

EXELIXIS INC  
Form DEF 14A  
February 27, 2004

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**SCHEDULE 14A**  
**(Rule 14a-101)**

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934  
(Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to 14a-12

**EXELIXIS, INC.**

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(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box)

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(2) Aggregate number of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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o Fee paid previously with preliminary materials:

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**EXELIXIS, INC.**  
**170 Harbor Way**  
**South San Francisco, CA 94080**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON APRIL 8, 2004**

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**TO THE STOCKHOLDERS OF EXELIXIS, INC.:**

**NOTICE IS HEREBY GIVEN** that the Annual Meeting of Stockholders of Exelixis, Inc., a Delaware corporation (the "Company"), will be held on Thursday, April 8, 2004 at 8:00 a.m., local time, at the Company's offices located at 170 Harbor Way, South San Francisco, California 94080 for the following purposes:

- 1) To elect three Class II directors to hold office until the 2007 Annual Meeting of Stockholders.
- 2) To ratify the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as independent auditors of the Company for its fiscal year ending December 31, 2004.
- 3) To approve an amendment to the Company's Restated Certificate of Incorporation to increase the authorized number of shares of common stock from 100,000,000 to 200,000,000 shares.
- 4) To approve an amendment to the Company's 2000 Non-Employee Directors' Stock Option Plan to increase the annual option grant to each director from an option to purchase 5,000 shares to an option to purchase 10,000 shares.
- 5) To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof.

The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

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The Board of Directors has fixed the close of business on February 10, 2004 as the record date for the determination of stockholders entitled to notice of and to vote at this Annual Meeting and at any adjournment or postponement thereof.

By Order of the Board of Directors

/s/ FRANK L. KARBE

Frank L. Karbe  
*Chief Financial Officer*

South San Francisco, California  
February 27, 2004

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**ALL STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE IN ORDER TO ENSURE YOUR REPRESENTATION AT THE ANNUAL MEETING. A RETURN ENVELOPE (WHICH IS POSTAGE PREPAID IF MAILED IN THE UNITED STATES) IS ENCLOSED FOR THAT PURPOSE. EVEN IF YOU HAVE GIVEN YOUR PROXY, YOU MAY STILL VOTE IN PERSON IF YOU ATTEND THE ANNUAL MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER, BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE ANNUAL MEETING, YOU MUST OBTAIN FROM THE RECORD HOLDER A PROXY ISSUED IN YOUR NAME. YOU MAY ALSO BE ABLE TO SUBMIT YOUR PROXY OVER THE INTERNET OR BY TELEPHONE, PLEASE REFER TO THE INFORMATION PROVIDED WITH YOUR PROXY CARD.**

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**EXELIXIS, INC.  
170 Harbor Way  
South San Francisco, CA 94080**

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**PROXY STATEMENT  
FOR THE 2004 ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON APRIL 8, 2004**

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### **QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING**

#### **Why am I receiving these materials?**

We sent you this proxy statement and the enclosed proxy card because the Board of Directors of Exelixis, Inc. (sometimes referred to as the "Company" or "Exelixis") is soliciting your proxy to vote at the 2004 Annual Meeting of Stockholders. You are invited to attend the Annual Meeting, and Exelixis requests that you vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card.

The Company intends to mail this proxy statement and accompanying proxy card on or about March 5, 2004 to all stockholders of record entitled to vote at the Annual Meeting.

#### **Who can vote at the Annual Meeting?**

Only stockholders of record at the close of business on February 10, 2004 will be entitled to vote at the Annual Meeting. On the record date, there were approximately 71,455,710 shares of common stock outstanding and entitled to vote.

*Stockholder of Record: Shares Registered in Your Name*

If on February 10, 2004 your shares were registered directly in your name with Exelixis' transfer agent, Mellon Investor Services, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, Exelixis urges you to fill out and return the enclosed proxy card.

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### *Beneficial Owner: Shares Registered in the Name of a Broker or Bank*

If on February 10, 2004 your shares were held electronically in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in "street name," and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

### **What am I voting on?**

There are four matters scheduled for a vote:

Election of three Class II directors to hold office until the 2007 Annual Meeting of Stockholders;

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Ratification of the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as independent auditors of the Company for its fiscal year ending December 31, 2004;

To approve an amendment to the Company's Restated Certificate of Incorporation to increase the authorized number of shares of common stock from 100,000,000 to 200,000,000 shares; and

Approval of an amendment to the 2000 Non-Employee Directors' Stock Option Plan to increase the annual option grant to each director from an option to purchase 5,000 shares to an option to purchase 10,000 shares.

### **How do I vote?**

You may either vote "For" all the nominees to the Board of Directors or you may abstain from voting for any nominee you specify. For any other matter to be voted on, you may vote "For" or "Against" or abstain from voting. The procedures for voting are fairly simple:

#### *Stockholder of Record: Shares Registered in Your Name*

If you are a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy using the enclosed proxy card. Whether or not you plan to attend the meeting, Exelixis urges you to vote by proxy to ensure your vote is counted. You may still attend the meeting and vote in person if you have already voted by proxy.

To vote in person, come to the Annual Meeting, and Exelixis will give you a ballot when you arrive.

To vote using the proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card to us before the Annual Meeting, Exelixis will vote your shares as you direct.

To vote via the Internet or by telephone, you can vote via the internet at [www.eproxy.com/exel](http://www.eproxy.com/exel) or telephonically by calling the telephone number shown on the proxy card. Votes submitted via the Internet or by telephone must be received by 11:59 p.m., Eastern Time, on April 7, 2004. Submitting your proxy via the Internet or by telephone will not affect your right to vote in person should you decide to attend the Annual Meeting.

#### *Beneficial Owner: Shares Registered in the Name of Broker or Bank*

Most beneficial owners whose stock is held in street name receive voting instruction forms from their banks, brokers or other agents, rather than the Company's proxy card. A number of brokers and banks are participating in a program provided through ADP Investor Communication Services that offers the means to grant proxies to vote shares by means of the telephone and Internet. If your shares are held in an account with a

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broker or bank participating in the ADP Investor Communications Services program, you may grant a proxy to vote those shares telephonically by calling the telephone number shown on the instruction form received from your broker or bank, or via the Internet at ADP Investor Communication Services' web site at ([www.proxyvote.com](http://www.proxyvote.com)).

Votes submitted via the Internet or by telephone must be received by 3:59 p.m., Eastern Time, on April 7, 2004. Submitting your proxy via the Internet or by telephone will not affect your right to vote in person should you decide to attend the Annual Meeting.

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**The telephone and Internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly. Stockholders voting via the Internet should understand that there may be costs associated with electronic access, such as usage charges from Internet access providers and telephone companies, that must be borne by the stockholder.**

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### **How many votes do I have?**

On each matter to be voted upon, you have one vote for each share of common stock you own as of February 10, 2004.

### **What if I return a proxy card but do not make specific choices?**

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted "For" the election of each of the three nominees for director, "For" the ratification of the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as independent auditors of the Company for its fiscal year ending December 31, 2004 and "For" the increase in the number of authorized shares of common stock from 100,000,000 to 200,000,000. If any other matter is properly presented at the meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

### **Who is paying for this proxy solicitation?**

Exelixis will bear the entire cost of soliciting proxies, including the preparation, assembly, printing and mailing of this proxy statement, the proxy card and any additional information furnished to stockholders. Copies of solicitation materials will be furnished to banks, brokerage houses, fiduciaries and custodians holding in their names shares of the Company's common stock beneficially owned by others to forward to such beneficial owners. Exelixis may reimburse persons representing beneficial owners of the Company's common stock for their costs of forwarding solicitation materials to such beneficial owners. Original solicitation of proxies by mail may be supplemented by telephone, telegram or personal solicitation by directors, officers or other regular employees of the Company. No additional compensation will be paid to directors, officers or other regular employees for such services.

### **What does it mean if I receive more than one proxy card?**

If you receive more than one proxy card, your shares are registered in more than one name or are registered in different accounts. Please complete, sign and return **each** proxy card to ensure that all of your shares are voted.

### **Can I change my vote after submitting my proxy?**

Yes. You can revoke your proxy at any time before the final vote at the meeting. You may revoke your proxy in any one of three ways:

Your proxy may be revoked by filing with the secretary of the Company at the Company's principal executive office, 170 Harbor Way, South San Francisco, California 94080, either (1) a written notice of revocation or (2) a duly executed proxy bearing a later date.

Your proxy may also be revoked by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not, by itself, revoke your proxy.

### **When are stockholder proposals due for next year's Annual Meeting?**

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To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing by November 1, 2004 to the secretary of the Company at Exelixis, Inc., 170 Harbor Way, South San Francisco, California 94080. If you wish to submit a proposal that is not to be included in next year's proxy materials, you must submit your proposal in writing, in the manner set forth in the Company's bylaws, to the secretary of the Company at Exelixis, Inc., 170 Harbor Way, South San Francisco, California 94080, not earlier than the close of business on January 8, 2005, nor later than the close of business on February 7, 2005.

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### **How are votes counted?**

Votes will be counted by the inspector of election appointed for the Annual Meeting, who will separately count "For" and (with respect to proposals other than the election of directors) "Against" votes, abstentions and broker non-votes. A "broker non-vote" occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that proposal and has not received instructions with respect to that proposal from the beneficial owner (despite voting on at least one other proposal for which it does have discretionary authority or for which it has received instructions). Abstentions and broker non-votes will not be counted towards the vote total for purposes of Proposal No.1 or Proposal No. 2. Abstentions and broker non-votes will be counted towards the vote total for purposes of Proposal No. 3 and will have the same effect as "Against" votes. Abstentions will be counted towards the vote total for purposes of Proposal No. 4 and will have the same effect as "Against" votes, but broker non-votes will not be counted towards the vote total for purposes of Proposal No. 4.

### **How many votes are needed to approve each proposal?**

For the election of directors, the three Class II nominees receiving the most "For" votes (among votes properly cast in person or by proxy) will be elected. Abstentions and broker non-votes will have no effect.

To be approved, Proposal No. 2, ratifying the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as independent auditors for the Company for its fiscal year ending December 31, 2004, must receive a "For" vote from the majority of shares present and entitled to vote either in person or by proxy. Abstentions and broker non-votes will have no effect.

To be approved, Proposal No. 3, increasing the authorized number of shares of common stock from 100,000,000 to 200,000,000 shares, must receive a "For" vote from the holders of a majority of the outstanding shares of the common stock of the Company. Abstentions and broker non-votes will have the same effect as "Against" votes.

To be approved, Proposal No. 4, approval of an amendment to the 2000 Non-Employee Directors' Stock Option Plan to increase the annual option grant to each director from an option to purchase 5,000 shares to an option to purchase 10,000 shares, must receive "For" votes constituting a majority of the votes cast on the proposal. Abstentions will have the same effect as "Against" votes, but broker non-votes will have no effect.

### **What is the quorum requirement?**

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of the outstanding shares are represented by votes at the meeting or by proxy. On the record date, there were approximately 71,455,710 shares outstanding and entitled to vote. Thus 35,728,569 shares must be represented by votes at the meeting or by proxy to have a quorum.

Your shares will be counted towards the quorum only if you submit a valid proxy vote or vote at the meeting. Abstentions and broker non-votes will be counted towards the quorum requirement. If there is no quorum, either the chairman of the meeting or a majority of the votes present at the meeting may adjourn the meeting to another date.

### **How can I find out the results of the voting at the Annual Meeting?**

Preliminary voting results will be announced at the Annual Meeting. Final voting results will be published in the Company's quarterly report on Form 10-Q for the second quarter of 2004.

**PROPOSAL 1**  
**ELECTION OF CLASS II DIRECTORS**

Our Restated Certificate of Incorporation and bylaws provide that the Board of Directors shall be divided into three classes, each class consisting, as nearly as possible, of one-third of the total number of directors, with each class having a three-year term. Vacancies on the Board of Directors may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board of Directors to fill a vacancy (including a vacancy created by an increase in the number of directors) shall serve for the remainder of the full term of the class of directors in which the vacancy occurred and until such director's successor is elected and qualified.

Our Board of Directors is presently composed of nine members. The Board of Directors has determined that members Cohen, Fisherman, Formela, Marchesi, McCormick, Papadopoulos, Willsey and Wyszomierski, which members constitute a majority of the Board of Directors, are independent (as independence is currently defined by the listing standards of the Nasdaq Stock Market). There are three directors in Class II, the class whose term of office expires in 2004. Each of the nominees for election to this class is currently a director of the Company. If elected at the Annual Meeting, each of the nominees would serve until the 2007 Annual Meeting of Stockholders and until his successor is elected and has qualified, or until such director's earlier death, resignation or removal.

Directors are elected by a plurality of the votes present in person or represented by proxy and entitled to vote at the Annual Meeting. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the three nominees named below. In the event that any nominee should be unavailable for election as a result of an unexpected occurrence, such shares will be voted for the election of such substitute nominee as the Nominating and Corporate Governance Committee of the Board of Directors may propose. Each person nominated for election has agreed to serve if elected, and the Company has no reason to believe that any nominee will be unable to serve.

Set forth below is biographical information for each person nominated and each person whose term of office as a director will continue after the Annual Meeting.

Class II Nominees for Election for a Three-Year Term Expiring at the 2007 Annual Meeting

*Jason S. Fisherman, M.D.*, age 47, has been a director since March 1996. Dr. Fisherman is a managing director of Advent International Corporation, a global private equity and venture capital investment firm, which he joined in 1994. From 1991 to 1994, Dr. Fisherman served as Senior Director of Medical Research at Enzon, Inc., a biopharmaceutical company. Dr. Fisherman serves on the Board of Directors of Crucell N.V., ILEX Oncology, Inc., Oridon Systems Ltd. and several private companies. Dr. Fisherman holds a B.A. in Molecular Biophysics and Biochemistry from Yale University, an M.D. from the University of Pennsylvania and an M.B.A. from the Wharton Graduate School of Business.

*Jean-Francois Formela, M.D.*, age 47, has been a director since September 1995. Dr. Formela has been a principal of Atlas Venture, a venture capital firm, since 1993. From 1989 to 1993, Dr. Formela served at Schering-Plough Corporation, most recently as Senior Director, Medical Marketing and Scientific Affairs, where he had biotechnology licensing and marketing responsibilities. Dr. Formela serves on the Board of Directors of DeCode Genetics, Inc., Nuvelo, Inc. and several private companies. Dr. Formela holds an M.D. from Paris University School of Medicine and an M.B.A. from Columbia Business School.

*Vincent T. Marchesi, M.D., Ph.D.*, age 68, has been a director since May 2001. Since 1973, Dr. Marchesi has been a Professor of Pathology and Cell Biology at Yale University and, since 1991, has been the Director of the Boyer Center for Molecular Medicine at Yale University. Dr. Marchesi is also Editor-in-Chief at the Federation of American Societies for Experimental Biology Journal. In 1982, Dr. Marchesi co-founded Molecular Diagnostics, Inc., a diagnostic development company. Dr. Marchesi

was formerly Chair of Pathology at the Yale-New Haven Hospital. Dr. Marchesi holds an M.D. from Yale University and a Ph.D. from Oxford University.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF EACH NAMED NOMINEE.**

**CLASS III DIRECTORS CONTINUING IN OFFICE UNTIL THE 2005 ANNUAL MEETING**

*Stelios Papadopoulos, Ph.D.*, age 55, has been a director since December 1994 and the Chairman of the Board of Directors since January 1998. Dr. Papadopoulos has been an investment banker at SG Cowen Securities Corporation since February 2000. Before this, Dr. Papadopoulos was an investment banker at UBS PaineWebber from April 1987 to February 2000 and Chairman of PaineWebber Development Corp., a UBS PaineWebber subsidiary, from June 1998 to February 2000. Dr. Papadopoulos is a member of the Board of Directors of Diacrin, Inc. and several private companies. Dr. Papadopoulos holds a Ph.D. in Biophysics and an M.B.A. in Finance, both from New York University.

*George A. Scangos, Ph.D.*, age 55, has served as a director and as our President and Chief Executive Officer since October 1996. From September 1993 to October 1996, Dr. Scangos served as President of Biotechnology at Bayer Corporation, a pharmaceutical company, and was responsible for research, business and process development, manufacturing, engineering and quality assurance. Dr. Scangos is a member of the Board of Directors of Onyx Pharmaceuticals, Inc. and a private company. Dr. Scangos was a Post-Doctoral Fellow at Yale University and a faculty member at the Johns Hopkins University. Dr. Scangos currently holds an appointment as Adjunct Professor of Biology at Johns Hopkins University. Dr. Scangos holds a B.A. in Biology from Cornell University and a Ph.D. in Microbiology from the University of Massachusetts.

*Frank McCormick, Ph.D.*, age 53, has been a director since July 29, 2003. Dr. McCormick is Director of the University of California, San Francisco ("UCSF") Comprehensive Cancer Center and has been the David A. Wood Professor of Tumor Biology and Cancer Research in the Department of Microbiology and Immunology at UCSF since 1998. From 1992 to 1998, Dr. McCormick was the founder and chief scientific officer at Onyx Pharmaceuticals, a biopharmaceutical company. Prior to that, he served as vice president of therapeutic research at Chiron Corporation from 1991 to 1992 and vice president of discovery research with Cetus Corporation from 1991 to 1992. Dr. McCormick is on the editorial board of some of the most prestigious international cancer publications and serves as a board member or advisor to multiple cancer research organizations. Dr. McCormick was a Post Doctoral Fellow with Dr. Allen Smith at the Imperial Cancer Research Fund in London, England, and with Professor Seymour S. Cohen at the State University of New York at Stony Brook. Dr. McCormick received his Bachelor of Science degree in biochemistry from the University of Birmingham, England and his Ph.D. in biochemistry from the University of Cambridge, England.

*Lance Willsey, M.D.*, age 42, has been a director since April 1997. Dr. Willsey has been a Founding Partner of DCF Capital, a hedge fund focused on investing in the life sciences, since July 1998. From July 1997 to July 1998, Dr. Willsey served on the Staff Department of Urologic Oncology at the Dana Farber Cancer Institute at Harvard University School of Medicine. From July 1996 to July 1997, Dr. Willsey served on the Staff Department of Urology at Massachusetts General Hospital at Harvard University School of Medicine, where he was a urology resident from July 1992 to July 1996. Dr. Willsey holds a B.S. in Physiology from Michigan State University and an M.S. in Biology and an M.D., both from Wayne State University.

**CLASS I DIRECTOR CONTINUING IN OFFICE UNTIL THE 2006 ANNUAL MEETING**

*Charles Cohen, Ph.D.*, age 53, has been a director since November 1995. Dr. Cohen is currently the Chairman, Supervisory Board of CellZome GmbH, a post-genomics biopharmaceutical company. From July 2000 to August 2002, Dr. Cohen was the Chief Executive Officer of CellZome GmbH. Before this,

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Dr. Cohen co-founded Creative BioMolecules, Inc., a biotechnology company, in 1982 and was a director and its Chief Scientific Officer. In July 2000, Creative BioMolecules, Inc. merged with Ontogeny, Inc. and Reprogenesis, Inc. and formed Curis, Inc. Dr. Cohen serves on the Board of Directors of several private companies. Dr. Cohen holds a B.A. from State University of New York at Buffalo and a Ph.D. in Basic Medical Sciences from New York University School of Medicine.

*Jack L. Wyszomierski*, age 48, has been a director since February 2004. From 1982 to 2003, Mr. Wyszomierski held positions of increasing responsibility within the finance group at Schering-Plough, Inc., culminating with his appointment as executive vice president and chief financial officer in 1996. Prior to joining Schering-Plough, he was responsible for capitalization planning at Joy Manufacturing Company and was a management consultant at Data Resources, Inc. Mr. Wyszomierski holds a B.S. in Industrial Administration and a M.S. in Administration, Management Science and Economics from Carnegie Mellon University.

**BOARD COMMITTEES AND MEETINGS**



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During the year ended December 31, 2003, our Board of Directors held five meetings and acted by written consent five times. Our Board of Directors has an Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee.

The Audit Committee of the Board of Directors oversees the Company's corporate accounting and financial reporting process. For this purpose, the Audit Committee performs several functions. The Audit Committee evaluates the performance of and assesses the qualifications of the independent auditors; determines on behalf of the Board of Directors the engagement of the independent auditors; determines on behalf of the Board of Directors whether to retain or terminate the existing independent auditors or to appoint and engage new independent auditors; reviews and approves the engagement of the independent auditors to perform any proposed permissible services; monitors the rotation of partners of the independent auditors on the Company engagement team as required by law; establishes procedures, as required under applicable law, for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters; reviews the financial statements to be included in the Company's Annual Report on Form 10-K; discusses with management and the independent auditors the results of the annual audit and the results of the Company's quarterly financial statement reviews; and has the specific responsibilities and authority necessary to comply with the listing standards of the Nasdaq Stock Market applicable to audit committees.

The Audit Committee was established in January 2000 in connection with our initial public offering. During 2003, the Audit Committee was composed of three independent directors: Drs. Fisherman, Formela and Willsey. In February 2004, the membership of the Audit Committee was changed to consist of Dr. Fisherman, Dr. Willsey and Mr. Wyszomierski. The Board of Directors has determined that all members of the Audit Committee in 2003 and currently are independent (as independence is currently defined by the rules of the Nasdaq Stock Market and Rule 10A-3(b)(1) of the Exchange Act). The Board of Directors has also determined that Mr. Wyszomierski is an "audit committee financial expert" as defined in Item 401(h) of Regulation S-K. The Audit Committee met four times during the year ended December 31, 2003. See "Report of the Audit Committee" below.

The purpose of the Nominating and Corporate Governance Committee is to oversee all aspects of the Company's corporate governance functions on behalf of the Board of Directors; make recommendations to the Board of Directors regarding corporate governance issues; identify, review and evaluate candidates to serve as directors of the Company; serve as a focal point for communication between such candidates, non-committee directors and the Company's management; recommend such candidates to the Board of Directors and make such other recommendations to the Board of Directors

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regarding affairs relating to the directors of the Company, including director compensation; and develop a set of corporate governance principles for the Company. The current members of the Nominating and Corporate Governance Committee are Vincent Marchesi and Charles Cohen. All members of the Nominating and Corporate Governance Committee are independent (as independence is currently defined by the listing standards of the Nasdaq Stock Market). The Nominating and Corporate Governance Committee was established in December 2003 and did not hold any meetings in 2003. The Nominating and Corporate Governance Committee has adopted a written charter, which is filed as Appendix B to these proxy materials.

Because Exelixis is an emerging company with rapidly evolving and expanding research and clinical programs, the Board of Directors does not believe that it is appropriate to adopt, and the Nominating and Corporate Governance Committee has not adopted, a formal policy with respect to a fixed set of minimum qualifications for its candidates for membership on the Board of Directors. Instead, in considering candidates for director, the Nominating and Corporate Governance Committee will generally consider all relevant factors, including the candidate's applicable expertise and demonstrated excellence in his or her field, the usefulness of such expertise to the Company, the availability of the candidate to devote sufficient time and attention to the affairs of the Company and the candidate's demonstrated character and judgment. Candidates for director will be reviewed in the context of the existing membership of the Board of Directors (including the qualities and skills of the existing directors), the operating requirements of the Company and the long-term interests of its stockholders. The Nominating and Corporate Governance Committee generally will evaluate and consider all candidates recommended by the directors, officers and security holders. The Nominating and Corporate Governance Committee intends to consider security holder recommendations for directors using the same criteria as potential nominees recommended by the members of the Nominating and Corporate Governance Committee or others.

The Nominating and Corporate Governance Committee has not received any recommended nominations from any of the Company's security holders in connection with the 2004 annual meeting. Stockholders who wish to recommend individuals for consideration by the Nominating and Corporate Governance Committee to become nominees for election to the Board of Directors may do so by delivering a written recommendation to the Nominating and Corporate Governance Committee within the timeframe specified in the bylaws of the Company that is applicable to matters to be brought before an Annual Meeting of Stockholders. Such communications should be sent to the following address: 170 Harbor Way, South San Francisco, California 94080, attn: Nominating and Corporate Governance Committee of the Board of Directors. Submissions must include the full name of the proposed nominee, a description of the proposed nominee's business experience for at least the previous five years, complete biographical information, a description of the proposed nominee's qualifications as a director and a representation

that the nominating stockholder is a beneficial or record owner of the Company's stock. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director, if elected.

The Compensation Committee of the Board of Directors was established in January 2000 and reviews and recommends to the Board of Directors the compensation and benefits of all of our officers, establishes and reviews general policies relating to compensation and benefits of our employees that also include executive officers and performs such other functions regarding compensation as the Board of Directors may delegate. The Compensation Committee also administers the issuance of stock options and other awards under our stock plans. The Compensation Committee is currently composed of three directors: Drs. Cohen, Marchesi and Formela. The Compensation Committee met three times during the year ended December 31, 2003. All members of the Compensation Committee are independent (as independence is currently defined by the rules of the Nasdaq Stock Market).

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During the year ended December 31, 2003, all of our directors attended at least 75% or more of the total meetings of the Board of Directors and of the committees on which they served held during the period for which they were a director or committee member, respectively.

The Board of Directors does not have a formal policy with respect to the attendance of members of the Board of Directors at the Annual Meetings of Stockholders of the Company. No directors attended the 2003 Annual Meeting of Stockholders.

#### **STOCKHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS**

The Board of Directors believes that the Company has in place adequate current methods for receiving communications from its security holders. Accordingly, the Board of Directors has not established a formal process for security holders to send communications to the Board of Directors. However, the Nominating and Corporate Governance Committee of the Board of Directors will consider, from time to time, whether adoption of a formal process for stockholder communications with the Board of Directors has become necessary or appropriate. Security holders may send communications to the Board of Directors by mail at 170 Harbor Way, South San Francisco, California 94080, by facsimile at (650) 837-8300 or by e-mail at info@exelixis.com, each of the foregoing sent "Attn: Board of Directors."

#### **REPORT OF THE AUDIT COMMITTEE<sup>1</sup>**

The Audit Committee of the Board of Directors of Exelixis serves as the representative of the Board of Directors for (a) general oversight of the financial reporting process of the Company, (b) monitoring the integrity of the Company's financial statements, (c) compliance with legal and regulatory requirements related to the preparation and external audit of the Company's financial statements and (d) selection, evaluation and retention of the Company's independent auditors. Each of the members of the Audit Committee is independent as defined under the listing standards of the Nasdaq Stock Market.

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<sup>1</sup> The material in this report is not "soliciting material," is not deemed "filed" with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act of 1934, as amended (the "Exchange Act"), whether made before or after the date hereof and irrespective of any general incorporation by reference language contained in such filing.

The Audit Committee maintains a written charter that outlines its responsibilities. Exelixis management has primary responsibility for preparing the Company's consolidated financial statements and establishing the financial reporting process. Ernst & Young LLP, the Company's independent auditors, are responsible for performing an audit of the Company's consolidated financial statements and expressing an opinion as to the conformity of such financial statements with accounting principles generally accepted accounting principles in the United States. The Audit Committee's responsibility is to oversee and review this process. Based on this background, the Audit Committee reports as follows:

1. We have reviewed and discussed the Company's audited consolidated financial statements as of and for the year ended December 31, 2003 with management and the independent auditors. We have also discussed with management the process used to support the certifications of the Chief Executive Officer and Chief Financial Officer that are required in periodic reports filed by the Company with the Securities and Exchange Commission ("SEC").

2. We have discussed with the independent auditors the matters required to be discussed under generally accepted auditing standards in the United States, including those matters set forth in Statement of Auditing Standards No. 61, as amended, "Communication with Audit Committees" (Codification of Statements on Auditing Standards, AU Section 380).

3. We have received and reviewed the written disclosures and letter from the independent auditors required by Independence Standards Board Standard No. 1, "Independence Discussions with Audit Committees," and have discussed with the independent auditors their independence from the Company. We have also considered whether the independent auditors' provision of non-audit services to the Company is compatible with maintaining the auditors' independence. We have concluded that the independent auditors are independent from the Company and its management.

4. Based on review and discussion of the matters set forth in paragraphs (1) through (3) above, we have recommended to the Board of Directors (and the Board of Directors has approved) that the audited consolidated financial statements referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 for filing with the SEC.

We have also selected Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 2004 and have presented our selection to the Board of Directors to present to the stockholders for ratification.

The current form of the charter of the Audit Committee is filed as Appendix A to these proxy materials. The undersigned members of the Audit Committee have submitted this Audit Committee Report as of this 10th day of February, 2004.

Jason Fisherman  
Jean-Francois Formela<sup>2</sup>  
Lance Willsey

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In connection with the appointment of Mr. Wyszomierski to the Audit Committee, Dr. Formela resigned from the Audit Committee on February 24, 2004.

## **PROPOSAL 2 RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS**

The Audit Committee of the Board of Directors has selected Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 2004 and has further directed that management submit the selection of independent auditors for ratification by the stockholders at the Annual Meeting. Ernst & Young LLP has audited the Company's financial statements for the years ended December 31, 2003, 2002 and 2001. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither the Company's bylaws or other governing documents or law require stockholder ratification of the selection of Ernst & Young LLP as the Company's independent auditors. However, the Board of Directors is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee of the Board of Directors will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee of the Board of Directors in its discretion may direct the appointment of different independent auditors at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to ratify the selection of Ernst & Young LLP. Abstentions and broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

### **INDEPENDENT AUDITORS' FEES**

(1) "Audit fees" include fees for services necessary to perform the audit of our financial statements for fiscal year 2003 and 2002, statutory audits, attest services and consents and assistance with, and review of, documents filed with the SEC.

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(2) "Audit-related fees" include audit-related consultation and consultation concerning financial accounting and reporting standards.

(3) "Tax fees" include fees for tax compliance, tax and planning and tax advice.

(4) "All other fees" includes the aggregate of the fees billed in each of the last two fiscal years for products and services provided by the principal accountant other than the products and services disclosed as Audit fees, Audit-related fees and Tax fees.

The aggregate fees billed by Ernst & Young LLP for the last two fiscal years for the services described above are as follows:

	Year Ended December 31,	
	2003	2002
Audit fees	\$ 274,940	\$ 175,677
Audit-related fees	4,000	18,260
Tax fees	3,800	
All other fees		
	<u>\$ 282,740</u>	<u>\$ 193,937</u>

The Audit Committee did not pre-approve any fees associated with financial systems consulting and accordingly, no such fees were incurred by the Company.

### PRE-APPROVAL OF SERVICES

The Audit Committee of the Board of Directors approved the audit and non-audit services to be performed during 2004 by Ernst & Young LLP, the Company's external auditor. Non-audit services are defined as services other than those provided in connection with an audit or a review of the financial statements of the Company. The Audit Committee by policy pre-approves all audit and non-audit services rendered by our independent auditor, Ernst & Young LLP. The Audit Committee has not adopted a formal written policy or procedures for the pre-approval of audit and non-audit services rendered by the Company's independent auditor. The committee generally pre-approves specified services in the defined categories of audit services, audit-related services, and tax services up to specified amounts. Pre-approval may also be given as part of the Audit Committee's approval of the scope of the engagement of the independent auditor or on an individual explicit case-by-case basis before the independent auditor is engaged to provide each service. The Audit Committee has approved all audit fees, audit related fees and tax fees. For the services approved above, 88% were audit fees, 8% were audit related fees and 4% were tax fees. There are no de minimus exceptions for Exelixis.

### THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 2.

### PROPOSAL 3 APPROVAL OF INCREASE IN NUMBER OF AUTHORIZED SHARES OF COMMON STOCK

The Board of Directors has adopted, subject to stockholder approval, an amendment to the Company's Restated Certificate of Incorporation to increase the Company's authorized number of shares of common stock from 100,000,000 shares to 200,000,000 shares.

The additional common stock to be authorized by adoption of the amendment would have rights identical to the currently outstanding common stock of the Company. Adoption of the proposed amendment and issuance of the common stock would not affect the rights of the holders of currently outstanding common stock of the Company, except for effects incidental to increasing the number of shares of the Company's common stock outstanding, such as dilution of the earnings per share and voting rights of current holders of common stock. If the amendment is adopted, it will become effective upon filing of a Certificate of Amendment of the Company's Restated Certificate of

Incorporation with the Secretary of State of the State of Delaware.

In addition to the 71,294,197 shares of common stock outstanding at December 31, 2003, the Board of Directors has reserved 16,897,174 shares for issuance upon exercise of options and rights granted under the Company's stock option and stock purchase plans, 115,401 shares for the Company's 401k plan, 4,105,514 shares for conversion of our convertible note with Protein Design Labs and up to approximately 257,053 shares of common stock which may be issued upon exercise of warrants. As of December 31, 2003, 11,436,535 shares remained unreserved and available for future issuance. Further, in October 2002, the Company and SmithKlineBeecham Corporation entered into a Loan and Security Agreement providing for a loan facility of up to \$85.0 million for use by the Company in its efforts under its collaboration with SmithKlineBeecham Corporation. Amounts of principal and interest borrowed by the Company under this loan facility may be repaid by the Company, at its option, in cash or in shares of its common stock. As of December 31, 2003, the Company had borrowed \$55.0 million in principal amounts under this loan facility and incurred approximately \$1.1 million in interest expense. If, on December 31, 2003, the Company had elected to repay all amounts then due under the loan facility in shares of its common stock, the Company would be required to issue approximately 8,500,000 shares of its common stock to SmithKlineBeecham Corporation.

The Board of Directors believes that the increased number of authorized shares of common stock will provide several long-term advantages to Exelixis and its stockholders. Exelixis will be able to raise future capital through equity financings or issuances of convertible debt and pursue acquisitions or enter into other transactions involving the issuance of stock to expand our pipeline and advance our progress toward developing important and differentiated new therapeutics. Also, the additional authorized shares of common stock should allow Exelixis to fulfill future obligations under Exelixis' employee stock benefit plans, which the Board of Directors believes will be necessary to attract and retain qualified personnel, and under the Company's loan facility with SmithKlineBeecham. Finally, the availability of additional authorized shares of common stock would make any future transactions dependent on the issuance of additional shares of common stock less likely to be undermined by delays and uncertainties occasioned by the need to obtain stockholder approval prior to the consummation of such transactions. Exelixis currently does not have any definitive plans to issue additional shares of common stock, although, as part Exelixis' business strategy, it considers merger and acquisition opportunities and financing alternatives that could include the issuance of common stock.

The additional shares of common stock that would become available for issuance if this proposal were adopted could also be used by the Company to oppose a hostile takeover attempt or delay or prevent changes in control or management of the Company. For example, without further stockholder approval, the Board of Directors could adopt a "poison pill" which would, under certain circumstances related to an acquisition of shares not approved by the Board of Directors, give certain holders the right to acquire additional shares of common stock at a low price, or the Board of Directors could

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strategically sell shares of common stock in a private transaction to purchasers who would oppose a takeover or favor the current Board of Directors. Although this proposal to increase the authorized common stock has been prompted by business and financial considerations and not by the threat of any hostile takeover attempt (nor is the Board of Directors currently aware of any such attempts directed at the Company), nevertheless, stockholders should be aware that approval of proposal could facilitate future efforts by the Company to deter or prevent changes in control of the Company, including transactions in which the stockholders might otherwise receive a premium for their shares over then current market prices.

The affirmative vote of the holders of a majority of the outstanding shares of the common stock will be required to approve this amendment to the Company's Restated Certificate of Incorporation. As a result, abstentions and broker non-votes will have the same effect as negative votes.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 3.**

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**PROPOSAL 4**  
**APPROVAL OF AN AMENDMENT TO THE 2000 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN TO INCREASE THE ANNUAL OPTION GRANT TO EACH DIRECTOR FROM AN OPTION TO PURCHASE 5,000 SHARES TO AN OPTION TO PURCHASE 10,000 SHARES**

In January 2000, the Board of Directors adopted, and the stockholders subsequently approved, the Company's 2000 Non-Employee Directors' Stock Option Plan (the "Directors' Plan").

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As of December 31, 2003, options (net of canceled or expired options) covering an aggregate of 345,000 shares of common stock had been granted under the Directors' Plan. Options to purchase 1,490,000 shares of common stock (plus any shares that might in the future be returned to the Directors' Plan as a result of cancellations or expiration of options) remained available for future grant under the Directors' Plan. In addition, the Directors' Plan provides for automatic annual increases to the number of shares available for issuance under the Directors' Plan in the amount per year of the greater of: (i) 0.75% of the number of shares of common stock of the Company outstanding on a fully diluted basis or (ii) the number of shares that were made subject to options under the Directors' Plan during the preceding year.

Currently, the Director's Plan provides for the grant of an option to purchase 25,000 shares to each director upon his or her election and for the grant of an option to purchase 5,000 shares to each director annually thereafter.

Stockholders are requested in this Proposal 4 to approve the amendment to the Directors' Plan to increase the annual option granted to each member of the Board of Directors from an option to purchase 5,000 shares to an option to purchase 10,000 shares. Affirmative votes constituting a majority of the votes cast on the proposal will be required to approve the amendment to the Directors' Plan. Abstentions will be counted toward the tabulation of votes cast on the proposal and will have the same effect as negative votes. Broker non-votes are counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

### **THE BOARD OF DIRECTORS RECOMMENDS A VOTE IN FAVOR OF PROPOSAL 4.**

#### **2000 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN**

The essential features of the Directors' Plan, a copy of which is included as Appendix C to these proxy materials, are outlined below:

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

**Administration.** The Compensation Committee administers the Directors' Plan. The Board of Directors has the authority to construe, interpret and amend the Directors' Plan, but the Directors' Plan specifies the essential terms of the options, including recipients, grant dates, the number of shares in each option and price per share.

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

0.75% of the number of shares of common stock of the Company outstanding on a fully diluted basis; or

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that number of shares subject to options granted under the Directors' Plan during the prior 12-month period.

The automatic increase is subject to reduction by the Board of Directors. If an optionholder does not purchase the shares subject to his or her option before the option expires or otherwise terminates, the shares that are not purchased will again become available for issuance under the Directors' Plan. Likewise, if an optionholder terminates his or her service to us, any unvested shares that we repurchase will again become available for issuance under the Directors' Plan. As of January 1, 2004, approximately 1,835,000 shares of our common stock were reserved for issuance under the Directors' Plan.

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

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

In addition, on the day after each of our Annual Meetings, each non-employee director will automatically receive an annual grant for 5,000 shares (proposed to be increased to 10,000 shares). This annual grant is exercisable immediately but will vest monthly over the following year.

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

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

The optionholder may designate a beneficiary to exercise the option in the event of the optionholder's death. If the optionholder does not designate a beneficiary, the option exercise rights will pass by the optionholder's will or by the laws of descent and distribution.

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

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

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

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

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

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

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

**Plan Termination.** The Directors' Plan will terminate in 2010 unless the Board of Directors terminates it sooner.

**Federal Income Tax Information.** Nonstatutory stock options granted under the Directors' Plan generally have the following federal income tax consequences.

There are no tax consequences to the optionholder or the Company by reason of the grant of a nonstatutory stock option. Upon exercise of a nonstatutory stock option, the optionholder normally will recognize taxable ordinary income equal to the excess of the stock's fair market value on the date of exercise over the option exercise price. However, to the extent the stock is subject to certain types of vesting restrictions, the taxable event will be delayed until the vesting restrictions lapse unless the participant elects to be taxed on receipt of the stock. If the optionholder becomes an employee, the Company is required to withhold from regular wages or supplemental wage payments an amount based on the ordinary income recognized. Subject to the requirement of reasonableness and the satisfaction of a tax reporting obligation, the Company will generally be entitled to a business expense deduction equal to the taxable ordinary income realized by the optionholder.

Upon disposition of the stock, the optionholder will recognize a capital gain or loss equal to the difference between the selling price and the sum of the amount paid for such stock plus any amount recognized as ordinary income upon exercise of the option (or vesting of the stock). Such gain or loss will be long-term or short-term depending on whether the stock was held for more than one year. Slightly different rules may apply to optionholders who acquire stock subject to certain repurchase options or who are subject to Section 16(b) of the Exchange Act.

**EQUITY COMPENSATION PLAN INFORMATION**

The information contained under the caption "Equity Compensation Plan Information" in the Company's Annual Report on Form 10-K, as amended, filed with SEC on February 20, 2004 is hereby incorporated by reference.

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**SECURITY OWNERSHIP OF  
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the ownership of the Company's common stock as of December 31, 2003 by: (i) each director and nominee for director; (ii) each of the executive officers named in the Summary Compensation Table; (iii) all executive officers and directors of the Company as a group; and (iv) all those known by the Company to be beneficial owners of more than five percent of its common stock.

Beneficial Owner	Beneficial Ownership(1)	
	Number of Shares	Percent of Total
George A. Scangos, Ph.D. (2)	2,889,841	4.0
Geoffrey Duyk, M.D., Ph.D. (3)	1,685,103	2.3
Jeffrey R. Latts, M.D. (4)	380,000	*
Michael M. Morrissey, Ph.D. (5)	347,500	*
Pamela A. Simonton (6)	232,500	*
Stelios Papadopoulos, Ph.D. (7)	697,277	*
Charles Cohen, Ph.D. (8)	240,000	*
Jason S. Fisherman, M.D. (9)	980,712	1.4
Jean-Francois Formela, M.D. (10)	1,121,019	1.6
Vincent T. Marchesi, M.D., Ph.D (11)	51,000	*
Frank McCormick, Ph.D. (12)	25,000	*
Lance Willsey, M.D. (13)	82,500	*
<b>5% Stockholders</b>		
Wellington Management Company LLP 75 State Street Boston, MA 02109	9,945,680	14.0
T. Rowe Price 100 E Pratt Street Baltimore, MD 21202	6,935,380	9.7
Entities Associated with Barclays Global Investors, NA (15) 45 Fremont Street San Francisco, CA 94105	3,351,206	5.2



All directors and executive officers as a group (15 persons) (14)	9,307,452	12.4
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Less than one percent.

1.

This table is based upon information supplied by officers and directors and upon information gathered by the Company about principal stockholders known to the Company. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable,

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the Company believes that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 71,295,101 shares outstanding on December 31, 2003, adjusted as required by rules promulgated by the SEC.

2.

Includes 90,909 shares held by George A. Scangos, Trustee of The Leslie S. Wilson Grantor Annuity Trust, 4,875 shares held by George A. Scangos and Leslie S. Wilson, as Trustees of The Jennifer Wilson Scangos Trust and 4,875 shares held by George A. Scangos and Leslie S. Wilson, as Trustees of The Katherine Wilson Scangos Trust. Includes 1,200,000 shares Dr. Scangos has the right to acquire pursuant to options exercisable within 60 days of December 31, 2003, 709,376 of which would be subject to repurchase by Exelixis, if so exercised.

3.

Includes 11,872 shares held by Geoffrey M. Duyk and Ulrike Barbara Wolter, Trustees of The Duyk 2000 Irrevocable Trust dated 2/21/00, 35,810 shares held by Geoffrey M. Duyk and Ulrike Barbara Wolter, Trustees of The Charles Duyk Trust dated 2/21/00 and 893,673 shares held by Geoffrey M. Duyk and Ulrike B. Wolter, Trustees of The Duyk-Wolter Family Trust dated 12/16/00. Also includes 743,748 shares Dr. Duyk has the right to acquire pursuant to options exercisable within 60 days of December 31, 2003.

4.

Represents shares Jeffrey R. Latts has the right to acquire pursuant to options exercisable within 60 days of December 31, 2003, 253,230 of which would be subject to repurchase by Exelixis, if so exercised.

5.

Includes 305,000 shares Michael M. Morrissey, Ph.D. has the right to acquire pursuant to options exercisable within 60 days of December 31, 2003, 239,481 of which would be subject to repurchase by Exelixis, if so exercised.

6.

Represents shares Pamela A. Simonton has the right to acquire pursuant to options exercisable within 60 days of December 31, 2003, 108,439 of which would be subject to repurchase by Exelixis, if so exercised.

7.

Includes 10,000 shares held by Fondation Santé, of which Dr. Papadopoulos is co-trustee. Also includes 45,000 shares Dr. Papadopoulos has the right to acquire pursuant to options exercisable within 60 days of December 31, 2003, 6,042 of which would be subject to repurchase by Exelixis, if so exercised.

8.

Includes 45,000 shares Dr. Cohen has the right to acquire pursuant to options exercisable within 60 days of December 31, 2003, 6,042 of which would be subject to repurchase by Exelixis, if so exercised.

9.

Includes 643,663 shares held by Rovent II L.P., 161,064 shares held by Advent Performance Materials, L.P., 92,127 shares held by Adwest L.P., 36,889 shares held by Advent Partners L.P. and 1,969 shares held by Advent International Investors II, L.P. Advent

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International Corporation, the venture capital firm that is the manager of the funds affiliated with Advent International Group, exercises sole voting and investment power with respect to all shares held by these funds. Dr. Fisherman is a managing director of Advent International Corporation and disclaims beneficial ownership of these shares except for 9,483 shares that are indirectly beneficially owned by Dr. Fisherman. Advent International Corporation is located at 75 State Street, Boston, MA 02109. Also includes 45,000 shares Dr. Fisherman has the right to acquire pursuant to options exercisable within 60 days of December 31, 2003, 2,709 of which would be subject to repurchase by Exelixis, if so exercised.

10.

Includes 708,176 shares held by Atlas Venture Fund II, L.P., 297,292 shares held by Atlas Venture Europe Fund B.V. and 54,051 shares held by Atlas Venture Germany B.V. Atlas Venture Fund II, L.P., Atlas Venture Europe Fund B.V. and Atlas Venture Germany B.V. are part of the Atlas

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Venture, a group of funds under common control. Dr. Formela is a general partner of Atlas Venture. No general partner of Atlas Venture is deemed to have voting and investment power with respect to such shares, and Dr. Formela disclaims beneficial ownership of these shares. Atlas Venture is located at 222 Berkeley Street, Suite 1950, Boston, MA 02116. Also includes 45,000 shares Dr. Formela has the right to acquire pursuant to options exercisable within 60 days of December 31, 2003, 6,042 of which would be subject to repurchase by Exelixis, if so exercised.

11.

Includes 35,000 shares Dr. Marchesi has the right to acquire pursuant to options exercisable within 60 days of December 31, 2003, 12,813 of which would be subject to repurchase by Exelixis, if so exercised.

12.

Represents shares Dr. McCormick has the right to acquire pursuant to options exercisable within 60 days of December 31, 2003.

13.

Includes 45,000 shares Dr. Willsey has the right to acquire pursuant to options exercisable within 60 days of December 31, 2003, 6,042 of which would be subject to repurchase by Exelixis, if so exercised.

14.

These securities are owned by various individual and institutional investors, for which T. Rowe Price Associates, Inc. ("Price Associates") serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, as amended, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates expressly disclaims that it is, in fact, the beneficial owner of such securities.

15.

Represents 2,335,937 shares held by Barclays Global Investors, NA and 1,015,269 shares held by Barclays Global Fund Advisors (collectively "Barclays Global"). The shares reported are held by Barclays Global in trust accounts for the economic benefit of the beneficiaries of those accounts.

16.

Total number of shares includes 1,995,231 shares of Exelixis common stock held by entities affiliated with directors and executive officers, 3,721,248 shares issuable upon exercise of options exercisable within 60 days of December 31, 2003, 1,778,268 of which would be subject to repurchase by Exelixis, if so exercised. See footnotes 2 through 13 above.

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### EXECUTIVE COMPENSATION

The following chart sets forth certain information regarding the executive officers of the Company:

Name	Age	Position
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Name	Age	Position
George A. Scangos, Ph.D. (1)	55	President, Chief Executive Officer and Director
Steven P. James	45	Senior Vice President, Commercial Operations
Frank L. Karbe	35	Senior Vice President, Chief Financial Officer
Jeffrey R. Latts, M.D.	56	Senior Vice President and Chief Medical Officer
Michael M. Morrissey, Ph.D.	43	Senior Vice President of Discovery
Gregory D. Plowman, M.D., Ph.D.	46	Senior Vice President of Pharmaceutical Research
Pamela A. Simonton	54	Senior Vice President, Patents and Licensing

(1) Please see "Proposal 1 Election of Class II Directors" in this Proxy Statement for information about this executive officer and director.

*Steven P. James* has served as Senior Vice President, Commercial Operations since June 2003 and is responsible for managing and expanding the company's business development and corporate development activities, as well as strategy development for pre-commercial and commercial operations. He joined Exelixis from Sunesis Pharmaceuticals, where he served as chief business officer from June 1999 through May 2003. In addition to building Sunesis' highly successful business and corporate development program and establishing several large pharmaceutical alliances, Mr. James developed Sunesis' operating plan, established strategic planning and financial management systems and played a key role in private financings. Prior to Sunesis, Mr. James was vice president, business development at Isis Pharmaceuticals from June 1997 through May 1999, where he was responsible for a broad range of partnering activities and cultivating new strategic opportunities for the company. Mr. James previously held business development, marketing and operational management positions with Landec Corporation, California Biotechnology (Scios Inc.) and Eli Lilly & Company. He holds a Bachelor's degree in biology/neuroscience from Brown University and a Master's degree in management, marketing and healthcare management from Northwestern University, Kellogg School of Management.

*Frank L. Karbe*, has served as Senior Vice President, Chief Financial Officer since January 2004. From 1997 to January 2004, Mr. Karbe worked for Goldman Sachs & Co., where he served most recently as vice president in the healthcare group. Prior to Goldman Sachs, Mr. Karbe held various positions in the finance department of The Royal Dutch/Shell Group in Europe. Mr. Karbe holds a Diplom Kaufmann from the WHU Otto Beisheim Graduate School of Management, Koblenz, Germany (equivalent to a U.S. Masters of Business Administration).

*Jeffrey R. Latts, M.D.*, has served as Senior Vice President and Chief Medical Officer since July 2001. From 1995 to June 2001, Dr. Latts served as Vice President of Clinical Research and Development and Corporate Chief Medical Officer at Berlex Laboratories, a pharmaceutical healthcare company. At Berlex, Dr. Latts was responsible for U.S. clinical development operations and oversaw the efforts of a 120-member staff. Prior to Berlex, Dr. Latts served as Vice President of Clinical Research at Wyeth Ayerst, a pharmaceutical company. He began his career in the pharmaceutical industry with Parke-Davis GmbH. In his 20 years in the industry, Dr. Latts has been involved in numerous IND submissions and has successfully initiated early to late stage clinical trials for multiple

disease areas, including cancer, immunology, central nervous system and metabolic diseases. He holds an M.D. from the University of Minnesota.

*Michael M. Morrissey, Ph.D.*, has served as Senior Vice President of Discovery since January 2003. Previously, he served as Vice President of Discovery Research from February 2000 through December 2002. From 1991 to 2000, Dr. Morrissey held several positions at Berlex Biosciences, last holding the position of Vice President, Discovery Research, where he was responsible for all aspects of drug discovery. During this time, Dr. Morrissey led the effort to expand and modernize the drug discovery capabilities at Berlex through the application of high throughput screening, combinatorial and medicinal chemistry and structural biology. From 1986 to 1991, he served as a senior scientist and project team leader in medicinal chemistry at CIBA-Geigy Corporation, a pharmaceutical company. Over the past eighteen years, Dr. Morrissey has led discovery efforts that identified thirteen clinical candidates, including four that have advanced to Phase II clinical trials for a variety of cardiovascular and inflammatory indications. He is the author of numerous scientific publications in medicinal chemistry and drug discovery and

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an inventor on 52 issued US patents and 18 additional published US patent applications. Dr. Morrissey received his Ph.D. in Chemistry from Harvard University and his B.S. Honors in Chemistry from the University of Wisconsin.

*Gregory D. Plowman, M.D., Ph.D.*, has served as Senior Vice President of Pharmaceutical Research since January 2003. From October 2000 to December 2002, Dr. Plowman served as Vice President of Pharmaceutical Research. From December 1997 to September 2000, Dr. Plowman served as Vice President of Molecular Biology at SUGEN, Inc., a Pharmacia Corporation company. From January 1994 to December 1997, Dr. Plowman served as Director and Senior Director of Molecular Biology at SUGEN. At SUGEN, Dr. Plowman was responsible for the identification and validation of therapeutic targets in oncology, angiogenesis and metabolic disease, with a particular focus on protein kinases and phosphatases. From January 1988 to December 1993, Dr. Plowman served in various positions at Bristol-Myers Squibb, a pharmaceutical company, the last year of which he was Senior Principal Scientist, Oncology Drug Discovery. Dr. Plowman has previous experience with Oncogen and The Fred Hutchinson Cancer Research Center in Seattle. Dr. Plowman has authored numerous articles in the cancer field and is an inventor on nine issued U.S. patents. Dr. Plowman holds a Ph.D. in Pathology and an M.D., both from the University of Washington.

*Pamela A. Simonton* has served as Senior Vice President, Patents and Licensing since January 2004. Previously, she served as Vice President of Corporate Technology Development from April 2000 through December 2003. From July 1996 to April 2000, Ms. Simonton served as Vice President, Licensing and Acquisitions for Bayer Corporation's Pharmaceutical Division. From September 1994 to July 1996, Ms. Simonton served as Vice President of Patents and Licensing for Bayer's Pharmaceutical Division, North America. Ms. Simonton holds a B.S. in Chemistry from Barry College, an M.S. in Physics from Miami University, a J.D. from Nova University and an L.L.M. in Patent and Trade Regulation from George Washington University.

### SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To our knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended December 31, 2003, all Section 16(a) filing requirements applicable to our officers, directors and greater than ten percent beneficial owners were complied with; except that one report, covering an

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aggregate of 6 transactions, was filed late by Geoff Duyk, our former Chief Scientific Officer, one report covering one transaction was filed late by George Scangos, our Chief Executive Officer, and an initial report of ownership was filed late by Kristine Ball, our Vice President, Finance.

### COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

#### COMPENSATION OF DIRECTORS

Each of our non-employee directors received in 2003 an annual stipend of \$10,000, which has been increased for 2004 to \$20,000 for non-employee directors and to \$25,000 for our Chairman. Also beginning in 2004, each committee member receives an annual stipend of \$2,500 for each committee they serve on. Each of our directors receives a per meeting fee of \$2,500. They receive \$500 for each committee meeting attended by committee members and \$500 for participation in monthly Board of Director and committee conference calls. In the year ended December 31, 2003, the total compensation paid to non-employee directors was \$371,161. The members of the Board of Directors are also eligible for reimbursement for their expenses incurred in attending Board meetings in accordance with Company policy.

In January 2000, we adopted the 2000 Non-Employee Directors' Stock Option Plan (the "Directors' Plan") to provide for the automatic grant of options to purchase shares of common stock to our directors who are not employees of Exelixis or of any affiliate of Exelixis. Such options are granted automatically, without further action by the Company, the Board of Directors or the stockholders of the Company. Under the terms of the Directors' Plan, all non-employee directors shall receive a one-time initial option to purchase 25,000 shares of common stock. In addition, all non-employee directors shall receive an annual option to purchase 5,000 shares of common stock at the Annual Meeting of Stockholders (proposed to be increased to 10,000 shares). Options granted under the Directors' Plan are not intended by the Company to qualify as incentive stock options under the Internal Revenue Code of 1986, as amended. The exercise price of options granted under the Directors' Plan

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is equal to 100% of the fair market value of a share of common stock on the grant date. Under the terms of the Directors' Plan, the initial option to purchase 25,000 shares is immediately exercisable but will vest at the rate of 25% of the shares on the first anniversary of the grant date and monthly thereafter over the next three years. The annual grants to purchase 5,000 shares (proposed to be increased to 10,000 shares) are exercisable immediately but will vest monthly over a one-year period. If the non-employee director is appointed to the Board of Directors after the Annual Meeting, the annual grant will be pro-rated. As long as the optionholder continues to serve with us or with an affiliate of ours, the option will continue to vest and be exercisable during its term. When the optionholder's service terminates, we will have the right to repurchase any unvested shares at the original exercise price, without interest. All options granted under the Directors' Plan have a term of ten years and are set to terminate three months after a non-employee director's service terminates. In the event of a merger of the Company with or into another corporation or a consolidation, acquisition of assets or other change-in-control transaction involving the Company, any surviving entity will either assume or replace all outstanding options under the Directors' Plan. Otherwise, the vesting of the options will accelerate.

During the last year, we granted options covering 5,000 shares to each non-employee director of the Company, at an exercise price per share of \$8.70, except for Frank McCormick. We granted options covering 25,000 shares at an exercise price per share of \$8.29 to Mr. McCormick upon joining the Board of Directors in July 2003. The fair market value of such common stock on the date of grant was \$8.70 and \$8.29 per share (based on the closing sales price reported on the Nasdaq National Market on the date of grant). As of February 10, 2004, no options had been exercised under the Directors' Plan.

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**COMPENSATION OF EXECUTIVE OFFICERS**

The following table shows for each of the three years ended December 31, 2003, compensation awarded or paid to, or earned by, the Company's Chief Executive Officer and its other four most highly compensated executive officers at December 31, 2003 (the "Named Executive Officers"):

**SUMMARY OF COMPENSATION TABLE**

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards(4)	
		Salary	Bonus	Other Annual Compensation	Securities Underlying Options	All Other Compensation (5)
George A. Scangos, Ph.D. President and Chief Executive Officer	2003	\$ 600,000	\$ 180,000	\$	600,000	\$ 6,000
	2002	525,000	315,000			4,000
	2001	462,000	277,000		350,000	
Geoffrey Duyk, M.D., Ph.D.(1) President, Research and Development	2003	480,358	186,000		400,000	
	2002	380,000	133,000			
	2001	335,000	117,250		250,000	
Jeffrey R. Latts, M.D. Chief Medical Officer and Senior Vice President of Development	2003	325,500	113,925		225,000	5,186
	2002	310,000	93,000			1,333
	2001	137,000(2)			155,000	
Michael M. Morrissey, Ph.D. Senior Vice President of Discovery	2003	290,000	101,500		235,000	5,594
	2002	270,000	67,500			3,850
	2001	240,000	60,000		50,000	
Pamela A. Simonton, J.D., L.L.M. Senior Vice President, Patents and Licensing	2003	250,500	62,625	75,000(3)	100,000	4,225
	2002	232,000	58,000	75,000(3)		3,900
	2001	220,000	44,000		97,500	

(1)

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Dr. Duyk resigned effective December 31, 2003.

- (2) Dr. Latts joined the Company in July 2001. Dr. Latts's annual salary for 2001 was \$300,000.
- (3) Includes the forgiveness of \$75,000 of a loan in principal amount of \$300,000 for Ms. Simonton in 2003 and 2002.
- (4) We offer no other form of Long-Term compensation.
- (5) Represents 401(k) matching contributions for 2003 and 2002.

### STOCK OPTION GRANTS AND EXERCISES

We grant options to our executive officers under our 2000 Equity Incentive Plan, which was approved by our stockholders on March 15, 2000. Prior to April 2000, we granted options to our executive officers under our 1997 Equity Incentive Plan and 1994 Employee, Director and Consultant Stock Plan. Under the 2000 Equity Incentive Plan, 1997 Equity Incentive Plan and 1994 Employee, Director and Consultant Stock Plan, options to purchase an aggregate of 18,296,110 shares of common stock were granted from the inception of these plans to December 31, 2003, of which options to

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purchase 10,906,742 shares of common stock were outstanding and 3,886,283 shares remained available for grant under the 2000 Equity Incentive Plan as of December 31, 2003.

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

The following tables show for the fiscal year ended December 31, 2003, certain information regarding options granted to, exercised by and held at year-end by, the named executive officers.

The exercise price of each option granted in 2003 was equal to the fair market value of common stock on the date of grant. The exercise price may be paid in cash or shares of common stock valued at fair market value on the exercise date.

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

multiplying the number of shares of common stock subject to a given option by the grant day exercise price;

assuming that the aggregate stock value derived from that calculation compounds at the annual 5% or 10% rate shown in the table until the expiration of the options; and

subtracting from that result the aggregate option exercise price.

Percentages shown under "Percent of Total Options Granted to Employees in 2003" are based on an aggregate of 3,209,085 options granted to Exelixis employees and directors under the Company's stock option plans during 2003.

### STOCK OPTION GRANTS IN YEAR ENDED DECEMBER 31, 2003

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Individual Grants

Name	Number of Securities Underlying Options Granted (#)	Percent of Total Options Granted to Employees in 2003 (%)	Exercise Price per Share (\$/Sh)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
					5%	10%
George A. Scangos, Ph.D.	400,000	12.5	\$ 6.45	01/28/2113	\$ 1,622,548	\$ 4,111,856
	200,000	6.2	6.15	12/13/2113	773,540	1,960,303
Geoffrey Duyk, M.D., Ph.D.	400,000	12.5	6.45	01/28/2113	1,622,548	4,111,856
Jeffrey R. Latts, M.D.	110,000	3.4	6.45	01/28/2113	446,201	1,130,760
	115,000	3.5	6.15	12/13/2113	444,786	1,127,174
Michael M. Morrissey, Ph.D.	85,000	2.6	6.45	01/28/2113	344,791	873,769
	150,000	4.6	6.15	12/13/2113	580,155	1,470,227
Pamela A. Simonton, J.D., L.L.M.	50,000	1.6	6.45	01/28/2113	202,819	513,982
	50,000	1.6	6.15	12/13/2113	193,385	490,076

The following table sets forth the number and value of securities underlying unexercised options that were held by each of the named executive officers as of December 31, 2003.

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Amounts shown under the column "Value of Unexercised In-the-Money Options at December 31, 2003" are based on the December 31, 2003 closing price of \$7.05 per share, without taking into account any taxes that may be payable in connection with the transaction, multiplied by the number of shares underlying the option, less the exercise price payable for these shares.

AGGREGATED STOCK OPTIONS AT DECEMBER 31, 2003

Name	Shares Acquired on Exercise (#)	Value Realized (\$)(2)	Number of Securities Underlying Unexercised Options at December 31, 2003(1)		Value of Unexercised In-the-Money Options at December 31, 2003(1)	
			Exercisable/Vested	Exercisable/Unvested	Exercisable/Vested	Exercisable/Unvested
George A. Scangos, Ph.D.	862,500	\$ 679,999	357,291	842,709	\$	\$ 420,000
Geoffrey Duyk, M.D., Ph.D.	375,000	240,000	743,748		1,259,687	
Jeffrey R. Latts, M.D.			90,520	289,480		169,500
Michael M. Morrissey, Ph.D.	82,500		39,583	265,417		186,000
Pamela A. Simonton, J.D., L.L.M			104,999	127,501		75,000

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

(2)

Based on the fair market value of the common stock on the date of exercise.

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**EMPLOYMENT, SEVERANCE AND CHANGE OF CONTROL AGREEMENTS**

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

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

In February 2000, we entered into an agreement with Michael Morrissey in connection with his appointment as Vice President of Discovery Research. The agreement provides that in the event that Dr. Morrissey's employment is terminated without cause, he may receive six months base salary and benefits.

In September 2000, we entered into an agreement with Gregory Plowman in connection with his appointment as Vice President of Pharmaceutical Research. The agreement provides that in the event that Dr. Plowman's employment is terminated without cause, he may receive six months base salary and benefits.

In May 2003, we entered into an agreement with Steven James in connection with his appointment as Senior Vice President, Commercial Operations. The agreement provides that in the event that Mr. James's employment is terminated without cause, he may receive six months base salary and benefits.

In October 2003, we entered into an agreement with Geoff Duyk regarding his resignation of employment with the Company effective December 31, 2003. The agreement provided for a performance bonus of \$186,000 for the calendar year 2003. The agreement also provided an additional 12 months of option vesting and, for the majority of such options, extended the period during which such options may be exercised from 3 months to 15 months following the resignation date.

In November 2003, we entered into an agreement with Frank Karbe in connection with his appointment as Senior Vice President, Chief Financial Officer. The agreement provides that in the event that Mr. Karbe's employment is terminated without cause, he may receive six months base salary and benefits.

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**REPORT OF THE COMPENSATION COMMITTEE OF THE  
BOARD OF DIRECTORS ON EXECUTIVE COMPENSATION<sup>2</sup>**

<sup>2</sup>

The material in this report is not "soliciting material," is not deemed "filed" with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation by reference language contained in such filing.

The Compensation Committee of the Board of Directors was formed in January 2000. The Compensation Committee is responsible for the administration of the Company's executive compensation programs. These programs include base salary and annual bonuses for officers as well as long-term incentive compensation programs. The Company's compensation programs are designed to provide a competitive level of total compensation and include significant incentive and equity ownership opportunities directly linked to the Company's performance and



stockholder return.

The Compensation Committee is currently composed of three independent directors: Drs. Cohen, Marchesi and Formela.

*Compensation Philosophy.* The Company's overall executive compensation philosophy is based on the following principles:

- (a) to provide competitive levels of total compensation that will enable the Company to attract and retain the best possible executive talent;
- (b) to motivate executives to achieve superior results for the Company;
- (c) to align the financial interests of executives and stockholders through equity-based plans; and
- (d) to provide a compensation program that recognizes individual contributions as well as overall business results.

*Compensation Program.* The Compensation Committee is responsible for reviewing and recommending to the Board of Directors the compensation of all officers of the Company and establishes and reviews general policies relating to compensation and benefits of employees of the Company. The Compensation Committee is also responsible for the administration of the 2000 Equity Incentive Plan (the "2000 Option Plan"). There are three major components to the Company's executive compensation: base salary, potential annual cash bonus and potential long-term compensation in the form of stock options. The Compensation Committee considers the total current and potential compensation of each executive officer in establishing each element of compensation.

1.

Base Salary. In setting compensation levels for executive officers, initial salaries are based on negotiations between the particular executive officer and the Chief Executive Officer, as approved by the Compensation Committee. Since 1999, the annual reviews of executive officers have occurred in the fourth quarter of the year. The Compensation Committee reviews competitive information relating to compensation levels for comparable positions at medical product, biotechnology and high technology companies as well as the compensation levels of other executive officers in the Company. Historically, the Compensation Committee has relied on general industry survey information for these companies. In addition, the Compensation Committee may, from time to time, hire compensation and benefit consultants to assist in developing and reviewing overall salary strategies. Individual executive officer base compensation may vary based on seniority in position, assessment of individual performance, salary relative to internal and external equity and the significance of the position relative to the success of the Company.

2.

Annual Cash Bonus. The Compensation Committee annually reviews each executive officer's bonus by executive officer position and the performance of the Company as well as the individual. Payment of cash bonuses is tied to the accomplishment of corporate milestones and to each individual officer's year-end performance review.

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3.

Long-Term Incentive Program. The Company's 2000 Option Plan provides for the issuance of stock options to officers and employees of the Company to purchase shares of common stock at an exercise price equal to the fair market value of such stock on the date of grant. Stock options are granted to the Company's executive officers and other employees, both as a reward for past individual and corporate performance and as an incentive for future performance. The Compensation Committee believes that stock-based performance compensation arrangements are essential in aligning the interests of management and the stockholders in enhancing the value of the Company's equity as well as encouraging executives to remain employed by the Company.

4.

Benefits. The Company provides benefits to the executive officers that are generally available to all employees of the Company. The amount of executive level benefits and perquisites, as determined in accordance with the rules of the Securities and Exchange Commission relating to executive compensation for each executive officer, did not exceed 10% of total salary and bonus for that individual in the calendar year 2003.

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*Compensation for the Chief Executive Officer.* In determining Dr. Scangos' salary for 2004, the Compensation Committee reviewed and considered his historical compensation level, the number and nature of the transactions entered into by the Company, the achievement of key scientific and research goals as well as the compensation levels of other executives in peer companies, taking into account Dr. Scangos' experience and knowledge. The Compensation Committee determined that it was appropriate to increase Dr. Scangos' base salary from \$600,000 to \$621,000. In addition, for his performance in 2003, the Compensation Committee awarded Dr. Scangos a bonus of \$180,000 and granted Dr. Scangos stock options to purchase an aggregate of 200,000 shares of common stock.

*Section 162(m) of The Internal Revenue Code Limitations on Executive Compensation.* In 1993, Section 162(m) was added to the United States Internal Revenue Code of 1986, as amended. Section 162(m) may limit the Company's ability to deduct for United States federal income tax purposes, compensation in excess of \$1,000,000 paid to the Company's Chief Executive Officer and its four other highest paid executive officers in any one fiscal year. No executive officer of the Company received any such compensation in excess of this limit during fiscal 2003.

*Conclusion.* It is the opinion of the Compensation Committee that the aforementioned compensation policies and structures provide the necessary incentives to properly align the Company's corporate economic performance and the interests of the Company's stockholders with progressive, balanced and competitive executive total compensation practices in an equitable manner.

Respectfully submitted,  
The Compensation Committee of the Board of Directors

Charles Cohen  
Vincent T. Marchesi  
Jean-Francois Formela

### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Messrs. Cohen, Marchesi and Formela are the members of the Compensation Committee. None of the members of the Company's Compensation Committee has at any time been an officer or employee of Exelixis. No interlocking relationship exists between the Company's Board of Directors or Compensation Committee and the Board of Directors or Compensation Committee of any other company, nor has any interlocking relationship existed in the past.

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### PERFORMANCE MEASUREMENT COMPARISON

The following graph compares the cumulative total stockholder return on the Company's common stock with the cumulative total return of the Nasdaq National Market, U.S. Index ("Nasdaq") and the Nasdaq Biotech Index ("Nasdaq-Biotech") for the period beginning on April 11, 2000, the Company's first day of trading after its initial public offering, and ending on December 31, 2003.

#### Comparison of Quarterly Cumulative Total Return<sup>3</sup> Among Exelixis, Inc., the Nasdaq National Market, U.S. Index and the Nasdaq Biotech Index<sup>4</sup>

3 Assumes that \$100.00 was invested on April 11, 2000 (the date of our initial public offering) in the designated stock or index including reinvestment of  
 4 dividends. Fiscal years ended December 31.

The material in this report is not "soliciting material," is not deemed "filed" with the SEC and is not to be incorporated by reference into any filing of  
 the Company under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation  
 by reference language contained in such filing.

**Cumulative Total Returns**

	<u>4/11/00</u>	<u>6/30/00</u>	<u>9/30/00</u>	<u>12/31/00</u>	<u>03/31/01</u>	<u>06/30/01</u>	<u>09/30/01</u>	<u>12/31/01</u>
Exelixis, Inc.	100	257	241	112	62	136	82	119
Nasdaq	100	98	91	61	44	52	36	47
Nasdaq Biotech	100	118	128	105	72	95	70	85
	<u>03/31/02</u>	<u>06/30/02</u>	<u>09/30/02</u>	<u>12/31/02</u>	<u>03/31/03</u>	<u>06/30/03</u>	<u>09/30/03</u>	<u>12/31/03</u>
Exelixis, Inc.	99	54	35	57	48	49	51	50
Nasdaq	44	35	28	32	32	39	43	48
Nasdaq Biotech	73	48	45	47	48	63	68	68

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**CERTAIN TRANSACTIONS**

*Indemnification Agreements.* In connection with our initial public offering, we adopted and filed an amended and restated certificate of  
 incorporation and restated bylaws. As permitted by Delaware law, our Restated Certificate of Incorporation provides that no director will be  
 personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for:

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any breach of duty of loyalty to the Company or our stockholders;

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

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

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

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

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

*Indebtedness of Management.* As of January 31, 2004, the total amount of loans outstanding to our executive officers was \$350,000. The largest aggregate amount of indebtedness outstanding at any time during 2003 was approximately \$1,425,000.

In January 1998, we entered into a loan agreement with George Scangos, President, Chief Executive Officer and a director, in the amount of \$150,000. The loan had an interest rate of 6.13% and matured on January 19, 2003. Dr. Scangos paid \$140,566 of his loan amount during 2000, and the remainder of the balance upon maturity. In January 1998, we also entered into a loan agreement with Geoffrey Duyk, formerly Chief Scientific Officer, President of Research and Development and a director, in the amount of \$90,000. The loan had an interest rate of 6.13% and matured on January 16, 2003. Dr. Duyk repaid the loan upon maturity.

In January 1998, we provided a non-interest bearing advance of \$74,000 and \$44,000 to George Scangos, President, Chief Executive Officer and a director, and Geoffrey Duyk, formerly Chief Scientific Officer, President of Research and Development and a director, respectively. Dr. Duyk and Dr. Scangos repaid the full amount of the advance during 2003.

In February 2000, we entered into loan agreements with George Scangos, President, Chief Executive Officer and a director, Geoffrey Duyk, formerly Chief Scientific Officer, President of Research and Development and a director, and Michael Morrissey, Senior Vice President, Discovery Research, in the amounts of \$470,000, \$260,000 and \$110,000, respectively. Dr. Scangos paid \$48,125 of his outstanding loan amount during 2000. Dr. Scangos, Dr. Duyk and Dr. Morrissey repaid the full

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amount of their loans during 2003. Dr. Duyk and Dr. Morrissey repaid their loans in cash, while Dr. Scangos repaid his loan with stock in connection with a sale of stock to the company.

In April 2001, we entered into a loan agreement with Pamela Simonton, Vice President Corporate Technology Development in the amount of \$300,000. The loan has an interest rate of 4.90% and matures on April 26, 2005. The loan is subject to 25% forgiveness on each anniversary of the loan provided that Ms. Simonton is a full-time employee during the preceding 12 months. Accordingly, \$75,000 of the loan principal was forgiven in 2003 and in 2002.

In September 2001, we entered into a loan agreement with Gregory Plowman, Senior Vice President of Pharmaceutical Research in the amount of \$75,000. The loan has an interest rate of 4.82% and matures on September 18, 2005. The loan is subject to 100% forgiveness of principal upon Mr. Plowman's fourth employment anniversary date with Exelixis.

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On July 15, 2002, we entered into a loan agreement with Jeffrey Latts, Senior Vice President and Chief Medical Officer in the amount of \$125,000. The loan has an interest rate of 4.60% and matures on July 15, 2006. The loan is subject to 50% forgiveness of principal upon Dr. Latts' third employment anniversary date and forgiveness of the remaining 50% of the principal upon his fourth employment anniversary date.

All future transactions other than loan facilities and amendments to any existing loan facilities between the Company and our officers, directors, principal stockholders and their affiliates will be approved by a majority of the Board of Directors, including a majority of the independent and disinterested directors, and will continue to be on terms no less favorable to the Company than could be obtained from unaffiliated third parties. Effective July 30, 2002, the Company no longer makes available loan facilities to, or amends existing loan facilities with, our executive officers.

*Director Consulting Agreement.* On November 10, 2003, we entered into a one-year consulting agreement with Frank McCormick, a director. The compensation payable to Dr. McCormick during the term of this agreement cannot exceed \$100,000. During the year ended December 31, 2003, Dr. McCormick was paid \$500 in compensation under this agreement.

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### OTHER MATTERS

The Board of Directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

/s/ FRANK L. KARBE

**FRANK L. KARBE**  
Chief Financial Officer

February 27, 2004

### HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as "householding," potentially means extra convenience for stockholders and cost savings for companies.

This year a number of brokers with account holders who are Exelixis stockholders will be "householding" Exelixis' proxy materials. A single proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate proxy statement, please notify your broker or direct your written request to: Investor Relations, Exelixis, Inc., 170 Harbor Way, P.O. Box 511, South San Francisco, California 94083 or contact Exelixis, Inc., Investor Relations at (650) 837-7000. Stockholders who currently receive multiple copies of the proxy statement at their address and would like to request "householding" of their communications should contact their broker.

**A copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2003, is available without charge upon written request to: Investor Relations, Exelixis, Inc., 170 Harbor Way, P.O. Box 511, South San Francisco, California 94083.**

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EXELIXIS, INC.

AUDIT COMMITTEE CHARTER

(Adopted July 25, 2000, as amended March 31, 2003 and February 24, 2004)

**Purpose**

The primary purpose of the Audit Committee (the "Committee") is to act on behalf of the Board of Directors (the "Board") in fulfilling its responsibility to oversee management's conduct of the Company's financial reporting process and ensuring the integrity of the Company's financial statements. Committee members shall be independent and financially literate. Generally, the responsibility of the Committee includes:

- (a) overseeing the financial reports and other financial information provided by the Company to any governmental or regulatory body, the public or other users thereof;
- (b) reviewing the Company's financial reporting process and systems of internal accounting and financial controls; and
- (c) ensuring the independence of the outside auditors and the performance of an annual independent audit of the Company's financial statements.

In discharging its oversight role, duties and responsibilities, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company. The powers of the Committee include the authority to engage outside counsel, auditors or other experts for this purpose. The Committee is in place to represent the Company's stockholders and its Board; accordingly, the outside auditor is ultimately accountable to the Committee. The Committee shall also be designated as the Company's Qualified Legal Compliance Committee (the "*QLCC*") within the meaning of Rule 205.2(k) of Title 17, Chapter II of the Code of Federal Regulations (the "*Rules of Professional Conduct*").

While the Committee has the responsibilities and powers provided in this Charter, it is not the duty of the Committee to plan or conduct audits, or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles ("GAAP"). Management remains responsible for the preparation, presentation and integrity of the Company's financial statements and for the appropriateness of the accounting principles and reporting policies that are used by the Company. The independent auditors are responsible for auditing the Company's financial statements and for reviewing the Company's unaudited interim financial statements. The Committee shall review the adequacy of this Charter on an annual basis.

**Membership**

The Committee shall be comprised of not less than three members of the Board, and the Committee's composition will meet the requirements of the listing standards of the Nasdaq Stock Market and Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Securities and Exchange Commission ("SEC") applicable to Committee members as in effect from time to time. Accordingly, all of the members will be directors who:

- (a) have no relationship to the Company that may interfere with the exercise of their independence from management and the Company and satisfy the independence requirements of Rule 4200(a)(15) of the listing standards of the Nasdaq Stock Market and

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Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC applicable to Committee members as in effect from time to time; and

- (b) are financially literate at the time of their appointment to the Committee. In addition, at least one member of the Committee will have past employment experience in finance or accounting, requisite professional certification in accounting or any

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other comparable experience or background that results in the individual's financial sophistication (for purposes of complying with Rule 4350(d)(2) of the listing standards of the Nasdaq Stock Market).

### Authority

The Committee shall have the authority to appoint, determine compensation for, at the expense of the Company, retain and oversee the auditors as set forth in Section 10(A)(m)(2) of the Securities and Exchange Act of 1934, as amended, and the rules thereunder. The Committee shall have the authority to retain and determine compensation for, at the expense of the Company, special legal, accounting or other advisors or consultants as the Committee deems necessary or appropriate in the performance of its duties. The Committee shall also have authority to pay, at the expense of the Company, ordinary administrative expenses that, as determined by the Committee, are necessary or appropriate in carrying out its duties. The Committee shall have the authority to initiate investigations, to provide notices, including notices to the SEC, to retain experts, to recommend that the Company implement remedial or other appropriate actions and otherwise to carry out its responsibilities as a QLCC. The Committee shall have full access to all books, records, facilities and personnel of the Company as deemed necessary or appropriate by any member of the Committee to discharge his or her responsibilities hereunder. The Committee shall have the authority to require that any of the Company's personnel, counsel, auditors or investment bankers, or any other consultant or advisor to the Company, attend any meeting of the Committee or meet with any member of the Committee or any of its special legal, accounting or other advisors and consultants.

### Key Responsibilities

The Committee shall oversee the Company's financial reporting process on behalf of the Board and shall have direct responsibility for the appointment, compensation, retention and oversight of the work of the auditors, who shall report directly and be accountable to the Committee. The Committee's job is one of oversight and it recognizes that the Company's management is responsible for preparing the Company's financial statements and that the outside auditors are responsible for auditing those financial statements. Accordingly, the Committee is responsible for the review and resolution of any disagreements the outside auditors may have with the Company's management. Since the Committee recognizes that Company management, as well as the outside auditors, have more time, knowledge and more detailed information on the Company than do Committee members; consequently, in carrying out its oversight responsibilities, the Committee is not providing any expert or special assurance as to the Company's financial statements or any professional certification as to the outside auditor's work.

In general, the common recurring activities of the Committee in carrying out its oversight function are specified below. These functions are set forth as obligations under existing laws, rules and regulations with the understanding that the Committee may diverge from these obligations as consistent with changes in the applicable laws, rules and regulations.

The Committee shall evaluate the performance of the auditors, assess their qualifications and determine whether to retain or to terminate the existing auditors or to appoint and engage new auditors for the ensuing year. The Committee shall have the ultimate authority and responsibility to appoint and remove, compensate and review the performance of the independent auditors.

The Committee shall meet and review with the outside auditors all critical accounting policies and practices of the Company, alternative treatments of financial information within GAAP that

have been discussed by the outside auditors with management, and the treatment preferred by the outside auditors.

The Committee shall prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement.

The Committee shall meet and review with management and the outside auditors the audited financial statements to be included in the Company's Annual Report on

Form 10-K and Annual Report to Stockholders and review and consider with the outside auditors the matters required to be discussed by Statement of Auditing Standards No. 61, "Communication with Audit Committees" ("SAS No. 61").

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As a whole, or through the Committee chair, the Committee shall meet and review with the outside auditors the Company's interim financial results to be included in quarterly filings with the SEC and the matters required to be discussed by SAS No. 61; this review will occur prior to the Company's filing of the Quarterly Reports on Form 10-Q.

The Committee shall review and discuss with management and the outside auditors the quality and adequacy of the Company's internal controls and the attestation of the independent auditors with respect to those controls required by Section 404 of the Sarbanes-Oxley Act of 2002, and the Committee shall have the further authority to meet with the internal auditors or individuals performing those functions on behalf of the Company. The review shall include any material issues raised by the internal auditors or by any inquiry or investigation by governmental authorities. The Committee shall also review and discuss with the auditors and, if appropriate, management any management or internal control letter issued or, to the extent practicable, proposed to be issued by the auditors, as well as management's response, if any, to such letter and any additional material written communications between the auditors and management.

The Committee shall review and discuss with management all Section 302 and 906 certifications required by the Sarbanes-Oxley Act of 2002.

The Committee shall at least annually:

- (a) receive from the outside auditors a formal written statement delineating all relationships between the auditor and the Company consistent with Independence Standards Board Standard Number 1;
- (b) discuss with the outside auditors any such disclosed relationships and their impact on the outside auditor's independence; and
- (c) take appropriate action to oversee the independence of the outside auditor.

To determine and approve engagements of the auditors, prior to commencement of such engagements (unless in compliance with exceptions available under applicable laws and rules related to immaterial aggregate amounts of services), to perform:

- (a) all proposed audit, review and attest services, including the scope of and plans for the audit, the adequacy of staffing and the compensation to be paid, at the Company's expense, to the auditors; and
- (b) any proposed permissible non-audit services, including the scope of the service and the compensation to be paid therefor.

These determinations and approvals may be pursuant to pre-approval policies and procedures established by the Committee consistent with applicable laws and rules, including the delegation of pre-approval authority to one or more Committee members so long as any such pre-approval decisions are presented to the full Committee at the next scheduled meeting.

The Committee shall review and approve all related party transactions entered into by the Company.

The Committee shall establish and maintain procedures for the receipt, retention and treatment of complaints regarding accounting, internal controls or auditing matters of the Company, including the establishment of procedures for confidential, anonymous submissions by Company employees with respect to the foregoing matters.



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The Committee shall review and discuss with management and the auditors any material conflicts or disagreements between management and the auditors regarding financial reporting or accounting practices or policies and resolve any conflicts or disagreements regarding financial reporting.

The Committee shall confer with management and the auditors regarding the scope, adequacy and effectiveness of the internal control over financial reporting, including any special audit steps taken in the event of material control deficiencies.

The Committee shall carry out the responsibilities of a QLCC as set forth in the Rules of Professional Conduct.

The Committee shall review and assess the adequacy of this charter annually and recommend any proposed changes to the Board for approval.

The Committee shall perform such other functions and shall have such powers as may be necessary or appropriate in the efficient and lawful discharge of the foregoing.

### **Minutes and Meetings**

The Committee shall hold such regular or special meetings as its members shall deem necessary or appropriate. Minutes of each meeting of the Committee shall be prepared and distributed to each member of the Committee and the Secretary of the Company promptly after each meeting.

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## **Appendix B**

### **EXELIXIS, INC.**

#### **CHARTER OF THE NOMINATING AND CORPORATE GOVERNANCE COMMITTEE OF THE BOARD OF DIRECTORS**

(Adopted February 24, 2004)

### **ORGANIZATION**

The Nominating and Corporate Governance Committee (the "Committee") of the Board of Directors (the "Board") of Exelixis, Inc., a Delaware corporation (the "Company"), shall consist of at least two (2) members of the Board. No Committee member shall be an employee of the Company, and each member shall be free from any relationship that would interfere with the exercise of his or her independent judgment, as determined by the Board, in accordance with the applicable independence requirements of the Nasdaq Stock Market and the rules and regulations of the Securities and Exchange Commission ("SEC"). The Board shall appoint the members of the Committee and the Committee chairperson.

### **STATEMENT OF POLICY**

The purpose of the Committee shall be to (i) oversee all aspects of the Company's corporate governance functions on behalf of the Board; (ii) make recommendations to the Board regarding corporate governance issues; (iii) identify, review and evaluate candidates to serve as directors of the Company; (iv) serve as a focal point for communication between such candidates, non-committee directors and the Company's management; (v) recommend such candidates to the Board; and (vi) make such other recommendations to the Board regarding affairs relating to the directors of the Company, including director compensation.

### **OPERATING PRINCIPLES AND PROCESSES**

In fulfilling its function and responsibilities, the Committee should give due consideration to the following operating principles and processes:

*Communication* Regular and meaningful contact throughout the year with the Board, committee chairpersons, members of senior management and independent professional advisors to the Board and its various committees, as applicable, is viewed as important for strengthening the Committee's knowledge of relevant current and prospective corporate governance issues.

*Committee Education/Orientation* Developing with management and participating in a process for systematic review of important corporate governance issues and trends in corporate governance practices that could potentially impact the Company will enhance the effectiveness of the Committee.

*Resources* The Committee shall be authorized to access such internal and, in consultation with senior management, external resources as the Committee deems necessary or appropriate to fulfill its defined responsibilities, including engagement of independent counsel, consultants and other professional advisors, as well as executive search firms to help identify director candidates. The Committee shall have sole authority to approve fees, costs and other terms of engagement of such outside resources. The Committee shall have the authority to perform such other functions, and shall have such powers, as may be necessary or appropriate in the efficient and lawful discharge of its responsibilities hereunder.

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*Reporting to the Board* The Committee, through the Committee chairperson, shall report all material activities of the Committee to the Board from time to time, or whenever so requested by the Board.

## RESPONSIBILITIES

The Committee will have the full power and authority to carry out the following primary responsibilities or to delegate such power and authority to one or more subcommittees of the Committee:

*Director Nominations* The Committee shall have the responsibility for establishing criteria for Board membership and identifying, evaluating, reviewing and recommending qualified candidates to serve on the Board, including consideration of any potential conflicts of interest as well as applicable independence and experience requirements. The Committee shall also have the responsibility for evaluating, reviewing and considering the recommendation for nomination of current directors for reelection to the Board. The selection of nominees for director to be presented to the stockholders for election or reelection, and the selection of new Directors to fill vacancies and newly created directorships on the Board, shall be made by the full Board based on the recommendations of the Committee. Nominations from security holders shall be considered using the same criteria as potential nominees recommended by the members of the Committee or others, and there shall be no differences in the manner in which the Committee evaluates a candidate that is recommended for nomination for membership on the Board by the directors, officers or security holders.

*Board Assessment* The Committee shall periodically review, discuss and assess the performance of the Board, including Board committees, seeking input from senior management, the full Board and others. The assessment includes evaluation of the Board's contribution as a whole, specific areas in which the Board and/or management believe better contributions could be made, and overall Board composition and makeup, including the reelection of current Board members. The factors to be considered shall include whether the directors, both individually and collectively, can and do provide the skills and expertise appropriate for the Company. The Committee shall also consider and assess the independence of directors, including whether a majority of the Board continue to be independent from management in both fact and appearance, as well as within the meaning prescribed by the Nasdaq Stock Market. The results of such reviews shall be provided to the Board for further discussion, as appropriate.

*Board Committee Nominations* The Committee, in consultation with the Chief Executive Officer, and after due consideration of the wishes, independence and experience of the individual directors and independence and experience requirements in accordance with the Nasdaq Stock Market, the rules and regulations of the Securities and Exchange Commission and applicable law, shall recommend to the entire Board annually the chairmanship and membership of each committee.

*Corporate Governance Principles* The Committee shall oversee and review the processes and procedures used by the Company to provide information to the Board and its committees. The Committee should consider, among other factors, the reporting channels through which the Board and its committees receive information and the level of access to outside advisors where necessary or appropriate, as well as the procedures for providing accurate, relevant and appropriately detailed information to the Board and its committees on a timely basis.

*Code of Business Conduct and Ethics* The Committee shall review and administer the Company's Code of Business Conduct and Ethics (the "Code") and any similar codes of conduct that may be implemented by the Company from time to time. The Committee shall have the authority to amend the Code and to make waivers of any provisions of the Code. The

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Committee shall have the authority to enforce the provisions of the Code (including with respect to executive officers and directors) and to direct the management of the Company to take appropriate actions to implement any such enforcement decisions. The Committee hereby delegates to management of the Company the ability to make technical, administrative or other non-substantive amendments to the Code that do not constitute a "waiver" (or "implicit waiver") for purposes of Item 10 of Form 8-K or Rule 4350(n) of the listing standards of the Nasdaq Stock Market. The Committee shall periodically review Company policy statements to determine their adherence to the Company's Code of Business Conduct and Ethics.

*Security Holder Communications* The Committee shall receive and review on behalf of the Board any communications from security holders of the Company to the Board. The Committee shall report to the Board, as appropriate, regarding any such communications from security holders and shall recommend to the Board whether the Committee believes that a response to any such communication is necessary or appropriate and whether any additional actions should be taken by the Company with respect to or as a result of any such communication.

*Director Compensation* The Committee shall periodically review the compensation paid to non-employee directors for their service on the Board and its committees and recommend any changes considered appropriate to the full Board for its approval.

## MEETINGS

The Committee will hold at least one (1) regular meeting per year and additional meetings as the Committee deems appropriate. At the discretion of the Committee, the President, Chief Executive Officer, Chairman of the Board, Chief Financial Officer and any other person the Committee deems appropriate may attend any meeting of the Committee, except for portions of the meetings where his, her or their presence would be inappropriate, as determined by the Committee.

## MINUTES AND REPORTS

Minutes of each meeting will be kept and distributed to each member of the Committee and the Secretary of the Company. The Chairman of the Committee will report to the Board from time to time, or whenever so requested by the Board.

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## Appendix C

### EXELIXIS, INC.

#### 2000 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN

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(Adopted by the Board of Directors on January 27, 2000  
Approved By Stockholders March 15, 2000  
Amended By Board of Directors on February 24, 2004)

### 1. PURPOSE.

- (a) **Eligible Option Recipients.** The persons eligible to receive Options are the Non-Employee Directors of the Company.
- (b) **Available Options.** The purpose of the Plan is to provide a means by which Non-Employee Directors may be given an opportunity to benefit from increases in value of the Common Stock through the granting of Nonstatutory Stock Options.
- (c) **General Purpose.** The Company, by means of the Plan, seeks to retain the services of its Non-Employee Directors, to secure and retain the services of new Non-Employee Directors and to provide incentives for such persons to exert maximum efforts for the success of the Company and its Affiliates.

### 2. DEFINITIONS.

- (a) "**Affiliate**" means any parent corporation or subsidiary corporation of the Company, whether now or hereafter existing, as those terms are defined in Sections 424(e) and (f), respectively, of the Code.
- (b) "**Annual Grant**" means an Option granted annually to all Non-Employee Directors who meet the specified criteria pursuant to subsection 6(b) of the Plan.
- (c) "**Annual Meeting**" means the annual meeting of the stockholders of the Company.
- (d) "**Board**" means the Board of Directors of the Company.
- (e) "**Calculation Date**" means the last day of each fiscal year of the Company.
- (f) "**Code**" means the Internal Revenue Code of 1986, as amended.
- (g) "**Committee**" means a committee of one or more members of the Board appointed by the Board in accordance with subsection 3(c).
- (h) "**Common Stock**" means the common stock of the Company.
- (i) "**Company**" means Exelixis, Inc., a Delaware corporation.
- (j) "**Consultant**" means any person, including an advisor, (i) engaged by the Company or an Affiliate to render consulting or advisory services and who is compensated for such services or (ii) who is a member of the Board of Directors of an Affiliate. However, the term "Consultant" shall not include either Directors of the Company who are not compensated by the Company for their services as Directors or Directors of the Company who are merely paid a director's fee by the Company for their services as Directors.
- (k) "**Continuous Service**" means that the Optionholder's service with the Company or an Affiliate, whether as an Employee, Director or Consultant, is not interrupted or terminated. The

Optionholder's Continuous Service shall not be deemed to have terminated merely because of a change in the capacity in which the Optionholder renders service to the Company or an Affiliate as an Employee, Consultant or Director or a change in the entity for which the Optionholder renders such service, provided that there is no interruption or termination of the Optionholder's Continuous Service. For example, a change in status from a Non-Employee Director of the Company to a Consultant of an Affiliate or an

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Employee of the Company will not constitute an interruption of Continuous Service. The Board or the chief executive officer of the Company, in that party's sole discretion, may determine whether Continuous Service shall be considered interrupted in the case of any leave of absence approved by that party, including sick leave, military leave or any other personal leave.

(l) **"Diluted Shares Outstanding"** means the number of outstanding shares of Common Stock on the Calculation Date, plus the number of shares of Common Stock issuable on the Calculation Date assuming the conversion of all outstanding preferred stock and convertible notes, and the additional number of dilutive Common Stock equivalent shares outstanding as the result of any options or warrants outstanding during the fiscal year, calculated using the treasury stock method.

(m) **"Director"** means a member of the Board of Directors of the Company.

(n) **"Disability"** means the permanent and total disability of a person within the meaning of Section 22(e)(3) of the Code.

(o) **"Employee"** means any person employed by the Company or an Affiliate. Mere service as a Director or payment of a director's fee by the Company or an Affiliate shall not be sufficient to constitute "employment" by the Company or an Affiliate.

(p) **"Exchange Act"** means the Securities Exchange Act of 1934, as amended.

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

(i) If the Common Stock is listed on any established stock exchange or traded on the Nasdaq National Market or the Nasdaq SmallCap Market, the Fair Market Value of a share of Common Stock shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or market (or the exchange or market with the greatest volume of trading in the Common Stock) on the last market trading day prior to the day of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable.

(ii) In the absence of such markets for the Common Stock, the Fair Market Value shall be determined in good faith by the Board.

(r) **"Initial Grant"** means an Option granted to a Non-Employee Director who meets the specified criteria pursuant to subsection 6(a) of the Plan.

(s) **"IPO Date"** means the effective date of the initial public offering of the Common Stock.

(t) **"Non-Employee Director"** means a Director who is not an Employee.

(u) **"Nonstatutory Stock Option"** means an Option not intended to qualify as an incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(v) **"Officer"** means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(w) **"Option"** means a Nonstatutory Stock Option granted pursuant to the Plan.

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

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

(z) "**Plan**" means this Exelixis, Inc. 2000 Non-Employee Directors' Stock Option Plan.

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

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

### 3. ADMINISTRATION.

(a) **Administration by Board.** The Board shall administer the Plan unless and until the Board delegates administration to a Committee, as provided in subsection 3(c).

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

(i) To determine the provisions of each Option to the extent not specified in the Plan.

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

(iii) To amend the Plan or an Option as provided in Section 12.

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

(c) **Delegation to Committee.** The Board may delegate administration of the Plan to a Committee or Committees of one (1) or more members of the Board, and the term "Committee" shall apply to any person or persons to whom such authority has been delegated. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise (and references in this Plan to the Board shall thereafter be to the Committee or subcommittee), subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and revert in the Board the administration of the Plan.

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

### 4. SHARES SUBJECT TO THE PLAN.

(a) **Share Reserve.** Subject to the provisions of subsection 4(b) relating to automatic increases to the share reserve, the provisions of subsection 4(c) relating to reversion of shares of Common Stock to the share reserve and the provisions of Section 11 relating to adjustments upon changes

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in the Common Stock, the Common Stock that may be issued pursuant to Stock Awards shall not exceed in the aggregate five hundred thousand (500,000) shares of Common Stock.

(b) **Automatic Increase.** For a period of ten (10) years, the share reserve specified in subsection 4(a) automatically shall be increased on the Calculation Date by the greater of that number of shares of Common Stock equal to 0.75% of the Diluted Shares Outstanding or that number of shares of Common Stock that have been made subject to Options granted under the Plan during the prior 12-month period; provided, however, that the Board may provide for a lesser number at any time prior to the Calculation Date.

(c) **Reversion of Shares to the Share Reserve.** If any Option shall for any reason expire or otherwise terminate, in whole or in part, without having been exercised in full, the shares of Common Stock not acquired under such Option shall revert to and again become available for issuance under the Plan. If the Company repurchases any unvested shares of Common Stock acquired under the Plan, the repurchased shares of Common Stock shall revert to and again become available for issuance under the Plan.

(d) **Source of Shares.** The shares of Common Stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

## 5. ELIGIBILITY.

The Options as set forth in section 6 automatically shall be granted under the Plan to all Non-Employee Directors.

## 6. NON-DISCRETIONARY GRANTS.

(a) **Initial Grants.** Without any further action of the Board, each Non-Employee Director shall be granted the following Options:

(i) On the IPO Date, each person who is then a Non-Employee Director automatically shall be granted an Initial Grant to purchase Twenty-five Thousand (25,000) shares of Common Stock on the terms and conditions set forth herein.

(ii) After the IPO Date, each person who is elected or appointed for the first time to be a Non-Employee Director automatically shall, upon the date of his or her initial election or appointment to be a Non-Employee Director by the Board or stockholders of the Company, be granted an Initial Grant to purchase Twenty-five Thousand (25,000) shares of Common Stock on the terms and conditions set forth herein.

(b) **Annual Grants.** On the day following each Annual Meeting each person who is then a Non-Employee Director automatically shall be granted an Annual Grant to purchase Five Thousand (5,000) shares of Common Stock on the terms and conditions set forth herein.

## 7. OPTION PROVISIONS.

Each Option shall be in such form and shall contain such terms and conditions as required by the Plan. Each Option shall contain such additional terms and conditions, not inconsistent with the Plan, as the Board shall deem appropriate. Each Option shall include (through incorporation of provisions hereof by reference in the Option or otherwise) the substance of each of the following provisions:

(a) **Term.** No Option shall be exercisable after the expiration of ten (10) years from the date it was granted.

(b) **Exercise Price.** The exercise price of each Option shall be one hundred percent (100%) of the Fair Market Value of the stock subject to the Option on the date the Option is granted.

Notwithstanding the foregoing, an Option may be granted with an exercise price lower than that set forth in the preceding sentence if such Option is granted pursuant to an assumption or substitution for another option in a manner satisfying the provisions of Section 424(a) of the Code.

(c) **Consideration.** The purchase price of Common Stock acquired pursuant to an Option shall be paid, to the extent permitted by applicable statutes and regulations, either (i) in cash at the time the Option is exercised or (ii) at the discretion of the Board at the time of the grant of the Option or subsequently (1) by delivery to the Company of other Common Stock, (2) according to a deferred payment or other similar arrangement with the Optionholder or (3) in any other form of legal consideration that may be acceptable to the Board. Unless otherwise specifically provided in the Option, the purchase price of Common Stock acquired pursuant to an Option that is paid by delivery to the Company of other Common Stock acquired, directly or indirectly from the Company, shall be paid only by shares of the Common Stock of the Company that have been held for more than six (6) months (or such longer or shorter period of time required to avoid a charge to earnings for financial accounting purposes). At any time that the Company is incorporated in

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Delaware, payment of the Common Stock's "par value," as defined in the Delaware General Corporation Law, shall not be made by deferred payment.

In the case of any deferred payment arrangement, interest shall be compounded at least annually and shall be charged at the minimum rate of interest necessary to avoid the treatment as interest, under any applicable provisions of the Code, of any amounts other than amounts stated to be interest under the deferred payment arrangement.

**(d) Transferability.** An Option shall not be transferable except by will or by the laws of descent and distribution and to such further extent as permitted by the Rule as to Use of Form S-8 specified in the General Instructions of the Form S-8 Registration Statement under the Securities Act, and shall be exercisable during the lifetime of the Optionholder only by the Optionholder. Notwithstanding the foregoing, the Optionholder may, by delivering written notice to the Company, in a form satisfactory to the Company, designate a third party who, in the event of the death of the Optionholder, shall thereafter be entitled to exercise the Option.

**(e) Exercise and Vesting.** Options shall be exercisable immediately upon grant. Options shall vest as follows:

**(i)** Initial Grants shall provide for vesting of 1/4th of the shares 12 months after the date of the grant and 1/48th of the shares each month thereafter.

**(ii)** Annual Grants shall provide for vesting of 1/12th of the shares each month after the date of the grant.

**(f) Termination of Continuous Service.** In the event an Optionholder's Continuous Service terminates (other than upon the Optionholder's death or Disability), the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise it as of the date of termination) but only within such period of time ending on the earlier of (i) the date three (3) months following the termination of the Optionholder's Continuous Service, or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified in the Option Agreement, the Option shall terminate.

**(g) Extension of Termination Date.** If the exercise of the Option following the termination of the Optionholder's Continuous Service (other than upon the Optionholder's death or Disability) would be prohibited at any time solely because the issuance of shares would violate the registration requirements under the Securities Act, then the Option shall terminate on the earlier of (i) the expiration of the term of the Option set forth in subsection 7(a) or (ii) the expiration of a period

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of three (3) months after the termination of the Optionholder's Continuous Service during which the exercise of the Option would not be in violation of such registration requirements.

**(h) Disability of Optionholder.** In the event an Optionholder's Continuous Service terminates as a result of the Optionholder's Disability, the Optionholder may exercise his or her Option (to the extent that the Optionholder was entitled to exercise it as of the date of termination), but only within such period of time ending on the earlier of (i) the date twelve (12) months following such termination or (ii) the expiration of the term of the Option as set forth in the Option Agreement. If, after termination, the Optionholder does not exercise his or her Option within the time specified herein, the Option shall terminate.

**(i) Death of Optionholder.** In the event (i) an Optionholder's Continuous Service terminates as a result of the Optionholder's death or (ii) the Optionholder dies within the three-month period after the termination of the Optionholder's Continuous Service for a reason other than death, then the Option may be exercised (to the extent the Optionholder was entitled to exercise the Option as of the date of death) by the Optionholder's estate, by a person who acquired the right to exercise the Option by bequest or inheritance or by a person designated to exercise the Option upon the Optionholder's death, but only within the period ending on the earlier of (1) the date eighteen (18) months following the date of death or (2) the expiration of the term of such Option as set forth in the Option Agreement. If, after death, the Option is not exercised within the time specified herein, the Option shall terminate.

## 8. COVENANTS OF THE COMPANY.



(a) **Availability of Shares.** During the terms of the Options, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such Options.

(b) **Securities Law Compliance.** The Company shall seek to obtain from each regulatory commission or agency having jurisdiction over the Plan such authority as may be required to grant Options and to issue and sell shares of Common Stock upon exercise of the Options; provided, however, that this undertaking shall not require the Company to register under the Securities Act the Plan, any Option or any stock issued or issuable pursuant to any such Option. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such Options unless and until such authority is obtained.

## 9. USE OF PROCEEDS FROM STOCK.

Proceeds from the sale of stock pursuant to Options shall constitute general funds of the Company.

## 10. MISCELLANEOUS.

(a) **Stockholder Rights.** No Optionholder shall be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to such Option unless and until such Optionholder has satisfied all requirements for exercise of the Option pursuant to its terms.

(b) **No Service Rights.** Nothing in the Plan or any instrument executed or Option granted pursuant thereto shall confer upon any Optionholder any right to continue to serve the Company as a Non-Employee Director or shall affect the right of the Company or an Affiliate to terminate (i) the employment of an Employee with or without notice and with or without cause, (ii) the service of a Consultant pursuant to the terms of such Consultant's agreement with the Company or an Affiliate or (iii) the service of a Director pursuant to the Bylaws of the Company or an

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Affiliate, and any applicable provisions of the corporate law of the state in which the Company or the Affiliate is incorporated, as the case may be.

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

(d) **Withholding Obligations.** The Optionholder may satisfy any federal, state or local tax withholding obligation relating to the exercise or acquisition of stock under an Option by any of the following means (in addition to the Company's right to withhold from any compensation paid to the Optionholder by the Company) or by a combination of such means: (i) tendering a cash payment; (ii) authorizing the Company to withhold shares from the shares of the Common Stock otherwise issuable to the Optionholder as a result of the exercise or acquisition of stock under the Option, provided, however, that no shares of Common Stock are withheld with a value exceeding the minimum amount of tax required to be withheld by law; or (iii) delivering to the Company owned and unencumbered shares of the Common Stock.

## 11. ADJUSTMENTS UPON CHANGES IN STOCK.

**(a) Capitalization Adjustments.** If any change is made in the stock subject to the Plan, or subject to any Option, without the receipt of consideration by the Company (through merger, consolidation, reorganization, recapitalization, reincorporation, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan will be appropriately adjusted in the class(es) and maximum number of securities subject both to the Plan pursuant to subsection 4(a) and to the nondiscretionary Options specified in Section 5, and the outstanding Options will be appropriately adjusted in the class(es) and number of securities and price per share of stock subject to such outstanding Options. The Board shall make such adjustments, and its determination shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction "without receipt of consideration" by the Company.)

**(b) Change in Control Dissolution or Liquidation.** In the event of a dissolution or liquidation of the Company, then all outstanding Options shall terminate immediately prior to such event.

**(c) Change in Control Asset Sale, Merger, Consolidation or Reverse Merger.** In the event of (i) a sale, lease or other disposition of all or substantially all of the assets of the Company, (ii) a merger or consolidation in which the Company is not the surviving corporation or (iii) a reverse

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merger in which the Company is the surviving corporation but the shares of Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise, then any surviving corporation or acquiring corporation shall assume any Options outstanding under the Plan or shall substitute similar options (including an option to acquire the same consideration paid to the stockholders in the transaction described in this subsection 11(c) for those outstanding under the Plan). In the event any surviving corporation or acquiring corporation refuses to assume such Options or to substitute similar options for those outstanding under the Plan, then with respect to Options held by Optionholders whose Continuous Service has not terminated, the vesting of such Options and any shares of Common Stock acquired under such Options (and, if applicable, the time during which such Options may be exercised) shall be accelerated in full, and the Options shall terminate if not exercised at or prior to such event. With respect to any other Options outstanding under the Plan, such Options shall terminate if not exercised prior to such event.

**(d) Change in Control Securities Acquisition.** In the event of an acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Exchange Act, or any comparable successor provisions (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or an Affiliate) of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of the Company representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of Directors and provided that such acquisition is not a result of, and does not constitute a transaction described in, subsection 11(c) hereof, then with respect to Options held by Optionholders whose Continuous Service has not terminated, the vesting of such Options and any shares of Common Stock acquired under such Options (and, if applicable, the time during which such Options may be exercised) shall be accelerated in full.

## 12. AMENDMENT OF THE PLAN AND OPTIONS.

**(a) Amendment of Plan.** The Board at any time, and from time to time, may amend the Plan. However, except as provided in Section 11 relating to adjustments upon changes in stock, no amendment shall be effective unless approved by the stockholders of the Company to the extent stockholder approval is necessary to satisfy the requirements of Rule 16b-3 or any Nasdaq or securities exchange listing requirements.

**(b) Stockholder Approval.** The Board may, in its sole discretion, submit any other amendment to the Plan for stockholder approval.

**(c) No Impairment of Rights.** Rights under any Option granted before amendment of the Plan shall not be impaired by any amendment of the Plan unless (i) the Company requests the consent of the Optionholder and (ii) the Optionholder consents in writing.

**(d) Amendment of Options.** The Board at any time, and from time to time, may amend the terms of any one or more Options; provided, however, that the rights under any Option shall not be impaired by any such amendment unless (i) the Company requests the consent of the Optionholder and (ii) the Optionholder consents in writing.

**13. TERMINATION OR SUSPENSION OF THE PLAN.**

(a) **Plan Term.** The Board may suspend or terminate the Plan at any time. No Options may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) **No Impairment of Rights.** Suspension or termination of the Plan shall not impair rights and obligations under any Option granted while the Plan is in effect except with the written consent of the Optionholder.

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**14. EFFECTIVE DATE OF PLAN.**

The Plan shall become effective on the IPO Date, but no Option shall be exercised unless and until the Plan has been approved by the stockholders of the Company, which approval shall be within twelve (12) months before or after the date the Plan is adopted by the Board.

**15. CHOICE OF LAW.**

All questions concerning the construction, validity and interpretation of this Plan shall be governed by the law of the State of Delaware, without regard to such state's conflict of laws rules.

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**Exelixis, Inc.  
PROXY SOLICITED BY THE BOARD OF DIRECTORS  
FOR THE ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON April 8, 2004**

The undersigned hereby appoints George A. Scangos and Frank Karbe, and each of them, as attorneys and proxies of the undersigned, with full power of substitution, to vote all of the shares of stock of Exelixis, Inc. which the undersigned may be entitled to vote at the 2004 Annual Meeting of Stockholders of Exelixis, Inc. to be held at the Company's offices located at 170 Harbor Way, South San Francisco, California 94080 on Thursday, April 8, 2004 at 8:00 a.m., local time, and at any and all postponements, continuations and adjournments thereof, with all powers that the undersigned would possess if personally present, upon and in respect of the following matters and in accordance with the following instructions, with discretionary authority as to any and all other matters that may properly come before the meeting.

**UNLESS A CONTRARY DIRECTION IS INDICATED, THIS PROXY WILL BE VOTED FOR ALL NOMINEES LISTED IN PROPOSAL 1 AND FOR PROPOSAL 2, 3 AND 4 AS MORE SPECIFICALLY DESCRIBED IN THE PROXY STATEMENT. IF SPECIFIC INSTRUCTIONS ARE INDICATED, THIS PROXY WILL BE VOTED IN ACCORDANCE THEREWITH.**

DO NOT RETURN YOUR PROXY CARD IF YOU ARE VOTING BY TELEPHONE OR INTERNET.

(Continued on other side)

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**MANAGEMENT RECOMMENDS A VOTE FOR ALL THE NOMINEES NAMED IN PROPOSAL 1.**

**PROPOSAL 1:** To elect three Class II directors to hold office until the 2007 Annual Meeting of Stockholders.

**FOR** all nominees listed below (except as marked to the contrary below)       **WITHHOLD AUTHORITY** to vote for all nominees listed below.

**Nominees:** 01 Jason Fisherman, M.D., 02 Jean-Francois Formela, M.D. and 03 Vincent Marchesi, M.D., Ph.D.

To withhold authority to vote for any nominee(s) write such nominee(s) name(s) below:

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**MANAGEMENT RECOMMENDS A VOTE FOR PROPOSAL 2.**

**PROPOSAL 2:** To ratify the selection of Ernst & Young LLP as independent auditors of Exelixis, Inc. for its fiscal year ended December 31, 2004.

**FOR**     **AGAINST**     **ABSTAIN**

**MANAGEMENT RECOMMENDS A VOTE FOR PROPOSAL 3.**

**PROPOSAL 3:** To approve an amendment to the Company's Restated Certificate of Incorporation to increase the authorized number of shares of common stock from 100,000,000 to 200,000,000.

**FOR**     **AGAINST**     **ABSTAIN**

**MANAGEMENT RECOMMENDS A VOTE FOR PROPOSAL 4.**

**PROPOSAL 4:** To approve an amendment to the Company's 2000 Non-Employee Directors' Stock Option Plan to increase the annual option grant to each director from an option to purchase 5,000 shares to an option to purchase 10,000 shares.

**FOR**     **AGAINST**     **ABSTAIN**

Date \_\_\_\_\_

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SIGNATURE(S)

*Please sign exactly as your name appears hereon. If the stock is registered in the names of two or more persons, each should sign. Executors, administrators, trustees, guardians and attorneys-in-fact should add their titles. If a signer is a corporation, please give full corporate name and have a duly authorized officer sign stating title. If a partnership, please sign in partnership name by authorized person.*

**Please vote, date and promptly return this proxy in the enclosed return envelope which is postage prepaid if mailed in the United States.**

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- [PROXY STATEMENT FOR THE 2004 ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON APRIL 8, 2004](#)
- [QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING](#)
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Appendix A

Appendix B

Appendix C

2000 NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN

Exelixis, Inc. PROXY SOLICITED BY THE BOARD OF DIRECTORS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON April 8, 2004