso of Section 2.5(b), the Borrower shall pay or cause to be paid all present and future Taxes (other than Excluded Taxes, if any), duties, fees and other charges of whatsoever nature, if any, now or at any time hereafter levied or imposed by any Government Authority by any department, agency, political subdivision or taxing or other authority thereof or therein, by any organization of which the applicable Government Authority is a member, or by any jurisdiction through which the Borrower makes payments hereunder, on or in connection with the payment of any and all amounts due under this Agreement, and all payments of principal and other amounts due under this Agreement shall be made without deduction for or on account of any such Taxes, duties, fees and other charges, except for Excluded Taxes, which may be deducted or withheld from payments made by the Borrower only if such deduction or withholding is required by applicable law.

(b) If the Borrower is required to withhold any such amount or is prevented by operation of law or otherwise from paying or causing to be paid such Taxes, duties, fees or other charges as aforesaid except for Excluded Taxes, the principal or other amounts due under this Agreement (as applicable) shall be increased to such amount as shall be necessary to yield and remit to the Purchasers on or after-Tax basis, the full amount it would have received taking into account any such Taxes (except for Excluded Taxes), duties, fees or other charges payable on amounts payable by the Borrower under this Section 2.5(b) had such payment been made without deduction of such Taxes, duties, fees or other charges (all and any of such additional amounts, subject to the proviso hereto, herein referred to as the "Additional Amounts"); provided, however, that notwithstanding anything to the contrary herein, any Taxes (other than Excluded Taxes) determined to be payable in connection with any payments received (whether in cash or stock) under this Agreement by such Purchaser or with the execution and delivery of, and the performance of its obligations under, this Agreement shall be borne 50% by Borrower

and 50% by the applicable Purchaser(s). The first date on which the Borrower withholds or determines that it is required to withhold any Taxes as a result of the provisions relating to conversion of the Notes at the option of the Borrower into, or payment of interest in, shares of the Borrower's Common Stock set forth in Section 2.9 shall be a "Withholding Date." Any date on which the Borrower withholds shall be deemed a Withholding Date for purposes of this Agreement unless the Borrower provides written notice to the Purchasers not less than two business days prior to withholding stating that it has determined to withhold for reasons unrelated to the aforesaid option and setting forth the basis for its decision.

(c) Notwithstanding anything to the contrary herein, Additional Amounts shall not be payable to the extent the obligation to withhold or deduct would not have arisen but for the failure of a Purchaser or assignee, immediately following any request to do so by Borrower, to deliver a properly completed and duly executed form provided by the Borrower or specified in the Notes establishing an exemption from or reduction in Tax required under applicable law as a condition to the exemption or reduction absent a change in applicable law (including treaties), which such Purchaser is eligible to provide.

(d) If Section 2.5(b) applies and the Purchasers so require, the Borrower shall deliver to the Purchasers official tax receipts evidencing payment or a copy of the filed Tax return reporting such payment (or certified copies thereof) of the Additional Amounts within thirty (30) days of the date of payment.

(e) Purchasers shall cooperate with the Borrower to execute and file such forms or other documents as they can permissibly execute and file without prejudice or detriment under the Code to themselves to secure any applicable exemptions from United States withholding tax, information reporting, and backup withholding, to reduce the amounts payable by the Borrower pursuant to this Section 2.5 and to secure any refunds of amounts paid or withheld in accordance with this Section 2.5. If the Purchasers receive a refund from a Government Authority to which the Borrower has paid withholding Taxes pursuant to this Section 2.5, or relating to Taxes in respect of which the Borrower paid Additional Amounts, the Purchasers shall promptly pay such refund to the Borrower.

Section 2.6 Costs, Expenses and Losses. If, as a result of any failure by the Borrower to pay any sums when due under this Agreement on the due date therefor (after the expiration of any applicable grace periods), the Purchasers shall incur costs, expenses and/or losses, by reason of the liquidation or redeployment of deposits from third parties or in connection with obtaining funds to maintain the loans represented by the Notes, the Borrower shall pay to the Purchasers upon request by the Purchasers, the amount of such costs, expenses and/or losses within fifteen (15) days after receipt by it of a certificate from the Purchasers setting forth in reasonable detail such costs, expenses and/or losses, along with supporting documentation. For the purposes of the preceding sentence, "costs, expenses and/or losses" shall include, without limitation, any interest paid or payable to carry any unpaid amount and any loss, premium, penalty or expense which may be incurred in obtaining, liquidating or employing deposits of or borrowings from third parties in order to make, maintain or fund the loans represented by the Notes or any portion thereof.

Section 2.7 Interest. The outstanding Principal Amount of the Notes shall bear interest in the annual amount of $6,000,000, payable quarterly in arrears on each March 31, June 30, September 30 and December 31, with any partial quarterly periods being pro-rated based on a 365-day or 366-day, as applicable, year. All interest payments shall be allocated to each Purchaser in accordance with the aggregate Principal Amount of Notes held by such Purchaser.

Section 2.8 Late Payments. Without limiting the remedies available to the Purchasers under the Financing Documents or otherwise, to the maximum extent permitted by applicable law, if the Borrower fails to make any payment of principal with respect to the Notes when due (after the expiration of any applicable grace periods), the Borrower shall pay, in respect of the outstanding Principal Amount of the Notes and so long as such Principal Amount has not been paid when due, interest equal to 2.0% per annum on the outstanding aggregate Principal Amount of the Notes. Any such interest shall be in addition to any interest otherwise payable under Section 2.7 and shall be payable on demand.

Section 2.9 Payment in Common Stock; Conversion Rights

(a) Conversion Right. At any time after the first anniversary of the Closing Date, and subject to the provisions of this Section 2.9, the Borrower shall have the right to convert all or a portion of the Notes into, or satisfy all or any portion of the Optional Prepayment Amount or Mandatory Prepayment Amount for such Notes in respect of any permitted prepayment under Section 2.2(a) (other than the first $10,000,000 of payments required to be made pursuant to Section 2.2(a) on each of January 10, 2013 and January 10, 2014) or 2.2(d) by delivering, shares of Freely Tradeable Common Stock (as defined below) (a "Conversion"). Subject to subsections 2.9(i) and (m), the Borrower's exercise of its conversion rights under this subsection shall be deemed to satisfy its obligation to pay the Principal Amount, Optional Prepayment Amount or Mandatory Prepayment Amount, as applicable, in respect of which such conversion right is being exercised as of the date of the applicable Share Issuance Closing Date (as defined below).

(b) Share Issuance Right. In lieu of making any payment of accrued and unpaid interest in respect of the Notes in cash, at any time after the first anniversary of the Closing Date, and subject to the provisions of this Section 2.9, the Borrower may elect to satisfy any such payment by the issuance to the Purchasers of shares of Freely Tradeable Common Stock (an "Interest Share Issuance"). Subject to subsections 2.9(i) and (m), the Borrower's exercise of its share issuance rights under this subsection shall be deemed to satisfy its obligation to pay any accrued and unpaid interest in respect of which such share issuance right is being exercised as of the date of the applicable Share Issuance Closing Date (as defined below).

(c) Exercise of Share Issuance and Conversion Rights. Subject to the provisions of this Section 2.9, at any time between the close of regular hours of trading on any Trading Day and two hours prior to the opening of regular trading hours for shares of Common Stock on the Principal Market (as defined in subsection (d) below) on which the shares of Common Stock are then listed (the "Current Market") on the immediately following Trading Day, the Borrower may deliver to the Purchasers notice by phone, electronic mail and facsimile (a "Share Issuance Notice") of its intention to issue shares of Common Stock pursuant to the provisions of this Section 2.9 in payment of interest under the Notes and/or to convert all or portion of the Notes;

provided, however, that the Borrower may not deliver a Share Issuance Notice (i) during the occurrence of a Delisting Event (as defined below), (ii) at any time following a Major Transaction Notice with respect to a Successor Entity that does not satisfy the Qualification Criteria, (iii) at any time following the occurrence of an Event of Default (as defined in Section 4.5), (iv) from and after a Withholding Date or (v) unless all material information regarding the Borrower has been publicly filed in a report pursuant to the Securities Exchange Act or is otherwise publicly disclosed. Subject to such provisions, a Share Issuance Notice shall be irrevocable, shall specify the aggregate Principal Amount to be converted (and, if applicable, the Optional Prepayment Price (determined and due as of the last day of the applicable Issuance Period), or other amount as determined pursuant to Section 2.2(d)) and/or the aggregate amount of interest under the Notes that the Borrower intends to satisfy by issuing shares of Common Stock to the Purchasers during the applicable Issuance Period (as defined in subsection (j) below) (such amount a "Share Issuance Amount") and shall specify a floor price for such Conversion and/or Interest Share Issuance (the "Floor Price") that is no less than $1.00.

(d) For purposes herein, a "Delisting Event" shall be deemed to have occurred if the shares of Common Stock cease to be listed, traded or publicly quoted on the Principal Market on which shares of Common Stock are listed as of the date hereof, and shall continue until such shares are relisted or requoted on either the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Select Market, the NASDAQ Global Market or the NASDAQ Capital Market (each, a "Principal Market"), and "Freely Tradeable Common Stock" means, with respect to any shares of Common Stock issued pursuant to this Section 2.9, either (a) the shares are registered for primary issuance under the Securities Act under an effective registration statement filed with the SEC or (b) such shares are eligible for resale by the Purchasers without restriction and without the need for registration under any applicable federal or state securities laws; provided that in the case of clause (b), the Borrower shall have delivered to the Purchasers an opinion of counsel reasonably satisfactory to the Purchasers, substantially in the form agreed upon by the parties on the date hereof, relating to such shares of Common Stock.

(e) Share Issuance or Conversion Closing. For each Trading Day during the Issuance Period (each, a "Reference Date"), the Borrower shall issue to the Purchasers a number of shares of Common Stock equal to the product of (1) the number of shares of Common Stock traded at or above the Floor Price (on all exchanges and quotation systems on which shares of Common Stock are cited as having been traded, per the Bloomberg AQR function) on the Reference Date between 9:35 a.m., New York City time, and the earlier of (a) 3:55 p.m., New York City time, and (b) such time during the Reference Date as the value (as determined in accordance with this subsection (e) below) of all shares issuable in respect of such Reference Date, together with the value of shares issued or issuable in respect of prior Reference Dates during such Issuance Period are sufficient to satisfy the entire Share Issuance Amount (the "Applicable Trading Period"), multiplied by (2) 0.19, rounded to the nearest share (the "Daily Share Issuance Shares"). By no later than 5:30 p.m., New York City time, on the second Trading Day following each Reference Date (each, a "Share Issuance Closing Date"), the Borrower shall cause its transfer agent to electronically transmit the applicable Daily Share Issuance Shares by crediting the account of the Purchasers' prime broker (as specified by the Purchasers no later than one Trading Day prior to the Share Issuance Closing Date) with DTC through its Deposit Withdrawal Agent Commission (DWAC) system. Within two hours following the close of regular trading

hours on each Reference Date, the Purchasers shall deliver a notice to the Borrower setting forth the number of Daily Share Issuance Shares and the portion of the Shares Issuance Amount to be satisfied on the Share Issuance Closing Date relating to such Reference Date, together with appropriate calculations of such amount. Concurrently with the closing of each Share Issuance on each Share Issuance Closing Date, an amount (the "Credit Amount") equal to the product of (x) the number of shares of Common Stock issued to the Purchaser on such date multiplied by (y) the Applicable Percentage (as defined below) of the Volume Weighted Average Price for shares of Common Stock that trade at or above the Floor Price during the Applicable Trading Period (on all exchanges and quotation systems on which shares of Common Stock are cited as having been traded, per the Bloomberg AQR function) on the applicable Reference Date (the "Daily VWAP") shall be applied to the accrued and unpaid interest relating to such Interest Share Issuance and the Notes to be converted (based on the Principal Amount thereof or in the case of a prepayment pursuant to Section 2.2(d), the amount set forth therein for the applicable Optional Prepayment Amount). For purposes herein, "Trading Day" means any day on which the Common Stock is traded for at least two hours on the Current Market. For purposes herein, "Applicable Percentage" shall mean (i) if the Daily VWAP is equal to or greater than $3.00, 97.5% and (ii) if the Daily VWAP is below $3.00, 96.5%.

If, as of the end of any Issuance Period, the Share Issuance Amount exceeds the sum of the applicable Credit Amounts, the Borrower shall (i) pay such difference to the Purchasers in cash on the first Trading Day following the end of the Issuance Period or (ii), by notice as provided in Section 2.9(c), initiate a new Issuance Period (a "Second Issuance Period") that begins as of the first Trading Day following the end of the initial Issuance Period for such excess Share Issuance Amount. The Borrower may not initiate more than one Second Issuance Period following any initial Issuance Period.

If any part of the amount that is being paid pursuant to a Share Issuance Notice becomes due prior to the date on which the sum of the Credit Amounts during the applicable Issuance Period shall equal the Share Issuance Amount, then for that day and each calendar day thereafter, the difference between the Share Issuance Amount and the sum of the Credit Amounts as of the end of each such day shall bear interest at the annual rate of 20%, compounded daily, and the Share Issuance Amount shall increase daily by the amount of such interest until the earlier of (A) the sum of the Credit Amounts equals the Share Issuance Amount as so increased or (B) any excess of the Share Issuance Amount, as so increased, over the sum of the Credit Amounts has been paid by the Borrower to the Purchasers in cash.

(f) Borrower Reporting. The Borrower shall file with the SEC a Current Report on Form 8-K disclosing its delivery of a Share Issuance Notice, or its initiation of a Second Issuance Period, no later than 8:35 a.m., New York City time, on the first Reference Date in each Issuance Period.

(g) Subsequent Share Issuances. Following any Share Issuance Notice, the Borrower may not deliver a subsequent Share Issuance Notice until the date following the earlier of (i) the Share Issuance Closing Date following which the Share Issuance Amount specified in such immediately prior Share Issuance Notice has been fully satisfied and (ii) the expiration of the applicable Issuance Period related to such prior Share Issuance Notice.

(h) Purchaser Covenant. Subject to compliance with the other provisions contained herein, the Purchasers agree to use best efforts (which may include, without limitation, disposing, and causing their respective affiliates to dispose, of shares of Common Stock and maintaining, and causing their affiliates to maintain, reduced share ownership levels) to enable the Borrower to issue shares on any Share Issuance Closing Date equal to 3% of the total number of shares of Common Stock outstanding on such date without causing the Purchasers to violate the provisions of Section 2.9(i)(i) below.

(i) Limitations on Share Issuances. Notwithstanding anything herein to the contrary:

(i) no conversions of the Notes and no payments of interest on the Notes may be made in shares of Common Stock to the extent that the number of shares so issued, together with the number of other shares of Common Stock beneficially owned by the Purchasers and their affiliates and any other persons or entities whose beneficial ownership of Common Stock would be aggregated with the Purchasers for purposes of Section 13(d) of the Exchange Act, including any shares held by any "group" of which the Purchasers are members, but exclusive of shares issuable at such time upon exercise or conversion of securities or rights to acquire securities that have limitations on the right to convert, exercise or purchase similar to the limitations set forth in this Section 2.9(i)(i), would exceed 9.98% of the total number of shares of Common Stock of the Borrower then issued and outstanding; and

(ii) the maximum number of shares of Common Stock issued pursuant to the provisions of this Section 2.9 may not exceed 21,616,563 shares of Common Stock.

For purposes hereof, "group" has the meaning set forth in Section 13(d) of the Exchange Act and applicable regulations of the SEC, and the percentage held by the Holder shall be determined in a manner consistent with the provisions of Section 13(d) of the Exchange Act.

(j) Issuance Period Defined. The "Issuance Period" shall commence on the later of (the "Commencement Date") (1) the next full Trading Day following delivery of the Share Issuance Notice (it being understood that for purposes of this proviso (1), "the next full Trading Day" shall be the Trading Day on which such Share Issuance Notice is delivered if the Share Issuance Notice is delivered at least two hours prior to regular hours trading on such Trading Day) and (2) the next Trading Day following the filing of the Form 8-K required to be filed under Section 2.9(f) above (it being understood that for purposes of this proviso (2), "the next full Trading Day" shall be the date that the Form 8-K is filed if the Form 8-K is filed by 8:35 a.m., New York City time) and end at the completion of thirty Trading Days (including such initial Trading Day); provided, however, that in the event of the occurrence of a Share Delivery Failure during any Issuance Period, such Issuance Period shall be deemed to have ended at the completion of the date on which such Share Delivery Failure has occurred. Notwithstanding anything herein to the contrary, in no event shall the Issuance Period extend beyond the second Trading Day prior to July 1, 2015 (the "Final Issuance Date").

(k) Allocation of Shares. All shares of Common Stock issuable to the Purchasers pursuant to this Section 2.9 and all Credit Amounts shall be allocated pro rata among the Notes based on the outstanding Principal Amount of the Notes, and all Failure Amounts (as defined in subsection (m) below) shall be allocated pro rata among the Purchasers based on the respective outstanding Principal Amounts of Notes held by such Purchasers, in each case unless the Purchasers notify the Borrower in writing of any different allocation ratio.

(l) Issuance of Shares. It shall be a condition precedent to any Conversion or Share Issuance on any Share Issuance Closing Date that the shares of Common Stock to be issued have been duly authorized by all necessary corporate action, when issued in accordance with the terms hereof shall be listed for trading on the Current Market, shall be validly issued and outstanding and fully paid and nonassessable, and, when the shares of Common Stock have been issued to the Purchasers, the Purchasers shall be entitled to all rights accorded to a holder and beneficial owner of Common Stock.

(m) Failure to Deliver Share Issuance Shares. If the Borrower fails on any Share Issuance Closing Date to take all actions within its reasonable control to cause the delivery of the Daily Share Issuance Shares required to be delivered on that date, and such failure is not cured within one (1) Trading Day following such Share Issuance Closing Date (a "Share Delivery Failure"), no Principal Amount of the Notes shall be converted and no interest due under the Notes shall be reduced in respect of such Daily Shares Issuance Shares until such shares are actually issued and, in addition to all other obligations under this Section 2.9, the Borrower shall be obligated to promptly pay to the Purchasers, for each day that such Share Delivery Failure occurs, an amount equal to the Failure Amount. As used herein, the "Failure Amount" shall be an amount equal to 5% of the amount that would have constituted the Credit Amount had such failure not occurred.

(n) Indemnification.

(i) The Borrower will indemnify, hold harmless and defend (i) each Purchaser, (ii) the directors, officers, partners, managers, members, employees, agents and each person who controls each Purchaser within the meaning of the Securities Act or the Exchange Act, if any (each, an "Indemnified Person"), against any joint or several losses, claims, damages, liabilities or expenses (collectively, together with actions, proceedings or inquiries by any regulatory or self-regulatory organization, whether commenced or threatened, in respect thereof, "Claims") to which any of them may become subject insofar as such Claims arise out of or are based upon: (i) any untrue statement or alleged untrue statement of a material fact in any registration statement, prospectus or prospectus supplement under the Securities Act covering the issuance of any shares of Common Stock issuable under this Section 2.9 (collectively, a "Registration Statement") or the omission or alleged omission to state therein a material fact required to be stated or necessary to make the statements therein not misleading; or (ii) any violation or alleged violation by the Borrower of the Securities Act, the Exchange Act, any other law, including, without limitation, any state securities law, or any rule or regulation thereunder relating to the offer, sale or issuance of the shares of Common Stock issuable pursuant to this Section 2.9

("Conversion/Repayment Shares") (the matters in the foregoing clauses (i) and (ii) being, collectively, "Violations"). The Borrower shall reimburse the Indemnified Person, promptly as such expenses are incurred and are due and payable, for any reasonable legal fees or other reasonable expenses incurred by them in connection with investigating or defending any such Claim. Notwithstanding anything to the contrary contained herein, the indemnification agreement contained in this Section 2.9(n) shall not apply to amounts paid in settlement of any Claim if such settlement is effected without the prior written consent of the Borrower, which consent shall not be unreasonably withheld or delayed. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Indemnified Person and shall survive the transfer of the Conversion/Repayment Shares by a Purchaser and shall be binding on any transferee.

(ii) Promptly after receipt by an Indemnified Person under this Section 2.9(n) of notice of the commencement of any action (including any governmental action), such Indemnified Person shall, if a Claim in respect thereof is to be made against the Borrower under this Section 2.9(n), deliver to the Borrower a written notice of the commencement thereof, and the Borrower shall have the right to participate in, and, to the extent the Borrower so desires, to assume control of the defense thereof with counsel mutually satisfactory to the Borrower and the Indemnified Person, as the case may be.

PROVIDED, HOWEVER, that an Indemnified Person shall have the right to retain its own counsel with the reasonable fees and expenses to be paid by the Borrower, if, in the reasonable opinion of counsel for a Purchaser, the representation by such counsel of the Indemnified Person and the Borrower would be inappropriate due to actual or potential differing interests between such Indemnified Person and any other party represented by such counsel in such proceeding. The Borrower shall pay for only one separate legal counsel for the Indemnified Persons, and such legal counsel shall be selected by the Purchasers. The failure to deliver written notice to the Borrower within a reasonable time of the commencement of any such action shall not relieve the Borrower of any liability to the Indemnified Person under this subsection (n), except to the extent that the Borrower is actually prejudiced in its ability to defend such action. The indemnification required by this subsection (n) shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as such expense, loss, damage or liability is incurred and is due and payable.

(iii) To the extent that the foregoing undertaking by the Borrower may be unenforceable for any reason, the Borrower shall make the maximum contribution to the payment and satisfaction of any amounts for which it would otherwise be liable under subsections 2.9(n)(i) and (ii) above, which is permissible under applicable law.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.1 Representations and Warranties of the Borrower. The Borrower represents and warrants as of the date hereof, as of the date of each Share Issuance Notice and as of each Share Issuance Closing Date, as follows:

(a) The Borrower is a corporation duly organized and validly existing under the laws of the State of Delaware.

(b) The Borrower is conducting its business in compliance with its Organizational Documents. The Organizational Documents (including all amendments thereto) as currently in effect have been made available to the Purchasers and remain in full force and effect.

(c) The Borrower has full power and authority to enter into each of the Financing Documents and to make the borrowing and the other transactions contemplated thereby.

(d) All authorizations, consents, approvals, registrations, exemptions and licenses that are necessary for the borrowing hereunder, the execution and delivery of the Financing Documents and the performance by the Borrower of its obligations thereunder, have been obtained and are in full force and effect, except for such registrations and filings in connection with the issuance of the shares of Common Stock pursuant to Section 2.9 and filings necessary to comply with laws, rules, regulations and orders required in the ordinary course of business.

(e) All authorizations, consents, approvals, registrations, exemptions and licenses with or from Government Authorities that are necessary for the conduct of its business as currently conducted and as proposed to be conducted have been obtained and are in full force and effect, except to the extent any failure to so obtain would not reasonably be expected to have a Material Adverse Effect; provided that the failure to receive or obtain approval from an applicable Governmental Authority for the development or sale of any product shall not constitute a Material Adverse Effect for purposes of this Section 3.1(e).

(f) No Default or Event of Default (or any other default or event of default, however described) has occurred under any of the Financing Documents.

(g) Neither the entering into any of the Financing Documents nor the compliance with any of its terms conflicts with, violates, or results in a breach of any of the terms of, or constitutes a default or event of default (however described) or requires any consent under, to the extent applicable, (i) any agreement to which the Borrower is a party or by which it is bound, (ii) any of the terms of the Organizational Documents or (iii) any judgment, decree, resolution, award or order or any statute, rule or regulation applicable to the Borrower or its assets, except with respect to clause (i) herein, for any

contravention of or default under any agreement that (x) would not materially adversely affect the business financial position or results of operations of the Borrower or (y) would not materially adversely affect the rights and remedies of the Lenders hereunder or any of the Financing Documents.

(h) The Borrower is not engaged in or the subject of any litigation, arbitration, administrative regulatory compliance proceeding, or investigation, nor are there any litigation, arbitration, administrative regulatory compliance proceedings or investigations pending or, to the knowledge of the Borrower, threatened before or by any Government Authority against the Borrower, that would reasonably be expected to have a Material Adverse Effect, and the Borrower is not aware of any facts reasonably likely to give rise to any such proceeding.

(i) The Borrower (i) is capable of paying its debts as they fall due, (ii) is not bankrupt or insolvent and (iii) has not taken action, and no such action has been taken by a third party, for the Borrower's winding up, dissolution, or liquidation or similar executory or judicial proceeding or for the appointment of a liquidator, custodian, receiver, trustee, administrator or other similar officer for the Borrower or any or all of its assets or revenues.

(j) As of the date hereof, no Lien exists on the Borrower's property, except for Permitted Liens.

(k) The obligation of the Borrower to make any payment under this Agreement (together with all charges in connection therewith) is absolute and unconditional, and there exists no right of setoff or recoupment, counterclaim, cross-claim or defense of any nature whatsoever to any such payment.

Section 3.2 Borrower Acknowledgment. The Borrower acknowledges that it has made the representations and warranties referred to in Section 3.1 with the intention of persuading the Purchasers to enter into the Financing Documents and that the Purchasers have entered into the Financing Documents on the basis of, and in full reliance on, each of such representations and warranties.

Section 3.3 Representations and Warranties of the Purchasers. Each of the Purchasers represents and warrants to the Borrower as of the date hereof:

(a) It is acquiring the Notes solely for its account for investment and not with a view to or for sale or distribution of the Notes or any part thereof. Each of the Purchasers also represents that the entire legal and beneficial interests of the Notes such Purchaser is acquiring is being acquired for, and will be held for, its account only. It has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment and has the ability to bear the economic risks of its investment.

(b) The Notes have not been registered under the Securities Act on the basis that no distribution or public offering of the stock of the Borrower is to be effected. Each of the Purchasers realizes that the basis for the exemptions may not be present, if notwithstanding its representations such Purchaser has a present intention of acquiring the securities for a fixed or determinable period in the future, selling (in connection with a distribution or otherwise), granting any participation in, or otherwise distributing the securities. None of the Purchasers has such present intention.

(c) It has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment and has the ability to bear the economic risks of its investment. The Notes must be held indefinitely unless they are subsequently registered under the Securities Act or an exemption for such registration is available.

(d) The Notes may not be sold pursuant to Rule 144 adopted under the Securities Act unless certain conditions are met, including, among other things, the availability of certain current public information about the Borrower and the resale following the required holding period under Rule 144.

(e) It will not make any disposition of all or any part of the Notes until:

(i) The Borrower shall have received a letter secured by such Purchaser from the SEC stating that no action will be recommended to the SEC with respect to the proposed disposition;

(ii) There is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with said registration statement; or

(iii) Such Purchaser shall have notified the Borrower of the proposed disposition and, in the case of a sale or transfer in a so called “4(1) and a half” transaction, shall have furnished counsel for the Borrower with an opinion of counsel on customary form. The Borrower agrees that it will not require an opinion of counsel with respect to transactions under Rule 144 of the Securities Act, except in unusual circumstances.

(f) It understands and agrees that the Notes issued to the Purchasers may bear the following legend.

“THE SECURITY REPRESENTED BY THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, OR APPLICABLE STATE SECURITIES LAWS. THIS SECURITY MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER SAID ACT, OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SAID ACT INCLUDING, WITHOUT LIMITATION, PURSUANT TO RULE 144 UNDER SAID ACT.”

(g) Such Purchaser is an “accredited investor” as defined in Regulation D promulgated the Securities Act.

Section 3.4 Purchasers Acknowledgement. Each of the Purchasers acknowledges that it has made the representations and warranties referred to in Section 3.3 with the intention of persuading the Borrower to enter into the Financing Document and that the Borrower has entered into the Financing Documents on the basis of, and in full reliance of, each of such representations and warranties. Each Purchaser further acknowledges that it has had access to such financial and other information concerning the Borrower and the Notes as it has deemed necessary in connection with its decision to purchase the Notes, including an opportunity to ask questions of and request information from the Borrower, that Borrower has informed it that (a) Borrower may have or may later come into possession of non-public information concerning the Borrower that may not be known to such Purchaser and that may or may not be material, (b) such Purchaser has informed the Borrower that it has not requested and does not want to receive any such non-public information, and (c) such Purchaser has decided to purchase the Notes, notwithstanding its lack of knowledge concerning such non-public information.

ARTICLE IV

CONDITIONS TO PURCHASE OF NOTES

Section 4.1 Conditions to Disbursement of the Loan. The obligation of the Purchasers to purchase the Notes shall be subject to the fulfillment of the following conditions. The Purchasers shall have received executed copies of the Notes and the Security Agreement and a copy of customary closing documents evidencing the authorization of the Borrower to execute, deliver and perform each of the Financing Documents and to engage in the transactions contemplated thereby and an opinion of Borrower’s counsel on customary form reasonably satisfactory to the Purchasers.

ARTICLE V

PARTICULAR COVENANTS AND EVENTS OF DEFAULT

Section 5.1 Affirmative Covenants. Unless the Purchasers shall otherwise agree:

(a) The Borrower shall (i) maintain its existence and qualification to do business in such jurisdictions as may be required to conduct its business , except where the failure to so maintain such qualification would not reasonably be expected to have a Material Adverse Effect, and (ii) maintain all approvals necessary for the Financing Documents to be in effect.

(b) The Borrower shall comply in all material respects with all applicable laws, rules, regulations and orders of any Government Authority, except where the necessity of compliance therewith is contested in good faith by appropriate proceedings or where the failure to so comply, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect.

(c) The Borrower shall obtain, make and keep in full force and effect all licenses, contracts, consents, approvals and authorizations from and registrations with Government Authorities that may be required to conduct its business, except to the extent that the failure to do so would not reasonably be expected to have a Material Adverse Effect.

(d) The Borrower shall promptly notify the Purchasers of the occurrence of (i) any Default or Event of Default; (ii) any claims, litigation, arbitration, mediation or administrative or regulatory proceedings that are instituted or threatened against the Borrower; except for matters that, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect; provided that the Borrower shall not be required to provide or otherwise disclose any material non-public information pursuant to this Section 5.1(d)(ii); and (iii) each event which, at the giving of notice, lapse of time, determination of materiality or fulfillment of any other applicable condition (or any combination of the foregoing), would constitute an Event of Default (however described) under any of the Financing Documents.

(e)(i) If the Borrower is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act, the Borrower will provide quarterly financial statements for itself and its subsidiaries with 45 days after the end of each quarter, and annual financial statements within 120 days after the end of each year; (ii) if the Borrower is required to file reports pursuant to Section 13 or 15 of the Securities Exchange Act, the Borrower will timely file with the SEC (subject to appropriate extensions made under Rule 12b-25 of the Securities Exchange Act) any annual, quarterly and other reports (other than current reports on Form 8-K) required pursuant to Section 13 or 15(d) of the Exchange Act prepared by the Borrower; and (iii) the Borrower and its Subsidiaries will provide to the Purchasers copies of all documents, reports, financial data and other information as the Purchasers may reasonably request, and permit the Purchasers to visit and inspect any of the properties of the Borrower and its Subsidiaries, and to discuss its and their affairs, finances and accounts with its and their officers, all at such times during regular business hours as the Purchasers may reasonably request; provided that the Borrower shall not be required to provide or otherwise disclose any material non-public information pursuant to this Section 5.1(e)(iii).

Section 5.2 Negative Covenants. Unless the Purchasers shall otherwise agree:

(a) The Borrower shall not (i) liquidate or dissolve, or (ii) enter into any consolidation, merger or reorganization, unless either (A) the Borrower is the surviving corporation, or (B) the Person formed by such consolidation or reorganization or into which the Borrower is merged shall be a corporation, limited liability company, partnership or trust organized and validly existing under the laws of the United States of America, any state thereof or the District of Columbia, Japan, or any member country of the European Union, and in either case such resulting, surviving or transferee Person shall expressly assume the Obligations.

(b) The Borrower shall not (i) enter into any partnership, joint venture, syndicate, pool, profit-sharing or royalty agreement or other combination, or engage in any transaction with an Affiliate (other than a wholly-owned Subsidiary of the Borrower), whereby its income or profits are shared with another Person (other than a wholly-owned Subsidiary of the Borrower) or enter into any management contract or similar arrangement whereby a substantial part of its business is managed by another Person, (ii) distribute, or permit the distribution, of any assets of the Borrower or its Subsidiaries, including its intangibles, to any shareholders of the Borrower or the holder of any equity interest in any Subsidiary of the Borrower or any of the Borrower's Affiliates (other than the Borrower or a wholly-owned Subsidiary of the Borrower); provided, however, that (A) with respect to the restrictions in clause (i) the Borrower may enter into any collaborative arrangement, licensing agreement, joint venture or partnership providing for the research, development or commercial exploitation of compounds, products or services whereby payments received therefrom or its income or profits are, or might be, shared with another Person, including, without limitation, (1) any grant to any entity engaged in the pharmaceutical or biotechnology industry of a license or option to obtain a license to any of the Borrower's intellectual property or other assets, *provided* that the Borrower or a wholly owned Subsidiary (and not any third party or any of the Borrower's stockholders) directly receives from such entity all consideration paid or payable by such entity in consideration of such grant (other than any payments made by such third party in satisfaction of obligations of the Borrower or its wholly-owned subsidiaries), which consideration may, but need not, including (without limitation) upfront, milestone, royalty and profit-sharing payments, and (2) any grant of a license or option to obtain a license to, or the sale or other transfer of, the Borrower's intellectual property or other assets to any entity that intends to research, develop or commercialize products or services covered by such intellectual property or embodying or arising from such other assets, whether directly or through the Borrower or another entity, *provided* that the Borrower or a wholly owned Subsidiary (and not any third party or any of the Borrower's stockholders) retains the right or has the obligation to reacquire such intellectual property or other assets or to terminate such license or option, (B) the Borrower may incur, grant or suffer to exist, or sell or transfer any assets in connection with any Permitted Liens, and (C) with respect to the restrictions in clause (ii), royalties and other payments made by any partnership, joint venture, syndicate, pool, profit-sharing or royalty agreement or other combination, to the parties thereto shall not be deemed to be a distribution of assets.

(c) The Borrower shall not create, incur assume, guarantee or become liable with respect to any Indebtedness, other than Permitted Indebtedness, or voluntarily prepay any Indebtedness, except (i) prepayments of the Notes, (ii) prepayments of the GSK Loan, (iii) repayments of borrowings under revolving credit facilities, (iv) prepayments in connection with the conversion of advances under equipment financings into term loans, (v) repayments of Permitted Indebtedness to the extent refinanced or replaced with indebtedness having a weighted average maturity equal to or greater than the Indebtedness being prepaid (provided that (A) Permitted Indebtedness subordinated to the Notes shall not be refinanced or replaced with Indebtedness senior to or pari passu with the Notes and (B) Permitted Indebtedness pari passu with the Notes shall not be

refinanced or replaced with Indebtedness senior to the Notes) and (vi) prepayments of loans made in connection with collaboration, licensing, joint venture or joint partnership arrangements in connection with the restructuring of such arrangements, in each case not prohibited under this Agreement.

Section 5.3 [Intentionally Omitted]

Section 5.4 Major Transaction Put. The Borrower shall give the Purchasers notice of a Major Transaction at least 20 Business Days prior to the anticipated effective date for such transaction; provided that if such transaction is not publicly announced in time for Borrower to comply with the foregoing notice requirement, the Borrower shall give the Purchasers notice of such Major Transaction no later than two days following the public announcement thereof but in no event less than 10 calendar days prior to consummation of the Major Transaction. If the Successor Entity does not satisfy the Qualification Criteria, the Purchasers, in the exercise of their sole discretion, may deliver a notice to the Borrower (the "Put Notice") declaring that the Put Price shall become due and payable on the Major Transaction Put Date; provided that the Put Notice is delivered at least 10 Business Days prior to the Major Transaction Put Date or, in the event notice of such Major Transaction is given by the Borrower less than 20 Business Days prior to the Major Transaction Put Date, at least 7 calendar days prior to the Major Transaction Put Date. If the Purchasers deliver a Put Notice, then on the Major Transaction Put Date, the Borrower shall pay the Put Price to the Purchasers and the Obligations shall terminate. The Borrower shall not consummate any Major Transaction without complying with the provisions applicable to the Borrower of Section 2.2(c) and this Section 5.4.

Section 5.5 General Acceleration Provision upon Events of Default. If one or more of the events specified in this Section 5.5 (each an "Event of Default") shall have occurred and be continuing beyond any applicable cure period, the Purchasers, by written notice to the Borrower, (any such notice, an "Acceleration Notice"), may declare the Put Price or any part thereof to be, and the same shall thereupon become, immediately due and payable, without any further notice and without any presentment, demand, or protest of any kind, all of which are hereby expressly waived by the Borrower, and take any further action available at law or in equity, including, without limitation, the sale of the Notes and all other rights acquired in connection with the Notes; provided, however, that an Acceleration Notice shall be deemed to have been sent to Borrower immediately upon the occurrence of any event described in Section 5.5(e) and, in the case of a proceeding of the type described in Section 5.5(e)(iv), shall be deemed to have been withdrawn if such proceeding is dismissed or discontinued within the 90-day period provided for therein (absent the occurrence of any other Event of Default during such 90-day period):

(a) A Purchaser shall have failed to receive payment of (i) principal when due under the Notes, or (ii) any other amounts due under the Notes within five (5) Business Days of their due date; provided, however, that any amounts that the Borrower shall have elected to pay pursuant to a Share Issuance Notice shall not be deemed due under the Notes until (A) in the case of Daily Share Issuance Shares, the applicable Share Issuance Closing Date, and (B) in the case of any amounts to be paid in cash by the Borrower pursuant to Section 2.9(e), the first Trading Day immediately following the end of the applicable Share Issuance Period.

(b) The Borrower shall have failed to comply with the covenant set forth in Section 5.4.

(c) The Borrower shall have failed to comply in any material respect with the due observance or performance of any other covenant contained in this Agreement or any Note and such failure shall not have been cured by the Borrower within (i) 30 days after such failure in the case of a breach of Section 5.1(e)(i) (it being agreed that a cure of such breach within such period is "timely", as such term is used in such Section), or (ii) 30 days after receiving written notice of such failure from the Purchasers in the case of any other covenant (other than that contained in Section 5.4).

(d) Any representation or warranty made by the Borrower in any Financing Document shall have been incorrect, false or misleading in any material respect as of the date it was made.

(e)(i) The Borrower shall generally be unable to pay its debts as such debts become due, or shall admit in writing its inability to pay its debts as they come due or shall make a general assignment for the benefit of creditors; (ii) the Borrower shall declare a moratorium on the payment of its debts; (iii) the commencement by the Borrower of proceedings to be adjudicated bankrupt or insolvent, or the consent by it to the commencement of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization, intervention or other similar relief under any applicable law, or the consent by it to the filing of any such petition or to the appointment of an intervenor, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of any substantial part of its assets; (iv) the commencement against the Borrower or all or substantially all of its assets of a proceeding in any court of competent jurisdiction under any bankruptcy or other applicable law (as now or hereafter in effect) seeking its liquidation, winding up, dissolution, reorganization, arrangement, adjustment, or the appointment of an intervenor, receiver, liquidator, assignee, trustee, sequestrator (or other similar official), and any such proceeding shall continue undismissed, or any order, judgment or decree approving or ordering any of the foregoing shall continue unstayed or otherwise in effect, for a period of ninety (90) days; (v) the making by the Borrower of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debt generally as they become due; or (vi) any other event shall have occurred which under any applicable law would have an effect analogous to any of those events listed above in this subsection.

(f) One or more judgments against the Borrower taken as a whole or attachments against any of its property, which in the aggregate amount exceeds $2,500,000, and such judgment(s) remain unstayed on appeal, undischarged, unbonded or undismissed for a period of sixty (60) days from the date of entry of such judgment(s).

(g) The Borrower repudiates any of the Financing Documents or challenges the validity or enforceability of the Financing Documents.

(h) The validity of any provision of any of the Financing Document shall be contested by any legislative, executive or judicial body of any jurisdiction, or any treaty, law, regulation, communiqué, decree, ordinance or policy of any jurisdiction shall purport to render any material provision of any Financing Document invalid or unenforceable or shall purport to prevent or materially delay the performance or observance by the Borrower of the Obligations and the Parties are unable to negotiate a replacement provision pursuant to Section 6.7 below.

(i) There is a failure to perform in any agreement to which the Borrower is a party with a third party or parties resulting in the acceleration of the maturity of any Indebtedness in an amount in excess of $1,500,000 and such acceleration is not rescinded, or such Indebtedness is not contested in good faith or paid or otherwise discharged, within thirty (30) days after such acceleration.

(j) Cash and Cash Equivalents as of December 30, 2011 are less than $10,000,000 or Cash and Cash Equivalents as of December 28, 2012 are less than $20,000,000.

Notwithstanding the foregoing, no Event of Default shall be deemed to have occurred pursuant to Section 5.5(a) to the extent Borrower has failed to make any payment or effect any redemption pursuant to Section 2.2(a) as a result of a good faith dispute with the Purchasers as to the calculation of any Mandatory Prepayment Amount; provided that the Borrower shall have redeemed the Notes in accordance with Section 2.2(a) in an aggregate Principal Amount equal to the undisputed portion of such Mandatory Redemption Amount and that to the extent the parties have not resolved such dispute within 30 days, the parties shall have referred such dispute to a firm of independent certified public accountants as the Borrower and the Purchasers shall mutually select (the "Auditor"). Each of the Borrower and the Purchasers shall submit to the Auditor a calculation of the Mandatory Prepayment Amount. The Auditor shall review the such calculations and the financial statements and other records of the Borrower and shall determine the amount of any Mandatory Prepayment Amount, which determination shall be binding upon the Purchasers and the Borrower (absent manifest error) and made and certified to the Purchasers and the Borrower as promptly as practicable but in any event not later than 30 days after its engagement . The Auditor shall be given full access to the books and records of the Borrower to enable it to make such determination. The fees of the Auditor shall be paid by the parties whose calculation of the Mandatory Prepayment Amount was the furthest from the Mandatory Prepayment Amount determined by the Auditors.

Section 5.6 Automatic Acceleration on Dissolution or Bankruptcy. Notwithstanding any other provisions of this Agreement, if an Event of Default under Section 5.5(e) shall occur, the Put Price shall thereupon become immediately due and payable without any presentment, demand, protest or notice of any kind, all of which are hereby expressly waived by the Borrower.

Section 5.7 Recovery of Amounts Due. If any amount payable hereunder is not paid as and when due, the Borrower hereby authorizes the Purchaser to proceed, to the fullest extent permitted by applicable law, without prior notice, by right of set-off, banker's lien or counterclaim, against any moneys or other assets of the Borrower to the full extent of all amounts payable to the Purchasers.

ARTICLE VI

MISCELLANEOUS

Section 6.1 Notices. Any notice, request or other communication to be given or made under this Agreement shall be in writing. Such notice, request or other communication shall be deemed to have been duly given or made when it shall be delivered by hand, courier (confirmed by facsimile), or facsimile (with a hard copy delivered within two (2) Business Days) to the Party to which it is required or permitted to be given or made at such Party's address specified below or at such other address as such Party shall have designated by notice to the other Parties.

For the Borrower:

If sent via U.S. Postal Service:

Exelixis, Inc.
170 Harbor Way
P.O. Box 511
South San Francisco, CA 94083-0511
Attn: Executive Vice President and General Counsel

If sent via any other carrier:

Exelixis, Inc.
Receiving Dept.
220 E. Grand Ave.
South San Francisco, CA 94080
Attn: Executive Vice President and General Counsel

Facsimile: (650) 837-7179

with a courtesy copy to:

Cooley Godward Kronish LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306
Attention: Suzanne Sawochka Hooper, Esq.

Facsimile: (650) 849-7400

For the Purchasers c/o:

Deerfield Private Design Fund, L.P.
780 Third Avenue, 37th Floor
New York, New York 10017
Attention: James E. Flynn

Facsimile: (212) 573-8111

with a courtesy copy to:

Katten Muchin Rosenman LLP
575 Madison Avenue
New York, New York 10022-2585
Facsimile: (212) 894-5827
Attention: Robert I. Fisher

Section 6.2 Waiver of Notice. Whenever any notice is required to be given to the Purchasers or the Borrower under the any of the Financing Documents, a waiver thereof in writing signed by the Person or Persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

Section 6.3 Reimbursement of Legal and Other Expenses. If any amount owing to the Purchasers under any Financing Document shall be collected through enforcement of such Financing Document, any refinancing or restructuring of the Notes in the nature of a work-out, settlement, negotiation, or any process of law, or shall be placed in the hands of third Persons for collection, the Borrower shall pay (in addition to all monies then due in respect of the Notes or otherwise payable under any Financing Document) documented attorneys' and other fees and expenses reasonably incurred in respect of such enforcement, refinancing, restructuring, process of law on collection.

Section 6.4 Applicable Law and Consent to Non-Exclusive New York Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to the conflicts of laws principles thereof other than Sections 5-1401 and 5-1402 of the General Obligations Law of such State.

(a) Each party hereby irrevocably submits to the jurisdiction of the state and federal courts sitting in The City of New York, borough of Manhattan or the City of San Francisco for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or other proceeding, any claim that it is not personally subject to the jurisdiction of any such court that such court, action or proceeding is improper or is an inconvenient venue for such proceeding. Final non-appealable judgment against any party in any such action, suit or other proceeding shall be conclusive and may be enforced in any jurisdiction by suit on the judgment. Nothing contained in any Financing Document shall affect the right of the Purchasers to commence legal proceedings in any court having jurisdiction, or concurrently in more than one jurisdiction, or to serve process, pleadings and other legal papers upon the Borrower in any manner authorized by the laws of any such jurisdiction. The Borrower irrevocably waives, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to the laying of venue of any action, suit or other proceeding arising out of or relating to any Financing Document, brought in the courts of the State of New York or in the United States District Court for the Southern District of New York, and any claim that any such action, suit or other proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Borrower hereby waives any and all rights to demand a trial by jury in any action, suit or other proceeding arising out of any Financing Document or the transactions contemplated by any Financing Document.

(c) To the extent that the Parties may, in any suit, action or other proceeding brought in any court arising out of or in connection with any Financing Document, be entitled to the benefit of any provision of law requiring the Borrower or the Purchasers, as applicable, in such suit, action or other proceeding to post security for the costs of the Borrower or the Purchasers, as applicable, or to post a bond or to take similar action, the Parties hereby irrevocably waive such benefit, in each case to the fullest extent now or hereafter permitted under any applicable laws.

Section 6.5 Successors and Assigns. This Agreement shall bind and inure to the respective successors and assigns of the Parties, except that the Borrower may not assign or otherwise transfer all or any part of its rights under this Agreement or the Obligations without the prior written consent of the Purchasers. Notwithstanding the foregoing, nothing in this Section 6.5 shall be deemed to limit or otherwise restrict a merger, reorganization or sale of substantially all of the assets of the Borrower.

Section 6.6 Entire Agreement. The Financing Documents contain the entire understanding of the Parties with respect to the matters covered thereby and supersede any and all other written and oral communications, negotiations, commitments and writings with respect thereto. The provisions of this Agreement may be waived, modified, supplemented or amended only by an instrument in writing signed by the authorized officer of each Party.

Section 6.7 Severability. If any provision contained in this Agreement shall be invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. The Parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provision.

Section 6.8 Counterparts. This Agreement may be executed in several counterparts, and by each Party on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

Section 6.9 Survival.

(a) This Agreement and all agreements, representations and warranties made in the other Financing Documents, and in any document, certificate or statement delivered pursuant thereto or in connection therewith shall be considered to have been relied upon by the Parties and shall survive the execution and delivery of this Agreement and the purchase of the Notes hereunder regardless of any investigation made by any other Party or on its behalf, and shall continue in force until the Obligations shall have

been fully paid, and the Purchasers shall not be deemed to have waived, by reason of purchasing the Notes, any Default that may arise by reason of such representation or warranty proving to have been false or misleading, notwithstanding that the Purchasers may have had notice or knowledge that such representation or warranty was false or misleading on the date hereof.

(b) The obligations of the Borrower under Section 2.6 and the obligations of the Borrower and the Purchasers under this Section 6.9 hereof shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Notes, or the termination of this Agreement or any provision hereof.

Section 6.10 Waiver. Neither the failure of, nor any delay on the part of, any Party in exercising any right, power or privilege hereunder, or under any agreement, document or instrument mentioned herein, shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder, or under any agreement, document or instrument mentioned herein, preclude other or further exercise thereof or the exercise of any other right, power or privilege; nor shall any waiver of any right, power, privilege or default hereunder, or under any agreement, document or instrument mentioned herein, constitute a waiver of any other right, power, privilege or default or constitute a waiver of any default of the same or of any other term or provision. No course of dealing and no delay in exercising, or omission to exercise, any right, power or remedy accruing to the Purchasers upon any default under this Agreement, or any other agreement shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence therein; nor shall the action of the Purchasers in respect of any such default, or any acquiescence by it therein, affect or impair any right, power or remedy of the Purchasers in respect of any other default. All rights and remedies herein provided are cumulative and not exclusive of any rights or remedies otherwise provided by law.

Section 6.11 Indemnity.

(a) The Parties shall, at all times, indemnify and hold each other harmless (the "Indemnity") and each of their respective directors, partners, officers, employees, agents, counsel and advisors (each, an "Indemnified Person") in connection with any losses, claims (including the cost of defending against such claims), damages, liabilities, penalties, or other expenses which may be incurred by or asserted against an Indemnified Person arising out of, any investigation, litigation or proceeding, relating to the Financing Documents (each, a "Loss") the extension of credit hereunder or the Notes or the use or intended use of the proceeds from the sale of the Notes, which an Indemnified Person may incur or to which an Indemnified Person may become subject. The Indemnity shall not apply to the extent that a court or arbitral tribunal with jurisdiction over the subject matter of the Loss, and over the Purchasers or the Borrower, as applicable, and such other Indemnified Person that had an adequate opportunity to defend its interests, determines that such Loss resulted from the gross negligence or willful misconduct of the Indemnified Person, which determination results in a final, non-appealable judgment or decision of a court or tribunal of competent jurisdiction. The Indemnity is independent of and in addition to any other agreement of any Party under any Financing Document to pay any amount to the Purchasers or the Borrower, as applicable, and any exclusion of any obligation to pay any amount under this subsection shall not affect the requirement to pay such amount under any other section hereof or under any other agreement.

(b) Without prejudice to the survival of any other agreement of any of the Parties hereunder, the agreements and the obligations of the Parties contained in this Section 6.11 shall survive the termination of each other provision hereof and the payment of all amounts payable to the Purchasers hereunder.

Section 6.12 No Usury. The Financing Documents are hereby expressly limited so that in no contingency or event whatsoever, whether by reason of acceleration or otherwise, shall the amount paid or agreed to be paid to the Purchasers in respect of the Notes exceed the maximum amount permissible under applicable law. If from any circumstance whatsoever fulfillment of any provision hereof, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law, then, ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity, and if from any such circumstance the Purchasers shall ever receive anything which might be deemed interest under applicable law, that would exceed the highest lawful rate, such amount that would be deemed excessive interest shall be applied to the reduction of the principal amount owing on account of the Notes, or if such deemed excessive interest exceeds the unpaid balance of principal of the Notes, such deemed excess shall be refunded to the Borrower. All sums paid or agreed to be paid to the Purchasers for the Notes shall, to the extent permitted by applicable law, be deemed to be amortized, prorated, allocated and spread throughout the full term of the Notes until payment in full so that the deemed rate of interest on account of the Notes is uniform throughout the term thereof. The terms and provisions of this paragraph shall control and supersede every other provision of this Agreement and the Notes.

Section 6.13 Further Assurances. From time to time, the Borrower shall perform any and all acts and execute and deliver to the Purchasers such additional documents as may be necessary or as requested by the Purchasers to carry out the purposes of any Financing Document or any or to preserve and protect the Purchasers' rights as contemplated therein.

Section 6.14 Termination. This Agreement shall automatically terminate upon the conversion and/or repayment of all of the Notes (together with the payment of any other accrued and unpaid amounts under this Agreement), whereupon the Obligations shall terminate subject to the provisions of Sections 2.9(n), 6.9(b) and 6.11

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names as of the date first above written.

BORROWER:
EXELIXIS, INC.

By: /s/ George A. Scangos
Name: George A. Scangos, PhD
Title: President and Chief Executive Officer

PURCHASER:
DEERFIELD PRIVATE DESIGN FUND, L.P.

By: Deerfield Capital, L.P., General Partner
By: J.E. Flynn Capital, LLC, General Partner

By: /s/ David J. Clark
Name: David J. Clark
Title: Authorized Signatory

PURCHASER:
DEERFIELD PRIVATE DESIGN INTERNATIONAL, L.P.

By: Deerfield Capital, L.P., General Partner
By: J.E. Flynn Capital, LLC, General Partner

By: /s/ David J. Clark
Name: David J. Clark
Title: Authorized Signatory

SCHEDULE OF PURCHASERS

Name	Issue Price	Principal Amount
Deerfield Private Design Fund, L.P.	$30,640,000	$ 47,492,000
Deerfield Private Design International, L.P.	$49,360,000	$ 76,508,000

EXHIBIT A-1

FORM OF NOTE

SECURED CONVERTIBLE NOTE

THE SECURITY REPRESENTED BY THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, OR APPLICABLE STATE SECURITIES LAWS. THIS SECURITY MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER SAID ACT, OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SAID ACT INCLUDING, WITHOUT LIMITATION, PURSUANT TO RULE 144 UNDER SAID ACT.

THIS NOTE IS BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID"). THE FOLLOWING INFORMATION IS BEING PROVIDED PURSUANT TO TREASURY REGULATION SECTION 1.275-3:

ISSUE PRICE:

AMOUNT OF OID:

ISSUE DATE:

MATURITY DATE:

June __, 2010

FOR VALUE RECEIVED, EXELIXIS, INC., a Delaware corporation (the "Issuer"), by means of this Promissory Note (this "Note"), hereby unconditionally promises to pay to Deerfield Private Design International, L.P. (the "Holder"), a principal amount equal to $[ ] (or such lesser amount as may be outstanding under this Note as result of prepayments and conversions by the Borrower pursuant to the Note Purchase Agreement (as defined below)), in lawful money of the United States of America and in immediately available funds, on the dates provided in the Note Purchase Agreement.

This Note is a "Note" referred to in the Note Purchase Agreement dated as of June __, 2010 among the Issuer, the Holder and the other parties thereto (as modified and supplemented and in effect from time to time, the "Note Purchase Agreement"), with respect to the purchase of this Note by the Holder thereunder. Capitalized terms used herein and not expressly defined in this Note shall have the respective meanings assigned to them in the Note Purchase Agreement. All Obligations of the Issuer under this Note are secured as provided in the Security Agreement.

This Note shall bear interest on the Principal Amount hereof in the amounts set forth in and pursuant to the provisions of the Note Purchase Agreement. This Note is subject to the voluntary and mandatory prepayment provisions set forth in the Note Purchase Agreement.

The Issuer shall make all payments to the Holder of interest and principal under this Note in the manner provided in and otherwise in accordance with the Note Purchase Agreement. The principal amount of this Note may be converted into shares of Common Stock as set forth in the Note Purchaser Agreement. On the Maturity Date and on any Major Transaction Put Date, the Principal Amount of this Note shall become due and payable.

If default is made in the punctual payment of principal or any other amount under this Note in accordance with the Note Purchase Agreement, or if any other Event of Default has occurred, this Note shall, at the Holder's option exercised at any time upon or after the occurrence of any such payment default or other Event of Default and in accordance with the applicable provisions of the Note Purchase Agreement, become immediately due and payable.

All payments of any kind due to the Holder from the Issuer pursuant to this Note shall be made in the full face amount thereof, other than Excluded Taxes. The Issuer shall pay all and any costs (administrative or otherwise) imposed by banks, clearing houses, or any other financial institution, in connection with making any payments hereunder, except for any costs imposed by the Holder's banking institutions.

The Issuer shall pay all reasonable costs of collection, including, without limitation, all reasonable, documented legal expenses and attorneys' fees, paid or incurred by the Holder in collecting and enforcing this Note.

The Issuer and every endorser of this Note, or the obligations represented hereby, expressly waives presentment, protest, demand, notice of dishonor or default, and notice of any kind with respect to this Note and the Note Purchase Agreement or the performance of the obligations under this Note and/or the Note Purchase Agreement. No renewal or extension of this Note or the Note Purchase Agreement, no release of any Person primarily or secondarily liable on this Note or the Note Purchase Agreement, including the Issuer and any endorser, no delay in the enforcement of payment of this Note or the Note Purchase Agreement, and no delay or omission in exercising any right or power under this Note or the Note Purchase Agreement shall affect the liability of the Issuer or any endorser of this Note.

No delay or omission by the Holder in exercising any power or right hereunder shall impair such right or power or be construed to be a waiver of any default, nor shall any single or partial exercise of any power or right hereunder preclude the full exercise thereof or the exercise of any other power or right. The provisions of this Note may be waived or amended only in a writing signed by the Issuer and the Holder. This Note may be prepaid in whole or in part without premium or penalty, including in shares of Common Stock in accordance with the provisions of the Note Purchase Agreement.

THIS NOTE, AND ANY RIGHTS OF THE HOLDER ARISING OUT OF OR RELATING TO THIS NOTE, MAY, AT THE OPTION OF THE HOLDER, BE ENFORCED BY THE HOLDER IN THE COURTS OF THE UNITED STATES OF AMERICA LOCATED IN THE SOUTHERN DISTRICT OF THE STATE OF NEW YORK OR IN ANY OTHER COURTS HAVING JURISDICTION. FOR THE BENEFIT OF THE HOLDER, THE ISSUER HEREBY IRREVOCABLY AGREES THAT ANY LEGAL ACTION, SUIT OR OTHER PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND HEREBY CONSENTS THAT PERSONAL SERVICE OF SUMMONS OR OTHER LEGAL PROCESS MAY BE MADE AS SET FORTH IN SECTION 6.1 OF THE NOTE PURCHASE AGREEMENT, WHICH SERVICE THE ISSUER AGREES SHALL BE SUFFICIENT AND VALID. THE ISSUER HEREBY WAIVES ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY IN ANY ACTION, SUIT OR OTHER PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE OR THE TRANSACTIONS CONTEMPLATED BY THIS NOTE.

This Note shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed in such State, without giving effect to the conflicts of laws principles thereof other than Sections 5-1401 and 5-1402 of the General Obligations Law of the State of New York.

Whenever this Note is held by a noteholder that is not a “United States person” within the meaning of Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the “Code”), then it is the intention of the Issuer and such noteholder that (x) all interest accrued and paid on this Note will qualify for exemption from United States withholding tax as “portfolio interest” because this Note is an obligation which is in “registered form” within the meaning of Sections 871(h)(2)(B) and 881(c)(2)(B) of the Code and the applicable Treasury Regulations promulgated thereunder, and (y) as such, all interest accrued and paid on this Note will be exempt from United States information reporting under Sections 6041 and 6049 of the Code and United States backup withholding under Section 3406 of the Code. The Issuer and the Holder shall reasonably cooperate with one another, and execute and file such forms or other documents, or do or refrain from doing such other acts, as may be required, to secure such exemptions from United States withholding tax, information reporting, and backup withholding. In furtherance of the foregoing, any transferee or assignee noteholder that is not a United States person shall represent, warrant and covenant to the Issuer that (i) such noteholder is not, and will not be as long as any amounts due under this Note have not been paid in full, a “United States person,” within the meaning of Section 7701(a)(30) of the Code; (ii) such noteholder is not, and will not be as long as any amounts due under this Note have not been paid in full, a person described in Section 881(c)(3) of the Code; (iii) on or prior to the date of transfer or assignment (and on or prior to the date the form provided pursuant to this clause (iii) is no longer valid) until all amounts due under this Note have been paid in full, such noteholder shall provide the Issuer with a properly executed U.S. Internal Revenue Service (“IRS”) Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding (or any successor form prescribed by the

IRS), certifying as to such noteholder's status for purposes of determining exemption from United States withholding tax, information reporting and backup withholding with respect to all payments to be made to such noteholder hereunder; (iv) if an event occurs that would require a change in the exempt status of such noteholder or any of the other information provided on the most recent IRS Form W-8BEN (or successor form) previously submitted by such noteholder to the Issuer, such noteholder will so inform the Issuer in writing (or by submitting to the Issuer a new IRS Form W-8BEN or successor form) within 30 days after the occurrence of such event; and (v) such noteholder will not assign or otherwise transfer this Note or any of its rights hereunder except in accordance with the provisions hereof.

In order to qualify as a "registered note" for purposes of the Code, transfer of this Note may be effected only by (i) surrender of this Note to the Issuer and the re-issuance of this Note to the transferee, or the Issuer's issuance to the Holder of a new note in the same form as this Note but with the transferee denoted as the Holder, or (ii) the recording of the identity of the transferee by the Affiliate of the Holder that is maintaining a record ownership register of this Note as agent to, and on behalf of, the Issuer. Such Affiliate in its capacity as such agent shall notify the Issuer in writing immediately upon any change in such identity. The terms and conditions of this Note shall be binding upon and inure to the benefit of the Issuer and the Holder and their permitted assigns; provided, however, that if any such assignment (whether by operation of law, by way of transfer or participation, or otherwise) is to any noteholder that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code, then such noteholder shall submit to the Issuer on or before the date of such assignment an IRS Form W-8BEN (or any successor form) certifying as to such noteholder's status for purposes of determining exemption from United States withholding tax, information reporting and backup withholding with respect to all payments to be made to such noteholder under the new note (or other instrument). Any attempted transfer in violation of the relevant provisions of this Note shall be void and of no force and effect. Until there has been a valid transfer of this Note and of all of the rights hereunder by the Holder in accordance with this Note, the Issuer shall deem and treat the Holder as the absolute beneficial owner and holder of this Note and of all of the rights hereunder for all purposes (including, without limitation, for the purpose of receiving all payments to be made under this Note).

It is the intention of the Issuer and the Holder that this Note is to be a registered instrument and not a bearer instrument and the provisions of this Note are to be interpreted accordingly. This Note is intended to be registered as to both principal and interest and all payments hereunder shall be made to the named Holder or, in the event of a transfer pursuant to the Note Purchase Agreement and this Note, to the transferee identified in the record of ownership of this Note maintained by the Holder on behalf of the Issuer. Transfer of this Note may not be effected except in accordance with the provisions hereof.

IN WITNESS WHEREOF, an authorized representative of the Issuer has executed this Note as of the date first written above.

EXELIXIS, INC.

By: _____

Name:

Title:

EXHIBIT A-2

FORM OF NOTE

SECURED CONVERTIBLE NOTE

THE SECURITY REPRESENTED BY THIS CERTIFICATE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, OR APPLICABLE STATE SECURITIES LAWS. THIS SECURITY MAY NOT BE SOLD, TRANSFERRED OR ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT FOR THE SECURITIES UNDER SAID ACT, OR PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER SAID ACT INCLUDING, WITHOUT LIMITATION, PURSUANT TO RULE 144 UNDER SAID ACT.

THIS NOTE IS BEING ISSUED WITH ORIGINAL ISSUE DISCOUNT ("OID"). THE FOLLOWING INFORMATION IS BEING PROVIDED PURSUANT TO TREASURY REGULATION SECTION 1.275-3:

ISSUE PRICE:

AMOUNT OF OID:

ISSUE DATE:

MATURITY DATE:

June __, 2010

FOR VALUE RECEIVED, EXELIXIS INC., a Delaware corporation (the "Issuer"), by means of this Promissory Note (this "Note"), hereby unconditionally promises to pay to Deerfield Private Design Fund, L.P. (the "Holder"), a principal amount equal to $[ ] (or such lesser amount as may be outstanding under this Note as result of prepayments and conversions by the Borrower pursuant to the Note Purchase Agreement (as defined below)), in lawful money of the United States of America and in immediately available funds, on the dates provided in the Note Purchase Agreement.

This Note is a "Note" referred to in the Note Purchase Agreement dated as of June__, 2010 among the Issuer, the Holder and the other parties thereto (as modified and supplemented and in effect from time to time, the "Note Purchase Agreement"), with respect to the purchase of Notes by the Holder thereunder. Capitalized terms used herein and not expressly defined in this Note shall have the respective meanings assigned to them in the Note Purchase Agreement. All Obligations of the Issuer under this Note are secured as provided in the Security Agreement.

This Note shall bear interest on the Principal Amount hereof in the amounts set forth in and pursuant to the provisions of the Note Purchase Agreement. This Note is subject to the voluntary and mandatory prepayment provisions set forth in the Note Purchase Agreement.

The Issuer shall make all payments to the Holder of interest and principal under this Note in the manner provided in and otherwise in accordance with the Note Purchase Agreement. The principal amount of this Note may be converted into shares of Common Stock as set forth in the Note Purchaser Agreement. On the Maturity Date and on any Major Transaction Put Date, the Principal Amount of this Note shall become due and payable.

If default is made in the punctual payment of principal or any other amount under this Note in accordance with the Note Purchase Agreement, or if any other Event of Default has occurred, this Note shall, at the Holder's option exercised at any time upon or after the occurrence of any such payment default or other Event of Default and in accordance with the applicable provisions of the Note Purchase Agreement, become immediately due and payable.

All payments of any kind due to the Holder from the Issuer pursuant to this Note shall be made in the full face amount thereof, other than Excluded Taxes. The Issuer shall pay all and any costs (administrative or otherwise) imposed by banks, clearing houses, or any other financial institution, in connection with making any payments hereunder, except for any costs imposed by the Holder's banking institutions.

The Issuer shall pay all reasonable costs of collection, including, without limitation, all reasonable, documented legal expenses and attorneys' fees, paid or incurred by the Holder in collecting and enforcing this Note.

The Issuer and every endorser of this Note, or the obligations represented hereby, expressly waives presentment, protest, demand, notice of dishonor or default, and notice of any kind with respect to this Note and the Note Purchase Agreement or the performance of the obligations under this Note and/or the Note Purchase Agreement. No renewal or extension of this Note or the Note Purchase Agreement, no release of any Person primarily or secondarily liable on this Note or the Note Purchase Agreement, including the Issuer and any endorser, no delay in the enforcement of payment of this Note or the Note Purchase Agreement, and no delay or omission in exercising any right or power under this Note or the Note Purchase Agreement shall affect the liability of the Issuer or any endorser of this Note.

No delay or omission by the Holder in exercising any power or right hereunder shall impair such right or power or be construed to be a waiver of any default, nor shall any single or partial exercise of any power or right hereunder preclude the full exercise thereof or the exercise of any other power or right. The provisions of this Note may be waived or amended only in a writing signed by the Issuer and the Holder. This Note may be prepaid in whole or in part without premium or penalty, including in shares of Common Stock in accordance with the provisions of the Note Purchase Agreement. .

THIS NOTE, AND ANY RIGHTS OF THE HOLDER ARISING OUT OF OR RELATING TO THIS NOTE, MAY, AT THE OPTION OF THE HOLDER, BE ENFORCED BY THE HOLDER IN THE COURTS OF THE UNITED STATES OF AMERICA LOCATED IN THE SOUTHERN DISTRICT OF THE STATE OF NEW YORK OR IN ANY OTHER COURTS HAVING JURISDICTION. FOR THE BENEFIT OF THE HOLDER, THE ISSUER HEREBY IRREVOCABLY AGREES THAT ANY LEGAL ACTION, SUIT OR OTHER PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE MAY BE BROUGHT IN THE COURTS OF THE STATE OF NEW YORK OR OF THE UNITED STATES OF AMERICA FOR THE SOUTHERN DISTRICT OF NEW YORK, AND HEREBY CONSENTS THAT PERSONAL SERVICE OF SUMMONS OR OTHER LEGAL PROCESS MAY BE MADE AS SET FORTH IN SECTION 6.1 OF THE NOTE PURCHASE AGREEMENT, WHICH SERVICE THE ISSUER AGREES SHALL BE SUFFICIENT AND VALID. THE ISSUER HEREBY WAIVES ANY AND ALL RIGHTS TO DEMAND A TRIAL BY JURY IN ANY ACTION, SUIT OR OTHER PROCEEDING ARISING OUT OF OR RELATING TO THIS NOTE OR THE TRANSACTIONS CONTEMPLATED BY THIS NOTE.

This Note shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts made and to be performed in such State, without giving effect to the conflicts of laws principles thereof other than Sections 5-1401 and 5-1402 of the General Obligations Law of the State of New York.

Whenever this Note is held by a noteholder that is not a “United States person” within the meaning of Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the “Code”), then it is the intention of the Issuer and such noteholder that (x) all interest accrued and paid on this Note will qualify for exemption from United States withholding tax as “portfolio interest” because this Note is an obligation which is in “registered form” within the meaning of Sections 871(h)(2)(B) and 881(c)(2)(B) of the Code and the applicable Treasury Regulations promulgated thereunder, and (y) as such, all interest accrued and paid on this Note will be exempt from United States information reporting under Sections 6041 and 6049 of the Code and United States backup withholding under Section 3406 of the Code. The Issuer and the Holder shall reasonably cooperate with one another, and execute and file such forms or other documents, or do or refrain from doing such other acts, as may be required, to secure such exemptions from United States withholding tax, information reporting, and backup withholding. In furtherance of the foregoing, any transferee or assignee noteholder that is not a United States person shall represent, warrant and covenant to the Issuer that (i) such noteholder is not, and will not be as long as any amounts due under this Note have not been paid in full, a “United States person,” within the meaning of Section 7701(a)(30) of the Code; (ii) such noteholder is not, and will not be as long as any amounts due under this Note have not been paid in full, a person described in Section 881(c)(3) of the Code; (iii) on or prior to the date of transfer or assignment (and on or prior to the date the form provided pursuant to this clause (iii) is no longer valid) until all amounts due under this Note have been paid in full, such noteholder shall provide the Issuer with a properly executed U.S. Internal Revenue Service (“IRS”) Form W-8BEN, Certificate of Foreign Status of

Beneficial Owner for United States Tax Withholding (or any successor form prescribed by the IRS), certifying as to such noteholder's status for purposes of determining exemption from United States withholding tax, information reporting and backup withholding with respect to all payments to be made to such noteholder hereunder; (iv) if an event occurs that would require a change in the exempt status of such noteholder or any of the other information provided on the most recent IRS Form W-8BEN (or successor form) previously submitted by such noteholder to the Issuer, such noteholder will so inform the Issuer in writing (or by submitting to the Issuer a new IRS Form W-8BEN or successor form) within 30 days after the occurrence of such event; and (v) such noteholder will not assign or otherwise transfer this Note or any of its rights hereunder except in accordance with the provisions hereof.

In order to qualify as a "registered note" for purposes of the Code, transfer of this Note may be effected only by (i) surrender of this Note to the Issuer and the re-issuance of this Note to the transferee, or the Issuer's issuance to the Holder of a new note in the same form as this Note but with the transferee denoted as the Holder, or (ii) the recording of the identity of the transferee by the Affiliate of the Holder that is maintaining a record ownership register of this Note as agent to, and on behalf of, the Issuer. Such Affiliate in its capacity as such agent shall notify the Issuer in writing immediately upon any change in such identity. The terms and conditions of this Note shall be binding upon and inure to the benefit of the Issuer and the Holder and their permitted assigns; provided, however, that if any such assignment (whether by operation of law, by way of transfer or participation, or otherwise) is to any noteholder that is not a "United States person" within the meaning of Section 7701(a)(30) of the Code, then such noteholder shall submit to the Issuer on or before the date of such assignment an IRS Form W-8BEN (or any successor form) certifying as to such noteholder's status for purposes of determining exemption from United States withholding tax, information reporting and backup withholding with respect to all payments to be made to such noteholder under the new note (or other instrument). Any attempted transfer in violation of the relevant provisions of this Note shall be void and of no force and effect. Until there has been a valid transfer of this Note and of all of the rights hereunder by the Holder in accordance with this Note, the Issuer shall deem and treat the Holder as the absolute beneficial owner and holder of this Note and of all of the rights hereunder for all purposes (including, without limitation, for the purpose of receiving all payments to be made under this Note).

It is the intention of the Issuer and the Holder that this Note is to be a registered instrument and not a bearer instrument and the provisions of this Note are to be interpreted accordingly. This Note is intended to be registered as to both principal and interest and all payments hereunder shall be made to the named Holder or, in the event of a transfer pursuant to the Note Purchase Agreement and this Note, to the transferee identified in the record of ownership of this Note maintained by the Holder on behalf of the Issuer. Transfer of this Note may not be effected except in accordance with the provisions hereof.

IN WITNESS WHEREOF, an authorized representative of the Issuer has executed this Note as of the date first written above.

EXELIXIS INC.

By: _____
Name:
Title:

EXHIBIT B

PERMITTED INDEBTEDNESS

1. All Indebtedness of the Borrower under that certain Loan and Security Agreement, dated as of October 28, 2002 by and between Smith Kline Beecham Corporation and Exelixis, Inc. (as amended, modified or otherwise supplemented through the date hereof).

2. All Indebtedness of the Borrower under that certain Loan and Security Agreement, dated May 22, 2002 by and between Silicon Valley Bank and Exelixis, Inc. (as amended, modified or otherwise supplemented through the date hereof).

EXHIBIT C

PERMITTED LIENS

	Juris.	Secured Party	File No.	Date of Filing	Type of Filing/Comments
1	DE	General Electric Capital Corporation 401 Merritt Seven, 2nd Floor, Norwalk, CT 06856	10983788 61345586	8/17/01 4/21/06	Equipment lease Continuation
2	DE	General Electric Capital Corporation 401 Merritt Seven, 2nd Floor, Norwalk, CT 06856	10983796 61345602	8/17/01 4/21/06	Equipment lease Continuation
3	DE	General Electric Capital Corporation 401 Merritt Seven, Suite 23, Norwalk, CT 06851	11187272 40470528 40478661 63035367	9/19/01 2/20/04 2/20/04 8/31/06	Equipment lease Amendment – delete equipment Amendment – add equipment Continuation
4	DE	General Electric Capital Corporation 401 Merritt Seven, Suite 23, Norwalk, CT 06856	40354235	2/10/04	Equipment lease
5	DE	General Electric Capital Corporation 401 Merritt Seven, Suite 23, Norwalk, CT 06856	40363947	2/10/04	Equipment lease
6	DE	General Electric Capital Corporation 401 Merritt Seven, Suite 23, Norwalk, CT 06856	40492209	2/23/04	Equipment lease
7	DE	General Electric Capital Corporation PO Box 414, W-490, Milwaukee, WI 53201	42516096	8/30/04	Equipment lease

8	DE	Silicon Valley Bank 3003 Tasman Drive, Santa Clara, CA 95054	43621499 80204527	12/22/04 1/16/08	Accounts Amendment – restated collateral description
9	DE	CIT Communications Finance Corporation 1 CIT Drive, Livingston, NJ 07039	60969600	3/22/06	Equipment lease

Exhibit 10.2

SECURITY AGREEMENT

This Security Agreement (this "**Agreement**"), dated as of July 1, 2010, is entered into between **Exelixis Inc.** ("**Obligor**") in favor of **Deerfield Private Design Fund, L.P. and Deerfield Private Design International, L.P** (together, the "**Secured Party**").

W I T N E S S E T H:

WHEREAS, Obligor has entered into a Note Purchase Agreement, dated as of the date hereof (the "**Note Purchase Agreement**"), with the Secured Party;

NOW, THEREFORE, in consideration of the mutual agreements set forth herein, Obligor and the Secured Party agree as follows:

1. Grant of Security Interest.

(a) To secure payment and performance of the Obligations (as defined below), Obligor hereby grants to Secured Party a security interest in all property and interests in property of Obligor, whether now owned or hereafter acquired or existing, and wherever located (together with all other collateral security for the Obligations at any time granted to or held or acquired by Secured Party, collectively, the "**Collateral**"), including, without limitation, the following:

(i) all Accounts;

(ii) all Receivables;

(iii) all Equipment;

(iv) all General Intangibles;

(v) all Inventory;

(vi) all Investment Property ; and

(vii) all proceeds and products of (i), (ii), (iii), (iv), (v) and (vi).

(b) Notwithstanding anything to the contrary contained in Section 1(a) above, the types and items of Collateral described in such Section 1(a) shall not include (i) now existing and hereafter created Intellectual Property; provided, however, that the Collateral does include and the security interest taken shall include all payments, royalties and all other forms of compensation, remuneration and proceeds receivable by Obligor derived or resulting from, directly or indirectly, any exploitation (including but not limited to the use or licensing thereof) of now existing and hereafter created Intellectual Property, (ii) all payments, royalties and all other forms of compensation, remuneration, economic rights and proceeds (collectively,

"Payments") derived or resulting from, directly or indirectly, any exploitation (including but not limited to the use of licensing thereof) of now existing and hereafter created Intellectual Property or Inventory only to the extent, and for so long as, rights to such Payments have been granted to any other Person pursuant to a Development/Commercialization Agreement not prohibited by the Note Purchase Agreement (it being agreed that all other Payments shall constitute Collateral), (iii) any permit or license issued by a Government Authority to Obligor or any agreement to which Obligor is a party, in each case, only to the extent and for so long as the terms of such permit, license or agreement or any law, rule, regulation or order applicable thereto, validly prohibit the creation by Obligor of a security interest therein in favor of the Secured Party (after giving effect to Sections 9-406(d), 9-407(a), 9-408(a) or 9-409 of the UCC (or any successor provision or provisions) or any other applicable law (including the Bankruptcy Code) or principles of equity); (iv) accounts at Silicon Valley Bank in which a security interest has been granted by Obligor to Silicon Valley Bank pursuant to that certain Loan and Security Agreement, dated as of May 22, 2002, between Obligor and Silicon Valley Bank, as such agreement may be amended, supplemented, or otherwise modified from time to time or as may be replaced or refinanced in compliance with the Note Purchase Agreement, (v) the deposit Accounts, Inventory and Equipment (and proceeds thereof) subject to Liens or negative pledges in favor of GlaxoSmithKline plc (as successor to Smith Kline Beecham Corporation) in connection with that certain Loan and Security Agreement, dated as of October 28, 2002 and as amended, supplemented or otherwise modified from time to time, by and between Smith Kline Beecham Corporation and Obligor; (vi) any property of a person existing at the time such person is merged into or consolidated with Obligor that is subject to a Permitted Lien to the extent the contract or other agreement in which such Lien is granted validly prohibits the creation of any other Lien on such property; (vii) any asset only to the extent and for so long as the terms of any agreement, law, rule, regulation or order applicable thereto, validly prohibit the creation by Obligor of a security interest in such asset in favor of the Secured Party (after giving effect to the UCC of any applicable jurisdiction or any other applicable law (including the Bankruptcy Code) or principles of equity); and (viii) any equity interests (other than equity interests of a wholly-owned Subsidiary) if the granting of a security interest in such equity interests is prohibited by the applicable joint venture, shareholder, stock purchase or similar agreement (after giving effect to the UCC of any applicable jurisdiction or any other applicable law (including the Bankruptcy Code) or principles of equity).

(c) Perfection of Security Interests.

(i) Obligor authorizes Secured Party (or its agent) to file at any time and from time to time such financing statements with respect to the Collateral naming Secured Party or its designee as the secured party and Obligor as debtor, as Secured Party may require, and including any other information with respect to Obligor or otherwise required by part 5 of Article 9 of the UCC of such jurisdictions as Secured Party may determine, together with any amendment and continuations with respect thereto, which authorization shall apply to all financing statements filed on or after the date hereof. Obligor authorizes Secured Party to adopt on behalf of Obligor any symbol required to authenticate any electronic filing. In no event shall Obligor at any time file, or permit or cause to be filed while any Obligations remain outstanding, any correction statement or termination statement with respect to any financing statement (or amendment or continuation with respect thereto) naming Secured Party or its designee as secured party and Obligor as debtor.

(ii) Obligor shall take any other action reasonably requested by Secured Party from time to time to cause the attachment and perfection of, and the ability of Secured Party to enforce, the security interest of Secured Party in the Collateral; *provided, however,* unless an Event of Default shall have occurred and be continuing, the Obligor shall not be required to deliver or file any account control agreements, mortgages, leasehold mortgages, fixture filings, bailee letters or collateral access agreements or physically deliver or otherwise provide control of any Collateral to the Secured Party.

2. Covenants Relating to Collateral; Indebtedness; Dividends. Obligor covenants that:

(a) it will give Secured Party twenty (20) days' prior written notice of any change to its name;

(b) it will give Secured Party twenty (20) days' prior written notice of any change to its chief executive office or its mailing address; and

(c) it will give Secured Party twenty (20) days' prior written notice of any change to its type of organization, jurisdiction of organization or other legal structure.

3. Remedies.

Upon the occurrence and during the continuance of an Event of Default, (i) Secured Party shall have the right to exercise any right and remedy provided for herein, under the UCC (as defined below) and at law or equity generally, including, without limitation, the right to foreclose the security interests granted herein and to realize upon any Collateral by any available judicial procedure and/or to take possession of and sell any or all of the Collateral with or without judicial process; and (ii) with or without having the Collateral at the time or place of sale, Secured Party may sell the Collateral, or any part thereof, at public or private sale, at any time or place, in one or more sales, at such price or prices, and upon such terms, either for cash, credit or future delivery, as Secured Party may elect.

4. Representations and Warranties. Obligor hereby represents and warrants to Secured Party that:

(a) Obligor is a corporation duly organized and validly existing under the laws of Delaware.

(b) The exact legal name of Obligor is as set forth on the signature page of this Agreement. Obligor has not, during the past five years, been known by or used any other composite or fictitious name or been a party to any merger or consolidation, or acquired all or substantially all of the assets of any Person, or acquired any of its properties or assets out of the ordinary course of business.

(c) The chief executive office and mailing address of Obligor are located only at the address identified as such on Schedule 4(c) and its only other places of business and the only other locations of Collateral, if any, are at the addresses set forth on Schedule 4(c).

(d) Obligor represents and warrants to Secured Party that there is no Development/ Commercialization Agreement in effect on the date hereof that prohibit the creation of the security interest provided for in this Agreement and covenants not to enter into any such Development/Commercialization Agreement.

5. Expenses of Obligor's Duties; Secured Party's Right to Perform on Obligor's Behalf.

(a) Obligor's agreements hereunder shall be performed by it at its sole cost and expense.

(b) If Obligor shall fail to do any act which it has covenanted to do hereunder, and such failure has an adverse effect on the security interest granted hereby, Secured Party may (but shall not be obligated to) do the same or cause it to be done, either in its name or in the name and on behalf of Obligor, and Obligor hereby irrevocably authorizes Secured Party so to act.

6. No Waivers of Rights hereunder; Rights Cumulative.

(a) No delay by Secured Party in exercising any right hereunder, or in enforcing any of the Obligations, shall operate as a waiver thereof, nor shall any single or partial exercise of any right preclude other or further exercises thereof or the exercise of any other right. No waiver of any of the Obligations shall be enforceable against Secured Party unless in writing and signed by an officer of Secured Party, and unless it expressly refers to the provision affected; any such waiver shall be limited solely to the specific event waived.

(b) All rights granted Secured Party hereunder shall be cumulative and shall be supplementary of and in addition to those granted or available to Secured Party under any other agreement with respect to the Obligations or under applicable law and nothing herein shall be construed as limiting any such other right.

7. Termination. This Agreement shall continue in full force and effect until all Obligations shall have been paid and satisfied in full.

8. Applicable Law and Consent to Non-Exclusive New York Jurisdiction.

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to the conflicts of laws principles thereof other than Sections 5-1401 and 5-1402 of the General Obligations Law of such State.

(b) Each Obligor and Secured Party (together, the "**Parties**" and individually, a "**Party**") hereby irrevocably submits to the jurisdiction of the state and federal courts sitting in The City of New York, borough of Manhattan or the City of San Francisco for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or other proceeding, any claim that it is not personally subject to the jurisdiction of any such court or that such court, action or other proceeding is improper or is an inconvenient venue for such proceeding. Final non-appealable judgment against any Party in any such action, suit or other proceeding shall be conclusive and may be enforced in any jurisdiction by suit on the judgment. Nothing contained in this Agreement shall affect the right of either Party to commence legal

proceedings in any court having jurisdiction, or concurrently in more than one jurisdiction, or to serve process, pleadings and other legal papers upon the other Party in any manner authorized by the laws of any such jurisdiction. Each Party irrevocably waives, to the fullest extent permitted by applicable law, any objection which it may now or hereafter have to the laying of venue of any action, suit or other proceeding arising out of or relating to this Agreement, brought in the courts of the State of New York or in the United States District Court for the Southern District of New York, and any claim that any such action, suit or other proceeding brought in any such court has been brought in an inconvenient forum.

(c) Each Party hereby waives any and all rights to demand a trial by jury in any action, suit or other proceeding arising out of this Agreement or the transactions contemplated by this Agreement.

(d) To the extent that the Parties may, in any suit, action or other proceeding brought in any court arising out of or in connection with this Agreement, be entitled to the benefit of any provision of law requiring any Party, as applicable, in such suit, action or other proceeding to post security for the costs of any other Party, as applicable, or to post a bond or to take similar action, the Parties hereby irrevocably waive such benefit, in each case to the fullest extent now or hereafter permitted under any applicable laws.

9. Additional Definitions. As used herein:

(a) All terms used herein which are defined in Article 1 or Article 9 of the UCC shall have the meanings given therein unless otherwise defined in this Agreement. All references to the plural herein shall also mean the singular and to the singular shall also mean the plural unless the context otherwise requires. All references to Obligor and Secured Party pursuant to the definitions set forth in the recitals hereto, or to any other person herein, shall include their respective successors and assigns. The words “hereof”, “herein”, “hereunder”, “this Agreement” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. The word “including” when used in this Agreement shall mean “including, without limitation”. The words “it” or “its” as used herein shall be deemed to refer to individuals and to business entities. Capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Note Purchase Agreement.

“**Intellectual Property**” means any intellectual property, in any medium, of any kind or nature whatsoever, now or hereafter owned or acquired or received by Obligor or in which Obligor now holds or hereafter acquires or receives any right, interest or license, and shall include, in any event, any copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, patent applications and like protections, including improvements, divisions, continuations, renewals, reissues, extensions, and continuations-in-part of the same, trademarks, service marks and any applications therefor, whether registered or not, and the goodwill of the business of Obligor connected with and symbolized thereby, know-how, operating manuals, inventions, formulae, processes, gene sequences, cell lines, assays, biological materials, compounds, compound libraries, research, clinical and commercial compounds derived from such libraries,

along with the associated active pharmaceutical ingredients and related formulations (other than Inventory held for sale), new drug applications and investigational new drug applications or other regulatory filings relating to any drugs or compounds, trade secret rights, rights to unpatented inventions, and any claims for damage by way of any past, present, or future infringement of any of the foregoing, and any licenses to use any of the foregoing.

"**Obligations**" means:

(1) the full and prompt payment by Obligor when due of all obligations and liabilities to Secured Party, whether now existing or hereafter arising, under the Financing Documents and the due performance and compliance by Obligor with the terms thereof;

(2) any and all sums advanced in accordance with the terms of the Financing Documents or applicable law by Secured Party in order to preserve the Collateral or to preserve the Secured Party's security interest in the Collateral; and

(3) in the event of any proceeding for the collection or enforcement of any obligations or liabilities of Obligor referred to in the immediately preceding clauses (1) and (2), the reasonable expenses of re-taking, holding, preparing for sale, selling or otherwise disposing of or realizing on the Collateral, or of any other exercise by Secured Party of its rights hereunder, together with reasonable attorneys' fees and court costs.

"**Person**" or "**person**" shall mean any individual, sole proprietorship, partnership, corporation limited liability company, limited liability partnership, business trust, unincorporated association, joint stock corporation, trust, joint venture or other entity or any government or any agency or instrumentality or political subdivision thereof.

"**UCC**" shall mean the Uniform Commercial Code as in effect in the State of New York and any successor statute, as in effect from time to time (except that terms used herein which are defined in the Uniform Commercial Code as in effect in the State of New York on the date hereof shall continue to have the same meaning notwithstanding any replacement or amendment of such statute except as Secured Party may otherwise determine); provided, however, that if, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of Secured Party's security interest in any Collateral is governed by the Uniform Commercial Code as in effect in a jurisdiction other than the State of New York, the term "UCC" shall mean the Uniform Commercial Code (including the Articles thereof) 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.

10. Notices. Any notice, request or other communication to be given or made under this Agreement shall be in writing. Such notice, request or other communication shall be deemed to have been duly given or made when it shall be delivered by hand, courier (confirmed by facsimile), or facsimile (with a hard copy delivered within two (2) Business Days) to the Party to which it is required or permitted to be given or made at such Party's address specified below or at such other address as such Party shall have designated by notice to the other Parties.

For the Obligor:

If sent via U.S. Postal Service:
Exelixis, Inc.
170 Harbor Way
P.O. Box 511
South San Francisco, CA 94083-0511
Attn: Executive Vice President and General Counsel

If sent via any other carrier:
Exelixis, Inc.
Receiving Dept.
220 E. Grand Ave.
South San Francisco, CA 94080
Attn: Executive Vice President and General Counsel

Facsimile: (650) 837-7179

with a courtesy copy to:

Cooley LLP
Five Palo Alto Square
3000 El Camino Real
Palo Alto, CA 94306
Attention: Suzanne Sawochka Hooper, Esq.
Facsimile: (650) 849-7400

For the Secured Party c/o:

Deerfield Private Design Fund, L.P.
780 Third Avenue, 37th Floor
New York, New York 10017
Attention: James E. Flynn
Facsimile: (212) 573-8111

with a courtesy copy to:

Katten Muchin Rosenman LLP
575 Madison Avenue
New York, New York 10022-2585
Facsimile: (212) 894-5827
Attention: Robert I. Fisher

11. General.

(a) This Agreement shall be binding upon the assigns or successors of Obligor and shall inure to the benefit of and be enforceable by Secured Party and its successors, transferees and assigns.

(b) This Agreement contain the entire understanding of the Parties with respect to the matters covered thereby and supersede any and all other written and oral communications, negotiations, commitments and writings with respect thereto. The provisions of this Agreement may be waived, modified, supplemented or amended only by an instrument in writing signed by the authorized officer of each Party.

(c) If any provision contained in this Agreement shall be invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. The Parties shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provision.

(d) This Agreement and in any document, certificate or statement delivered pursuant thereto or in connection therewith shall be considered to have been relied upon by the Parties and shall survive the execution and delivery of this Agreement regardless of any investigation made by any other Party or on its behalf, and shall continue in force until the Obligations shall have been fully paid, and Secured Party shall not be deemed to have waived, by reason of purchasing the Notes, any default that may arise by reason of such representation or warranty proving to have been false or misleading, notwithstanding that the Purchasers may have had notice or knowledge that such representation or warranty was false or misleading on the date hereof.

(e) Neither the failure of, nor any delay on the part of, any Party in exercising any right, power or privilege hereunder, or under any agreement, document or instrument mentioned herein, shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder, or under any agreement, document or instrument mentioned herein, preclude other or further exercise thereof or the exercise of any other right, power or privilege; nor shall any waiver of any right, power, privilege or default hereunder, or under any agreement, document or instrument mentioned herein, constitute a waiver of any other right, power, privilege or default or constitute a waiver of any default of the same or of any other term or provision. No course of dealing and no delay in exercising, or omission to exercise, any right, power or remedy accruing to the Purchasers upon any default under this Agreement, or any other agreement shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence therein; nor shall the action of the Purchasers in respect of any such default, or any acquiescence by it therein, affect or impair any right, power or remedy of the Purchasers in respect of any other default. All rights and remedies herein provided are cumulative and not exclusive of any rights or remedies otherwise provided by law.

[Signature Page Follows]

IN WITNESS WHEREOF, each of the Parties hereto has caused this Agreement to be executed and delivered by its duly authorized officer on the date first set forth above.

OBLIGOR:
EXELIXIS INC.

By: /s/ Frank Karbe
Name: Frank Karbe
Title Executive Vice President and
Chief Financial Officer

SECURED PARTY:
DEERFIELD PRIVATE DESIGN FUND, L.P.

By: Deerfield Capital, L.P., General Partner
By: J.E. Flynn Capital, LLC, General Partner

By: /s/ James E. Flynn
Name James E. Flynn
Title President

SECURED PARTY:
DEERFIELD PRIVATE DESIGN INTERNATIONAL, L.P.

By: Deerfield Capital, L.P., General Partner
By: J.E. Flynn Capital, LLC, General Partner

By: /s/ James E. Flynn
Name James E. Flynn
Title Director

SCHEDULE 4(c)
TO
SECURITY AGREEMENT

CHIEF EXECUTIVE AND MAILING OFFICE
LOCATION OF COLLATERAL

Chief Executive Office:

210 E. Grand Ave.
South San Francisco, CA 94080

Mailing Addresses:

If sent via U.S. Postal Service:

170 Harbor Way
P.O. Box 511
South San Francisco, CA 94083-0511

If sent via any other carrier:

Receiving Dept.
220 E. Grand Ave.
South San Francisco, CA 94080

Other Locations of Collateral:

See attached.

Location of Collateral

The following locations hold the Company's Property and Equipment:

169 E. Grand Ave.
South San Francisco, CA 94080

170 E. Grand Ave.
South San Francisco, CA 94080

210 E. Grand Ave.
South San Francisco, CA 94080

220 E. Grand Ave.
South San Francisco, CA 94080

240 E. Grand Ave.
South San Francisco, CA 94080

The following locations hold the Company's cash, cash equivalents, marketable securities and long-term investments:

Wells Fargo Bank
Palo Alto, CA

Morgan Stanley
San Francisco, CA

Columbia Management
San Francisco, CA

Silicon Valley Bank
San Francisco, CA

[*] = 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.

TENTH AMENDMENT
TO
LOAN AND SECURITY AGREEMENT

THIS TENTH AMENDMENT to Loan and Security Agreement (this "Amendment") is entered into this 2nd day of June, 2010, by and between Silicon Valley Bank ("Bank") and Exelixis, Inc., a Delaware corporation ("Borrower"), whose address is 170 Harbor Way, South San Francisco, California 94083.

RECITALS

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

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

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

AGREEMENT

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

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

2. Amendments to Loan Agreement.

2.1 Term Loan. A new Section 2.1.5 is hereby added to the Loan Agreement as follows:

"2.1.5 Term Loan

(a) Availability. Bank shall make one (1) term loan available to Borrower in an amount equal to the Term Loan Amount on the Tenth Amendment Effective Date subject to the satisfaction of the terms and conditions of this Agreement.

(b) Repayment. Borrower shall repay the Term Loan in one (1) balloon principal payment representing 100% of the principal on the Term Loan Maturity Date.

Borrower's final Term Loan payment, due on the Term Loan Maturity Date, shall include the entire principal balance and accrued and unpaid interest. Once repaid, the Term Loan may not be reborrowed.

(c) Interest. The principal amount outstanding under the Term Loan shall accrue interest at 1.00% per annum, which interest shall be due and payable monthly. Any amounts outstanding under the Term Loan during the continuance of an Event of Default shall, at the election of Bank, bear interest at a per annum rate equal to 6.00%. Borrower shall pay accrued interest on the last Business Day of the month following the Term Loan Funding Date (or commencing on the Term Loan Funding Date, if the Term Loan Funding Date is the last Business Day of the month) and continuing thereafter on the last Business Day of each calendar month to and including the Term Loan Maturity Date.

(d) Prepayment. At Borrower's option, Borrower shall have the option to prepay all, but not less than all, of the Term Loan Amount advanced by Bank under this Agreement, provided Borrower provides written notice to Bank of its election to prepay the Term Loan at least thirty (30) days prior to such prepayment. In the event of the termination of this Agreement or repayment of the Term Loan at any time prior to the Term Loan Maturity Date, for any reason, including (a) prepayment upon the election of Borrower in accordance with the foregoing sentence, (b) termination upon the election of Bank to terminate after the occurrence and during the continuation of an Event of Default, (c) sale of the Collateral in Insolvency Proceedings, (d) foreclosure and sale of Collateral, or (e) the restructuring, reorganization, or compromise of the Obligations by the confirmation of a plan of reorganization or any other plan of compromise, restructure, or arrangement in Insolvency Proceedings, Borrower shall pay, in cash (i) all unpaid accrued interest thereon that is due through the date of such prepayment; (ii) the entire principal balance and interest thereon (based on an interest rate of 1.00% per annum) that would otherwise be due after such prepayment date (as if the Term Loan would have been prepaid on the Term Loan Maturity Date); and (iii) all other sums, including Bank Expenses, if any, that have become due and payable hereunder with respect to the Term Loan."

2.2 Sections 3.2(a), (b) and (c) of the Loan Agreement are hereby amended as follows:

"(a) In the case of any Equipment Advance, Bank shall have received any Loan Payment/Advance Request Form and any Loan Supplement.

(b) The representations and warranties in Section 5 shall be true in all material respects on the date of the Loan Payment/Advance Form and the Loan Supplement (in the case of any Equipment Advance), and on the effective date of each Credit Extension, and no Event of Default may have occurred and be continuing, or result from such Credit Extension. Each Credit Extension is Borrower's representation and warranty on that date that the representations and warranties of Section 5 remain true in all material respects.

[*] = 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.

(c) Borrower shall have opened its primary operating accounts with Bank and shall have opened a segregated investment account with Bank's Investment Products and Services Division, which shall have, or immediately upon funding of the requested Credit Extension(s) hereunder will have, a principal balance in an amount at all times equal to not less than 100% of the principal portion of the Obligations plus the requested Credit Extension(s)."

2.3 Cash Collateral. A new Section 6.4(e) is hereby added to the Loan Agreement immediately after the existing Section 6.4(d) as follows:

"(e) Borrower will at all times maintain on deposit in a non-interest bearing demand deposit account(s) with Bank or one of Bank's Affiliates (and Bank or Bank's Affiliates, as the case may be, will only allocate such deposits to a non-interest bearing certificate deposit account) a compensating balance, which constitutes support for the Obligations, with a principal balance in a value equal to at least 100% of the outstanding principal balance of the Obligations under Section 2.1.5. In the event that Borrower withdraws funds from such account(s) and, as a result, the compensating balance falls below a value equal to at least 100% of the outstanding principal balance of the Obligations under Section 2.1.5, then Borrower shall be in violation of this Section 6.4(e)."

2.4 The last parenthetical clause in Section 6.4(a), Section 6.4(b), and Section 6.4(c) is hereby deleted in its entirety.

2.5 Section 8.1 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"**8.1 Payment Default**

Borrower fails to pay any of the Obligation within three Business Days after their due date (which three Business Day cure period shall not apply to payments due on any Maturity Date (with respect to any Equipment Advance) or the Term Loan Maturity Date (with respect to the Term Loan)). During the three-Business Day period, the failure to cure the default is not itself an Event of Default (but Bank shall have no obligation to make a Credit Extension during the three-Business Day period)."

2.6 Amended Definition. The following defined term under Section 13 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

"**Credit Extension**" is each Equipment Advance, the Term Loan, or any other extension of credit made by Bank to Borrower or for Borrower's benefit.

[*] = 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.

"**Funding Date**" is a date on which an Equipment Advance is made or the Term Loan is funded to or on account of Borrower.

2.7 New Definitions. The following new defined terms are added to Section 13 of the Loan Agreement in alphabetical order:

"**Tenth Amendment Effective Date**" means June 2, 2010.

"**Term Loan**" is a loan made by Bank pursuant to the terms of Section 2.1.5 hereof.

"**Term Loan Amount**" means Eighty Million Dollars ($80,000,000).

"**Term Loan Funding Date**" means the date the Term Loan is funded to Borrower.

"**Term Loan Maturity Date**" means the last Business Day in the eighty-fourth (84th) month following the Tenth Amendment Effective Date.

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

3. Limitation of Amendments.

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

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

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

4.1 Immediately after giving effect to this Amendment, (a) the representations and warranties contained in the Loan Documents are true, accurate and complete in all material respects as of the date hereof (except to the extent such representations and warranties relate to an earlier date, in which case they are true and correct as of such date), and (b) no Event of Default has occurred and is continuing;

[*] = 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.

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

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

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

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

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

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

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

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

5.2 Bank confirming all deposit balances required in connection with the Loan Agreement;

5.3 Bank having a perfected first-priority security interest in each deposit and security account required to be maintained by Borrower in connection with the Loan Agreement; and

[*] = 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.

5.4 receipt by Bank of a fully executed copy of a Borrower's Secretary certificate.

6. Good Faith Deposit. Borrower has paid to Bank a Good Faith Deposit of $100,000 (the "Good Faith Deposit") to initiate Bank's due diligence process. The Good Faith Deposit is refundable if the transactions contemplated hereunder are not approved by Bank, which approval is in the sole discretion of Bank. Otherwise, the Good Faith Deposit shall be applied to pay any Bank Expenses incurred by Bank in connection with this Amendment with any remaining amounts refunded to Borrower.

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

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

[*] = 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.

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

BANK	**BORROWER**
SILICON VALLEY BANK	EXELIXIS, INC.
By: /s/ Benjermin Colombo	By: /s/ George Scangos
Name: Benjermin Colombo	Name: George Scangos
Title: Senior Relationship Manager Life Science Practice	Title: President and Chief Executive Officer

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

EXHIBIT A

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

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

ACCOUNT # [*]
ACCOUNT # [*]
ACCOUNT # [*]
ACCOUNT # [*]
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.

P.O. Box 4000, Route 206 & Province Line Road, Princeton, NJ 08543-4000

June 18, 2010

Pamela A. Simonton
Executive Vice President and General Counsel
Exelixis, Inc.
170 Harbor Way
P.O. Box 511
South San Francisco, CA 94083-0511

Re: Additional Terms Re: Termination of Collaboration Agreement Re: XL184

Dear Ms. Simonton:

Reference is hereby made to that certain Collaboration Agreement (the "***Agreement***") dated as of December 11, 2008, 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 94083-0511 ("***Exelixis***"), and Bristol-Myers Squibb Company, a Delaware corporation headquartered at 345 Park Avenue, New York, NY 10154 ("***BMS***"). Capitalized terms used in this letter agreement (this ***"Letter***") that are not otherwise defined herein shall have the meanings given to them in the Agreement.

This Letter is intended to set forth the Parties' mutual understandings with respect to the termination of the Agreement with respect to XL184, pursuant to that certain Letter, dated as of the date hereof, from BMS to Exelixis (the "Termination").

The Parties hereby agree to the following terms relating to the Termination:

1. Effective Date of Termination. The Parties hereby agree that the Termination shall be deemed to be effective as of June 18, 2010 (the "Termination Date").

2. Cost-Sharing and Payment. BMS will be responsible for its share of Development Costs relating to XL184 that were incurred prior to the Termination Date in accordance with the terms of the Agreement. BMS shall pay to Exelixis, no later than July 1, 2010 the amount of Seventeen Million U.S. Dollars ($17,000,000). Exelixis will be responsible for one hundred percent (100%) of Development Costs relating to XL184 that are incurred beginning July 1, 2010. There will be no additional payments or reimbursement by either Party relating to Development Costs for XL184 during the period beginning on (and subsequent to) the Termination Date.

3. No Press Release by BMS. BMS shall not make a press release relating to the Termination; *provided*, that BMS may respond to media or investor inquiries relating to the Termination, and may otherwise disclose any material information relating to the Termination pursuant to the proviso set forth in Section 10.5 of the Agreement.

If you are in agreement with the terms and conditions of this Letter, please execute and return the enclosed duplicate copy of this Letter.

Sincerely,

BRISTOL-MYERS SQUIBB COMPANY

By: /s/ Jeremy Levin
Title: SVP

ACKNOWLEDGED AND AGREED
as of June 20, 2010

EXELIXIS, INC.

By: /s/ Pamela A. Simonton
Title: EVP & General Counsel
Pamela A. Simonton

Exhibit 10.5

Second Amendment to the Collaboration Agreement

This second amendment (the "**Second Amendment**") to the Collaboration Agreement dated December 22, 2006 (the "**Agreement**") between Exelixis, Inc. ("**Exelixis**") and Genentech, Inc. ("**Genentec**h") is made and entered into by Exelixis and Genentech effective as of April 30, 2010 (the "**Second Amendment Effective Date**"). All capitalized terms not expressly defined in this Second Amendment shall have the meaning assigned to them in the Agreement.

Whereas, Exelixis and Genentech are parties to the Agreement, as amended by the First Amendment to the Collaboration Agreement dated March 13, 2008 (the "First Amendment");

Whereas, as a result of a merger completed on March 26, 2009, Roche Holdings, Inc. (together with its affiliates, "Roche") completed its acquisition of Genentech pursuant to which Genentech became a wholly-owned member of the Roche group;

Whereas, Genentech wishes to include Roche as an "Affiliate" under the Agreement;

Now, therefore, in consideration of the foregoing premises the Parties do hereby agree to amend the Agreement as follows:

1. Section 1.2 is hereby amended to delete the last sentence of that Section.
2. Except as expressly and unambiguously stated herein, no other changes are made to the Agreement and all other terms and conditions of the Agreement shall remain in full force and effect. The Agreement, the First Amendment, and this Second Amendment contains the entire understanding between the Parties hereto with respect to the subject matter hereof.

Accepted and Agreed:

GENENTECH, INC	EXELIXIS, INC.
By: /s/ James Sabry	By: /s/ Michael Morrissey
Title: VP, Genentech Partnering	Title: President, R&D
Date: 4/30/10	Date: 5/7/10

Exhibit 31.1

CERTIFICATION

I, Michael M. Morrissey, Ph.D., Chief Executive Officer of Exelixis, Inc., certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2010

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

Michael M. Morrissey, Ph.D.
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Frank Karbe, Chief Financial Officer of Exelixis, Inc., certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2010

/s/ Frank Karbe

Frank Karbe
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Michael M. Morrissey, Chief Executive Officer of Exelixis, Inc. (the "Company"), and Frank Karbe, Chief Financial Officer of the Company, each hereby certifies, to his knowledge, that:

1. The Company's Quarterly Report on Form 10-Q for the period ended July 2, 2010 (the "Periodic Report"), to which this Certification is attached as Exhibit 32.1, fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In Witness Whereof, the undersigned have set their hands hereto as of the 5th day of August, 2010.

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

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