HEWLETT PACKARD CO
Form 4
April 22, 2015

FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *
Lane Raymond J.

(Last) (First) (Middle)

C/O HEWLETT-PACKARD COMPANY, 3000 HANOVER STREET

(Street)

PALO ALTO, CA 94304

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
HEWLETT PACKARD CO [HPQ]

3. Date of Earliest Transaction (Month/Day/Year)
04/20/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock								262,618 (1)	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Restricted Stock Units	(2)	07/02/2014		A		159.2346 (3)		(3)	(3)	Common Stock	159.2346
Restricted Stock Units	(2)	04/20/2015		A		8,231 (4)		(4)	(4)	Common Stock	8,231

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Lane Raymond J. C/O HEWLETT-PACKARD COMPANY 3000 HANOVER STREET PALO ALTO, CA 94304	X			

Signatures

/s/ Katie Colendich as Attorney-in-Fact for Raymond J. Lane	04/22/2015
**Signature of Reporting Person	Date

Explanation of Responses:

***** If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

****** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) There is no reportable change since the last filing. This is a reiteration of holdings only.

(2) Each restricted stock unit represents a contingent right to receive one share of HP common stock.

(3) As previously reported, on 04/21/14 the reporting person was granted 8,610 restricted stock units ("RSUs"), all of which will cliff vest on 04/21/15. Dividend equivalent rights accrue with respect to these RSUs when and as dividends are paid on HP common stock. The 159.2346 dividends being reported reflect 40.6612 dividends at $33.88 per share deferred on 07/02/14; 39.8726 dividends at $34.55 per share deferred on 10/01/14; 34.6740 dividends at $39.73 per share deferred on 01/07/15; and 44.0268 dividends at $31.29 per share deferred on 04/01/15.

(4) On 04/20/15 the reporting person was granted 8,231 RSUs, all of which will cliff vest on 04/20/16. Dividend equivalent rights accrue with respect to these RSUs when and as dividends are paid on HP common stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ="text-align:left;font-size:10pt;">
Additional paid-in capital
1,832,741

1,652,400

Accumulated other comprehensive loss
(232
)

(121
)
Accumulated deficit
(1,937,041
)

(1,767,304
)
Total stockholders’ deficit
(104,304
)

(114,829
)
Total liabilities and stockholders’ deficit
$
332,342

$
323,269

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

66

Table of Contents

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

	Year Ended December 31,		
	2015	2014	2013
Revenues:			
Net product revenues	$34,158	$25,111	$15,017
License and contract revenues	3,014	—	16,321
Total revenues	37,172	25,111	31,338
Operating expenses:			
Cost of goods sold	3,895	2,043	1,118
Research and development	96,351	189,101	178,763
Selling, general and administrative	57,305	50,829	50,958
Restructuring charges	1,042	7,596	1,231
Total operating expenses	158,593	249,569	232,070
Loss from operations	(121,421)	(224,458)	(200,732)
Other income (expense), net:			
Interest income and other, net	412	4,341	1,223
Interest expense	(48,673)	(48,607)	(45,347)
Total other income (expense), net	(48,261)	(44,266)	(44,124)
Loss before income taxes	(169,682)	(268,724)	(244,856)
Income tax provision (benefit)	55	(182)	(96)
Net loss	$(169,737)	$(268,542)	$(244,760)
Net loss per share, basic and diluted	$(0.81)	$(1.38)	$(1.33)
Shares used in computing basic and diluted net loss per share amounts	209,227	194,299	184,062

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

EXELIXIS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)

	Year Ended December 31,		
	2015	2014	2013
Net loss	$(169,737)	$(268,542)	$(244,760)
Other comprehensive (loss) income, net of tax of $0, $0 and $106 (1)	(111)	(267)	238
Comprehensive loss	$(169,848)	$(268,809)	$(244,522)

(1) Other comprehensive (loss) income consisted solely of unrealized losses or gains, net on available for sale securities arising during the periods presented. There were no reclassification adjustments to net loss resulting from realized losses or gains on the sale of securities.

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

Table of Contents

EXELIXIS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands, except share data)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stockholders' Equity (Deficit)
Balance at December 31, 2012	183,697,213	$183	$1,550,345	$ (92)	$(1,254,002)	$ 296,434
Net loss	—	—	—	—	(244,760)	(244,760)
Other comprehensive income	—	—	—	238	—	238
Issuance of common stock under stock plans	836,438	1	2,294	—	—	2,295
Stock-based compensation expense	—	—	12,031	—	—	12,031
Balance at December 31, 2013	184,533,651	184	1,564,670	146	(1,498,762)	66,238
Net loss	—	—	—	—	(268,542)	(268,542)
Other comprehensive loss	—	—	—	(267)	—	(267)
Sale of shares of common stock, net	10,000,000	10	75,633	—	—	75,643
Issuance of common stock under stock plans	1,362,118	2	2,091	—	—	2,093
Stock-based compensation expense	—	—	10,006	—	—	10,006
Balance at December 31, 2014	195,895,769	196	1,652,400	(121)	(1,767,304)	(114,829)
Net loss	—	—	—	—	(169,737)	(169,737)
Other comprehensive loss	—	—	—	(111)	—	(111)
Sale of shares of common stock, net	28,750,000	29	145,620	—	—	145,649
Warrants transferred from other long-term liabilities	—	—	1,470	—	—	1,470
Issuance of common stock under stock plans	3,315,174	3	11,274	—	—	11,277
Stock-based compensation expense	—	—	21,977	—	—	21,977
Balance at December 31, 2015	227,960,943	$228	$1,832,741	$ (232)	$(1,937,041)	$ (104,304)

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

Table of Contents

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

	Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net loss	$(169,737)	$(268,542)	$(244,760)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,406	2,391	3,147
Stock-based compensation expense	21,977	10,006	12,031
Accretion of debt discount	25,034	29,534	26,290
Accrual of interest paid in kind	3,817	—	—
Gain on sale of business and other equity investment	(112)	(838)	—
Changes in the fair value of warrants	548	(1,840)	—
Other	1,327	4,161	6,787
Changes in assets and liabilities:			
Trade and other receivables	(646)	(941)	(1,190)
Inventory	(235)	509	(2,890)
Prepaid expenses and other current assets	(325)	1,526	1,034
Other long-term assets	1,340	(2,149)	—
Accounts payable, accrued compensation, and other accrued liabilities	(1,276)	(13,945)	8,691
Clinical trial liability	(23,474)	6,587	14,398
Accrued collaboration liability	10,206	732	—
Restructuring liability	(7,180)	(2,302)	(5,750)
Deferred revenue	(2,582)	1,133	(14,871)
Other long-term liabilities	(1,673)	(1,427)	(1,690)
Net cash used in operating activities	(141,585)	(235,405)	(198,773)
Cash flows from investing activities:			
Purchases of property and equipment	(447)	(474)	(2,171)
Proceeds from sale of property and equipment	1,346	392	143
Proceeds from sale of business and other equity investment	95	838	—
Proceeds from maturities of restricted cash and investments	19,789	20,354	17,268
Purchase of restricted cash and investments	(5,650)	(8,143)	(6,085)
Proceeds from maturities of investments	178,936	252,891	325,171
Purchases of investments	(143,992)	(119,528)	(189,975)
Net cash provided by investing activities	50,077	146,330	144,351
Cash flows from financing activities:			
Proceeds from issuance of common stock, net	145,649	75,643	—
Proceeds from exercise of stock options and warrants	10,911	120	72
Proceeds from employee stock purchase plan	568	1,438	1,429
Principal payments on debt	(4,381)	(11,709)	(13,170)
Net cash provided by (used in) financing activities	152,747	65,492	(11,669)
Net increase (decrease) in cash and cash equivalents	61,239	(23,583)	(66,091)
Cash and cash equivalents at beginning of year	80,395	103,978	170,069
Cash and cash equivalents at end of year	$141,634	$80,395	$103,978
Supplemental cash flow disclosure:			
Cash paid for interest	$19,822	$19,109	$19,160

Explanation of Responses:

Cash paid for taxes	$192	$60	$—
Non-cash financing activity:			
Issuance of warrants in connection with amendment to convertible notes	$—	$2,762	$—

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

Table of Contents

EXELIXIS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Organization
Exelixis, Inc. (“Exelixis,” “we,” “our” or “us”) is a biopharmaceutical company that discovers, develops and commercializes small molecule therapies for the treatment of cancer. Our business focuses predominantly on the development and commercialization of cabozantinib, an internally-discovered inhibitor of multiple receptor tyrosine kinases, in various tumor indications. Cabozantinib is currently approved in the United States and European Union for the treatment of progressive, metastatic medullary thyroid cancer (“MTC”), and is marketed under the brand name COMETRIQ®.
Basis of Consolidation
The consolidated financial statements include the accounts of Exelixis and those of our wholly-owned subsidiaries. These entities’ functional currency is the U.S. dollar. All intercompany balances and transactions have been eliminated.
Basis of Presentation
Exelixis has adopted a 52- or 53-week fiscal year that generally ends on the Friday closest to December 31st. Fiscal year 2013, a 52-week year, ended on December 27, 2013, fiscal year 2014, a 53-week year, ended on January 2, 2015, fiscal year 2015, a 52-week year, ended on January 1, 2016, and fiscal year 2016 will end on December 30, 2016. For convenience, references in this report as of and for the fiscal years ended December 27, 2013, January 2, 2015 and January 1, 2016, are indicated on a calendar year basis, ended December 31, 2013, 2014 and 2015, respectively. The quarter ended January 2, 2015 is a 14-week fiscal quarter; all other interim periods presented are 13-week fiscal quarters.
Segment Information
We operate as a single reportable segment.
Use of Estimates
The preparation of our consolidated financial statements is in conformity with accounting principles generally accepted in the United States which requires management to make judgments. The preparation of our consolidated financial statements is in conformity with accounting principles generally accepted in the United States which requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures. On an ongoing basis, management evaluates its estimates including, but not limited to, those related to revenue recognition, including for deductions from revenues (such as rebates, chargebacks, sales returns and sales allowances), recoverability of inventory, certain accrued liabilities including clinical trial accruals and restructuring liabilities, share-based compensation and valuation of warrants. We base our estimates on historical experience and on various other market-specific and other relevant assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ materially from those estimates.
Reclassifications
Certain prior period amounts in the consolidated balance sheet have been reclassified to conform to current period presentation. We reclassified $0.7 million of Other accrued liabilities as of December 31, 2014 to Accrued collaboration liability in the accompanying consolidated balance sheets.
Limited Sources of Revenues and the Need to Raise Additional Capital
We have incurred net losses since inception through December 31, 2015, with the exception of the 2011 fiscal year. We anticipate net losses and negative operating cash flow for the foreseeable future. For the year ended December 31, 2015, we incurred a net loss of $169.7 million and as of December 31, 2015, we had an accumulated deficit of $1.9 billion. We expect to continue to incur substantial operating expenses and, consequently, we will need to generate significant additional revenues to achieve future profitability.
We commercially launched COMETRIQ for the treatment of progressive, metastatic MTC in the United States in late January 2013, and from the commercial launch through December 31, 2015, we have generated $74.3 million in net revenues

70

Explanation of Responses: 9

Table of Contents

from the sale of COMETRIQ. Other than revenues from COMETRIQ, we have derived substantially all of our revenues since inception from collaborative research and development agreements, which depend on research funding, the achievement of milestones, and royalties we earn from any future products developed from the collaborative research.

The amount of our net losses will depend, in part, on: the rate of growth, if any, in our sales of COMETRIQ; the level of sales of cabozantinib in the United States for the treatment of advanced RCC, if approved by the FDA for such indication; receipt of the upfront payment, achievement of clinical, regulatory and commercial milestones and the amount of royalties from sales of cabozantinib for the treatment of advanced RCC in the European Union and elsewhere, if approved for such indication under our collaboration with Ipsen; our share of the net profits and losses for the commercialization of COTELLIC in the U.S.; the amount of royalties from COTELLIC sales outside the U.S.; other license and contract revenues; and, the level of expenses primarily with respect to expanded commercialization activities for cabozantinib.

As of December 31, 2015, we had $253.3 million in cash and investments, which included $169.0 million available for operations, $81.6 million of compensating balance investments that we are required to maintain on deposit with Silicon Valley Bank, and $2.7 million of long-term restricted investments. We anticipate that our current cash and cash equivalents, and short-term investments available for operations, and product revenues, will enable us to maintain our operations for a period of at least 12 months following the filing date of this report. Our capital requirements will depend on many factors, and we may need to use available capital resources and raise additional capital significantly earlier than we currently anticipate.

Cash and Investments

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

We have designated all investments as available-for-sale and therefore, such investments are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive loss. For securities sold prior to maturity, the cost of securities sold is based on the specific identification method. Realized gains and losses on the sale of investments are recorded in interest and other income, net.

We classify those investments we do not require for use in current operations that mature in more than 12 months as Long-term investments on our Consolidated Balance Sheets. Additionally, those investments that collateralize loan balances with terms that extend 12 months or longer were classified as long-term investments even if the investment’s remaining term to maturity was one year or less; they are not restricted to withdrawal.

All of our investments are subject to a quarterly impairment review. We recognize an impairment charge when a decline in the fair value of an investment below its cost basis is judged to be other-than-temporary. Factors considered in determining whether a loss is temporary included the length of time and extent to which the investments fair value has been less than the cost basis, the financial condition and near-term prospects of the investee, extent of the loss related to credit of the issuer, the expected cash flows from the security, our intent to sell the security and whether or not we will be required to sell the security before the recovery of its amortized cost. During the years ended December 31, 2015, 2014, and 2013, we did not record any other-than-temporary impairment charges on our available-for-sale securities.

Fair Value Measurements

Fair value reflects the amounts that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We disclose the fair value of financial instruments for assets and liabilities for which the value is practicable to estimate. For those financial instruments measured and recorded at fair value on a recurring basis, we also provide fair value hierarchy information in these Notes to Consolidated Financial Statements. The fair value hierarchy has the following three levels:

Level 1 – quoted prices (unadjusted) in active markets for identical assets and liabilities that the reporting entity can access at the measurement date.

Level 2 – observable inputs, other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly. These inputs include using prices from independent pricing services based on

quoted prices in active markets for similar instruments or on industry models using data inputs, such as interest rates and prices that can be directly observed or corroborated in active markets.
Level 3 – unobservable inputs.

Table of Contents

A review of the fair value hierarchy classification is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification of levels for certain investments within the fair value hierarchy. During the years ended December 31, 2015, 2014, and 2013, there were no such reclassifications.

Inventory

Inventory is valued at the lower of cost or net realizable value. We determine the cost of inventory using the standard-cost method, which approximates actual cost based on a first-in, first-out method. We analyze our inventory levels quarterly and write down inventory subject to expiry in excess of expected requirements, or that has a cost basis in excess of its expected net realizable value. The related costs are recognized as cost of goods sold in the Consolidated Statements of Operations.

We analyze our estimated production levels for the following twelve month period , which is our normal operating cycle, quarterly and reclassify inventory we do not expect to use within the next twelve months into Other long-term assets in the Consolidated Balance Sheets.

We consider regulatory approval of product candidates to be uncertain and product manufactured prior to regulatory approval may not be sold unless regulatory approval is obtained. As such, the manufacturing costs for product candidates incurred prior to regulatory approval were not capitalized as inventory but were expensed as research and development costs. When regulatory approval is obtained, we begin capitalization of inventory related costs.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the following estimated useful lives:

Equipment and furniture	5 years
Computer equipment and software	3 years
Leasehold improvements	Shorter of lease life or 7 years

Capitalized software includes certain internal use computer software costs.

Repairs and maintenance costs are charged to expense as incurred.

Goodwill

Goodwill amounts have been recorded as the excess purchase price over tangible assets, liabilities and intangible assets acquired based on their estimated fair value. Goodwill is not subject to amortization. We evaluate goodwill for impairment on an annual basis and on an interim basis if events or changes in circumstances between annual impairment tests indicate that the asset might be impaired. We continue to operate in one segment, which is also considered to be our sole reporting unit and therefore, goodwill was tested for impairment at the enterprise level as of December 31, 2015 and 2014.

Long-Lived Assets

Long-lived assets include property and equipment. The carrying value of our long-lived assets is reviewed for impairment whenever events or changes in circumstances indicate that the asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount.

Revenue Recognition

We recognize revenue from product sales and from license fees, milestones, contingent payments and royalties earned on research and collaboration arrangements.

Net Product Revenues

We recognize revenue when it is both realized or realizable and earned, meaning persuasive evidence of an arrangement exists, delivery has occurred, title has transferred, the price is fixed or determinable, there are no remaining customer acceptance requirements, and collectability of the resulting receivable is reasonably assured. For product sales in the United States, this generally occurs upon delivery of the product to the specialty pharmacy. For product sales in Europe, this generally occurs when our European distribution partner has accepted the product, at which time they are no longer able to return the product.

Table of Contents

We sell our product, COMETRIQ, in the United States to a specialty pharmacy that benefits from customer incentives and has a right of return. Prior to 2015, COMETRIQ had limited sales history and we could not reliably estimate expected future returns, discounts and rebates of the product at the time the product was sold to the specialty pharmacy, therefore we recognized revenue when the specialty pharmacy provided the product to a patient based on the fulfillment of a prescription, frequently referred to as the “sell-through” revenue recognition model. Recently we have established sufficient historical experience and data to reasonably estimate expected future returns of the product and the discounts and rebates due to payors at the time of shipment to the specialty pharmacy. Accordingly, beginning in January 2015 we began to recognize revenue upon delivery to our U.S. specialty pharmacy. This approach is frequently referred to as the “sell-in” revenue recognition model. In connection with the change in the timing of recognition of U.S. COMETRIQ sales, we recorded a one-time adjustment to recognize revenue and related costs that had previously been deferred at December 31, 2014, resulting in additional gross product revenues of $2.6 million and a nominal amount of cost of goods sold for the year ended December 31, 2015; there were no such adjustments recorded during 2014 and 2013.

We also utilize the “sell-in” revenue recognition model for sales to our European distribution partner for all periods presented. Once the European distributer has accepted the product, the product is no longer subject to return; therefore, we record revenue at the time our European distribution partner has accepted the product.

Product Sales Discounts and Allowances

We calculate gross product revenues based on the price that we charge our United States specialty pharmacy and our European distribution partner. We estimate our domestic net product revenues by deducting from our gross product revenues (a) trade allowances, such as discounts for prompt payment, (b) estimated government rebates and chargebacks, (c) estimated costs of patient assistance programs, and (d) certain other fees paid to the U.S specialty pharmacy. Discounts and allowances for foreign sales for the years ended December 31, 2015 and 2014 included portions of a one-time $2.4 million project management fee payable to our European distribution partner upon its achievement of a cumulative revenue goal. During 2014, we determined that the achievement of the revenue goal was probable and therefore we recorded $2.3 million of the $2.4 million project management fee, of which $0.7 million would have been recorded in 2013 had the cumulative revenue goal been determined to be probable in that period. During 2015 we recorded an additional $0.1 million of the project management fee.

We initially record estimates for these deductions at the time we recognize the gross revenue. We update our estimates on a recurring basis as new information becomes available.

Customer Credits: The United States specialty pharmacy receives a discount of 2% for prompt payment. We expect this specialty pharmacy will earn 100% of its prompt payment discounts and, therefore, we deduct the full amount of these discounts from total product sales when revenues are recognized.

Mandated Rebates: Allowances for rebates include mandated discounts under the Medicaid Drug Rebate Program and other government programs. Rebate amounts owed after the final dispensing of the product to a benefit plan participant are based upon contractual agreements or legal requirements with public sector benefit providers, such as Medicaid. The allowance for rebates is based on statutory discount rates and expected utilization. Our estimates for the expected utilization of rebates are based on customer and payer data received from the United States specialty pharmacy and historical utilization rates. Rebates are generally invoiced by the payer and paid in arrears, such that the accrual balance consists of an estimate of the amount expected to be incurred for the current quarter’s shipments to patients, plus an accrual balance for known prior quarter’s unpaid rebates. If actual future rebates vary from estimates, we may need to adjust our accruals, which would affect net revenue in the period of adjustment.

Chargebacks: Chargebacks are discounts that occur when contracted customers purchase directly from a specialty pharmacy. Contracted customers, which currently consist primarily of Public Health Service institutions, non-profit clinics, and Federal government entities purchasing via the Federal Supply Schedule, generally purchase the product at a discounted price. The United States specialty pharmacy, in turn, charges back to us the difference between the price initially paid by the specialty pharmacy and the discounted price paid to the specialty pharmacy by the customer. The allowance for chargebacks is based on an estimate of sales to contracted customers.

Medicare Part D Coverage Gap: In the United States, the Medicare Part D prescription drug benefit mandates manufacturers to fund 50% of the Medicare Part D insurance coverage gap for prescription drugs sold to eligible

patients. Our estimates for expected Medicare Part D coverage gap are based in part on third party market research data and on customer and payer data received from the United States specialty pharmacy. Funding of the coverage gap is invoiced and paid in arrears so that the accrual balance consists of an estimate of the amount expected to be incurred for the current quarter's shipments to patients, plus an accrual balance for prior sales. If actual future funding varies from estimates, we may need to adjust our accruals, which would affect net revenue in the period of adjustment.

Table of Contents

Co-payment Assistance: Patients who have commercial insurance and meet certain eligibility requirements may receive co-payment assistance. We accrue a liability for co-payment assistance based on actual program participation and estimates of program redemption using customer data provided by our United States specialty pharmacy.
Our European distribution partner is entitled to receive a project management fee based upon the achievement of a pre-specified revenue goal which, when deemed probable, is ratably accrued as a reduction to gross revenue.
License and Contract Revenues
Under the terms of our collaboration agreement with Genentech, Inc. (a member of the Roche Group) (“Genentech”) for cobimetinib, we are entitled to a share of U.S. profits and losses for cobimetinib. We are entitled to low double-digit royalties on ex-U.S. net sales. See “Note 2 - Research and Collaboration Agreements” for additional information about our collaboration agreement with Genentech. We record our share of profits and royalties under the collaboration agreement when reported to us by our collaboration partner; losses under the collaboration agreement are recorded in the period incurred based on our estimate of those losses. Profits and royalties are classified as license revenues in our Consolidated Statements of Operations. As of December 31, 2015, we have not recognized any profits from the commercialization of cobimetinib in the U.S. Until we have recognized such a profit under the agreement, losses are recognized as Selling, General and Administrative expenses in our Consolidated Statements of Operations. We have determined that we are an agent under the agreement and therefore revenues are recorded net of costs incurred.
License, research commitment and other non-refundable payments received in connection with research collaboration agreements are deferred and recognized on a straight-line basis over the period of continuing involvement, generally the research term specified in the agreement. Contract research revenues are recognized as services are performed pursuant to the terms of the agreements. Any amounts received in advance of performance are recorded as deferred revenue. Payments are not refundable if research is not successful. License fees are classified as license revenues in our Consolidated Statements of Operations.
We enter into corporate collaborations under which we may obtain upfront license fees, research funding, contingent, milestone and royalty payments. Our deliverables under these arrangements typically consist of intellectual property rights and research and development services. We evaluate whether the delivered elements under these arrangements have value to our collaboration partner on a stand-alone basis and whether objective and reliable evidence of fair value of the undelivered item exists. If we determine that multiple deliverables exist, the consideration is allocated to one or more units of accounting based upon the best estimate of the selling price of each deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence, if available, third-party evidence if vendor-specific objective evidence is not available, or estimated selling price if neither vendor-specific or third-party evidence is available. A delivered item or items that do not qualify as a separate unit of accounting within the arrangement shall be combined with the other applicable undelivered items within the arrangement. The allocation of arrangement consideration and the recognition of revenue then shall be determined for those combined deliverables as a single unit of accounting. A delivered item or items that do not have stand-alone value to our collaboration partner shall be combined with the other applicable undelivered items within the arrangement. The allocation of arrangement consideration and the recognition of revenue then shall be determined for those combined deliverables as a single unit of accounting. For a combined unit of accounting, non-refundable upfront fees and milestones are recognized in a manner consistent with the final deliverable, which has generally been ratably over the period of the research and development obligation.
Contingency payments (received upon the achievement of certain events by our collaborators) and milestone payments (received upon the achievement of certain events by us) are non-refundable and recognized as revenues over the period of the research arrangement. This typically results in a portion of the payments being recognized at the date the contingency or milestone is achieved, which portion is equal to the applicable percentage of the research term that has elapsed at the date of achievement, and the balance being recognized over the remaining research term of the agreement. In certain situations, we may receive contingent payments after the end of our period of continued involvement. In such circumstances, we would recognize 100% of the contingent revenues when the contingency is achieved. Contingency and milestones payments, when recognized as revenue, are classified as contract revenues in our Consolidated Statements of Operations.
Patient Assistance Program

We provide COMETRIQ at no cost to eligible patients who have no insurance and meet certain financial and clinical criteria through our Patient Assistance Program (“PAP”). We record the cost of the product as a selling, general and administrative expense at the time the product is shipped to the specialty pharmacy for PAP use.

Table of Contents

Cost of Goods Sold

Cost of goods sold is related to our product revenues and consists primarily of a 3% royalty on net sales of any product incorporating cabozantinib payable to GlaxoSmithKline, indirect labor costs, the cost of manufacturing, write-downs related to expiring and excess inventory, and other third party logistics costs of our product. A portion of the manufacturing costs for product sales were incurred prior to regulatory approval of COMETRIQ for the treatment of progressive, metastatic MTC and, therefore, were expensed as research and development costs when those costs were incurred, rather than capitalized as inventory.

In accordance with our product development and commercialization agreement with GlaxoSmithKline, we are required to pay GlaxoSmithKline a 3% royalty on the Net Sales of any product incorporating cabozantinib, including COMETRIQ. Net Sales is defined in the product development and commercialization agreement as the gross invoiced sales price less customer credits, rebates, chargebacks, shipping costs, customs duties, and sales tax and other similar tax payments we are required to make.

Research and Development Expenses

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

Net Loss Per Share

Basic net loss per share is computed by dividing the net loss for the period by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share gives effect to potential incremental common shares issuable upon the exercise of stock options and warrants, and shares issuable pursuant to restricted stock units (“RSUs”) (calculated based on the treasury stock method), and upon conversion of our convertible debt (calculated using an as-if-converted method) as long as such shares are not anti-dilutive. The calculation of diluted loss per share requires that, to the extent the average market price of the underlying shares for the reporting period exceeds the exercise price of the warrants and the presumed exercise of such securities are dilutive to loss per share for the period, adjustments to net loss used in the calculation are required to remove the change in fair value of the warrants for the period. Likewise, adjustments to the denominator are required to reflect the related dilutive shares.

Foreign Currency Translation and Remeasurement

Monetary assets and liabilities denominated in currencies other than the functional currency are remeasured using exchange rates in effect at the end of the period and related gains or losses are recorded in interest income and other, net. Gains and losses on the remeasurement of monetary assets and liabilities were not material for any of the years presented. We do not have any nonmonetary assets or liabilities denominated in currencies other than the U.S. dollar.

Stock-Based Compensation

Stock-based compensation expense for all stock-based compensation awards is based on the grant date fair value estimated using the Black-Scholes Merton option pricing model. Because there is a market for options on our common stock, we have considered implied volatilities as well as our historical realized volatilities when developing an estimate of expected volatility. We estimate the term using historical data. We recognize compensation expense on a

straight-line basis over the requisite service period. Compensation expense relating to awards subject to performance conditions is recognized if it is

Table of Contents

probable that the performance goals will be achieved. The probability of achievement is assessed on a quarterly basis. The total number of awards expected to vest is adjusted for estimated forfeitures. We have elected to use the simplified method to calculate the beginning pool of excess tax benefits.

Recently Adopted Accounting Pronouncements

In November 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2015-17 Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, or ASU 2015-17. ASU 2015-17 simplifies the presentation of deferred income taxes by eliminating the separate classification of deferred income tax liabilities and assets into current and noncurrent amounts in the consolidated balance sheet statement of financial position. The amendments in the update require that all deferred tax liabilities and assets be classified as noncurrent in the consolidated balance sheet. The amendments in this update are effective for annual periods beginning after December 15, 2016, and interim periods therein and may be applied either prospectively or retrospectively to all periods presented. Early adoption is permitted. We have early adopted this standard in the fourth quarter of 2015 on a prospective basis. Prior periods have not been adjusted.

In April 2015, the FASB issued Accounting Standards Update 2015-03 Simplifying the Presentation of Debt Issuance Costs which Changes the Presentation of Debt Issuance Costs in Financial Statements ("ASU 2015-03"), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company early adopted ASU 2015-03 as of December 31, 2015, as permitted. There is no impact of early adoption of ASU 2015-03 on the consolidated statements of operations and comprehensive loss. The impact of early adoption on the consolidated balance sheets as of the dates presented is noted in the table below (in thousands):

	December 31, 2015			December 31, 2014		
	Prior to Adoption of ASU 2015-03	ASU 2015-03 Adjustment	As Adopted	Prior to Adoption of ASU 2015-03 (as previously reported)	ASU 2015-03 Adjustment	As Adopted
Other long-term assets	5,579	(3,270)	2,309	8,340	(4,691)	3,649
Total assets	335,612	(3,270)	332,342	327,960	(4,691)	323,269
Current portion of convertible notes	—	—	—	98,880	(1,431)	97,449
Current liabilities	52,251	—	52,251	171,860	(1,431)	170,429
Long-term portion of convertible notes	304,705	(3,270)	301,435	182,395	(3,260)	179,135
Total liabilities	439,916	(3,270)	436,646	442,789	(4,691)	438,098

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers, ("ASU 2014-09"). ASU 2014-09 supersedes the revenue recognition requirements of FASB Accounting Standards Codification ("ASC") Topic 605, Revenue Recognition and most industry-specific guidance throughout the ASC, resulting in the creation of FASB ASC Topic 606, Revenue from Contracts with Customers. ASU 2014-09 requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. In August 2015, the FASB deferred the effective date by one year for public entities for annual and interim reporting periods beginning after December 15, 2017. Early adoption is permitted for periods after December 15, 2016. We are currently evaluating the impact of adopting ASU 2014-09, inclusive of available transitional methods on our consolidated financial statements and related disclosures.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern, ("ASU 2014-15"). ASU 2014-15 explicitly requires management to evaluate, at each annual or interim reporting period, whether there are conditions or events that exist that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date the financial statements are issued and to provide related disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016 and earlier application is

Table of Contents

permitted. The adoption of this guidance will not have any impact on the Company's financial position and results of operations and, at this time, we do not expect any impact on its disclosures.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, Leases, ("ASU 2016-02"). ASU 2016-02 is aimed at making leasing activities more transparent and comparable, and requires substantially all leases be recognized by lessees on their balance sheet as a right-of-use asset and corresponding lease liability, including leases currently accounted for as operating leases. ASU 2016-02 is effective for all interim and annual reporting periods beginning after December 15, 2018. Early adoption is permitted. We are currently evaluating the impact that the adoption of ASU 2016-02 will have on our consolidated financial statements and related disclosures.

NOTE 2. RESEARCH AND COLLABORATION AGREEMENTS

Ipsen Collaboration

On February 29, 2016, we entered into a collaboration and license agreement with Ipsen Pharma SAS, ("Ipsen") pursuant to which Ipsen has exclusive commercialization rights for current and potential future cabozantinib indications outside of the United States, Canada and Japan. The companies have agreed to collaborate on the development of cabozantinib for current and potential future indications. See "Note 15 - Subsequent Events" for more information regarding our Ipsen collaboration.

Genentech Collaboration

In December 2006, we out-licensed the development and commercialization of cobimetinib to Genentech pursuant to a worldwide collaboration agreement. Exelixis discovered cobimetinib internally and advanced the compound to investigational new drug ("IND"), status.

Genentech paid upfront and milestone payments of $25.0 million in December 2006 and $15.0 million in January 2007 upon signing of the collaboration agreement and with the submission of the IND application for cobimetinib. Under the terms of the agreement, we were responsible for developing cobimetinib through the determination of the maximum-tolerated dose in a phase 1 clinical trial, and Genentech had the option to co-develop cobimetinib, which Genentech could exercise after receipt of certain phase 1 data from us. In March 2008, Genentech exercised its option to co-develop cobimetinib. In March 2009, we granted to Genentech an exclusive worldwide revenue-bearing license to cobimetinib, at which point Genentech became responsible for completing the phase 1 clinical trial and subsequent clinical development.

The U.S. Food and Drug Administration approved cobimetinib in the United States under the brand name COTELLIC™ on November 10, 2015. It is indicated in combination with vemurafenib as a treatment for patients with BRAF V600E or V600K mutation-positive advanced melanoma. COTELLIC in combination with vemurafenib has also been approved in Switzerland, the European Union and Canada for use in the same indication.

Under the terms of our collaboration agreement with Genentech for cobimetinib, we are entitled to a share of U.S. profits and losses for cobimetinib. The profit and loss share has multiple tiers: we are entitled to 50% of profits and losses from the first $200 million of U.S. actual sales, decreasing to 30% of profits and losses from U.S. actual sales in excess of $400 million. We are entitled to low double-digit royalties on ex-U.S. net sales. In November 2013, we exercised an option under the collaboration agreement to co-promote in the United States, if commercialized. Following the approval of COTELLIC in the United States in November 2015, we began fielding 25% of the sales force promoting COTELLIC in combination with vemurafenib as a treatment for patients with BRAF V600E or V600K mutation-positive advanced melanoma.

We recorded net losses of $16.6 million, $2.9 million and $0.7 million under the collaboration agreement during the years ended December 31, 2015, 2014 and 2013, respectively; those costs are included in Selling, General and Administrative expenses on the accompanying Consolidated Statement of Operations. A portion of the liability for those costs, identified as Accrued collaboration liability on the accompanying Consolidated Balance Sheets, includes commercialization expenses that Genentech has allocated to the collaboration but remain under discussion between us and Genentech. We also recognized license revenues of $14 thousand for royalties on ex-U.S. net sales of COTELLIC during the year ended December 31, 2015. We recognized no such royalties during the years ended December 31, 2014 and 2013.

Other Collaborations

We have established collaborations with other leading pharmaceutical and biotechnology companies, including GlaxoSmithKline, Bristol-Myers Squibb Company (“Bristol-Myers Squibb”), Sanofi, Merck (known as MSD outside of the United States and Canada) and Daiichi Sankyo Company Limited (“Daiichi Sankyo”), for various compounds and programs in our portfolio. With the exception of collaboration with Ipsen, we have fully out-licensed compounds or programs to a partner for further development and commercialization under these collaborations and have no further development cost obligations

Table of Contents

under our collaborations. Under each of our collaborations, we are entitled to receive milestones and royalties, or in the case of cobimetinib, a share of profits (or losses) from commercialization.

With respect to our partnered compounds, other than cabozantinib and cobimetinib, we are eligible to receive potential contingent payments totaling approximately $2.3 billion in the aggregate on a non-risk adjusted basis, of which 10% are related to clinical development milestones, 42% are related to regulatory milestones and 48% are related to commercial milestones, all to be achieved by the various licensees, which may not be paid, if at all, until certain conditions are met.

Bristol-Myers Squibb

ROR Collaboration Agreement

In October 2010, we entered into a worldwide collaboration with Bristol-Myers Squibb pursuant to which each party granted to the other certain intellectual property licenses to enable the parties to discover, optimize and characterize ROR antagonists that may subsequently be developed and commercialized by Bristol-Myers Squibb. Since the collaborative research period ended in July 2013, Bristol-Myers Squibb has and will continue to have sole responsibility for any further research, development, manufacture and commercialization of products developed under the collaboration and will bear all costs and expenses associated with those activities.

For each product developed by Bristol-Myers Squibb under the collaboration, we will be eligible to receive payments upon the achievement by Bristol-Myers Squibb of development and regulatory milestones of up to $252.5 million in the aggregate and commercialization milestones of up to $150.0 million in the aggregate, as well as royalties on commercial sales of any such products.

We recognized contract revenues of $1.5 million during the year ended December 31, 2013 under our ROR collaboration agreement with Bristol-Myers Squibb. We recognized no such revenue during the years ended December 31, 2015 and 2014.

LXR Collaboration Agreement

In December 2005, we entered into a collaboration agreement with Bristol-Myers Squibb for the discovery, development and commercialization of novel therapies targeted against LXR, a nuclear hormone receptor implicated in a variety of cardiovascular and metabolic disorders. This agreement became effective in January 2006, at which time we granted Bristol-Myers Squibb an exclusive worldwide license with respect to certain intellectual property primarily relating to compounds that modulate LXR. The research term expired in January 2010 and we transferred the technology to Bristol-Myers Squibb in 2011 to enable it to continue the LXR program. We have been advised that BMS is continuing additional preclinical research on the program.

Under the collaboration agreement, Bristol-Myers Squibb is required to pay us contingent amounts associated with development and regulatory milestones of up to $138.0 million per product for up to two products from the collaboration. In addition, we are also entitled to receive payments associated with sales milestones of up to $225.0 million and royalties on sales of any products commercialized under the collaboration.

We did not any recognize any revenue under our LXR collaboration agreement with Bristol-Myers Squibb during the three years ended December 31, 2015.

Terminated Agreements

During 2013, additional license and collaboration agreements with Bristol-Myers Squibb were terminated or concluded. We recognized license and contract revenues of $14.8 million during the year ended December 31, 2013 under these terminated agreements with Bristol-Myers Squibb.

Sanofi

In May 2009, we entered into a global license agreement with Sanofi for SAR245408 (XL147) and SAR245409 (XL765), leading inhibitors of phosphoinositide-3 kinase (“PI3K”), and a broad collaboration for the discovery of inhibitors of PI3K for the treatment of cancer. The license agreement and collaboration agreement became effective on July 7, 2009.

We will be eligible to receive contingent payments associated with development, regulatory and commercial milestones under the license agreement of $745.0 million in the aggregate, as well as royalties on sales of any products commercialized under the license.

78

Explanation of Responses: 24

Table of Contents

We did not recognize any revenue under our collaboration agreement with Sanofi during the three years ended December 31, 2015.

Merck

In December 2011, we entered into an agreement with Merck pursuant to which we granted Merck an exclusive worldwide license to our PI3K-delta ("PI3K-d") program, including XL499 and other related compounds. Pursuant to the terms of the agreement, Merck has sole responsibility to research, develop, and commercialize compounds from our PI3K-d program. The agreement became effective in December 2011.

We will be eligible to receive payments associated with the successful achievement of potential development and regulatory milestones for multiple indications of up to $236.0 million. We will also be eligible to receive payments for combined sales performance milestones of up to $375.0 million and royalties on net-sales of products emerging from the agreement. Contingent payments associated with milestones achieved by Merck and royalties are payable on compounds emerging from our PI3K-d program or from certain compounds that arise from Merck's internal discovery efforts targeting PI3K-d during a certain period.

We recognized contract revenues of $3.0 million from a milestone payment during the year ended December 31, 2015 under our collaboration agreement with Merck. We did not any recognize any such revenue during the years ended December 31, 2014 and 2013.

Daiichi Sankyo

In March 2006, we entered into a collaboration agreement with Daiichi Sankyo for the discovery, development and commercialization of novel therapies targeted against the mineralocorticoid receptor ("MR"), a nuclear hormone receptor implicated in a variety of cardiovascular and metabolic diseases. Under the terms of the agreement, we granted to Daiichi Sankyo an exclusive, worldwide license to certain intellectual property primarily relating to compounds that modulate MR, including CS-3150 (an isomer of XL550). Daiichi Sankyo is responsible for all further preclinical and clinical development, regulatory, manufacturing and commercialization activities for the compounds and we do not have rights to reacquire such compounds, except as described below.

We are eligible to receive additional development, regulatory and commercialization milestone payments of up to $145.0 million. In addition, we are also entitled to receive royalties on any sales of certain products commercialized under the collaboration.

We did not recognize any revenue under our collaboration agreement with Daiichi Sankyo during the three years ended December 31, 2015.

GlaxoSmithKline

In October 2002, we established a collaboration with GlaxoSmithKline to discover and develop novel therapeutics in the areas of vascular biology, inflammatory disease and oncology. Under the terms of the product development and commercialization agreement, GlaxoSmithKline had the right to choose cabozantinib for further development and commercialization, but notified us in October 2008 that it had waived its right to select the compound for such activities. As a result, we retained the rights to develop, commercialize, and/or license cabozantinib, subject to payment to GlaxoSmithKline of a 3% royalty on net sales of any product incorporating cabozantinib. The product development and commercialization agreement has terminated during 2014, although GlaxoSmithKline will continue to be entitled to a 3% royalty on net sales of any product incorporating cabozantinib, including COMETRIQ.

In connection with the sales of COMETRIQ, during the years ended December 31, 2015, 2014 and 2013 we recorded $1.0 million, $0.7 million and $0.4 million, respectively in royalty expense to GlaxoSmithKline; the royalty expense is included in Cost of goods sold in the accompanying Consolidated Statements of Operations.

NOTE 3. RESTRUCTURINGS

2014 Restructuring

On September 2, 2014, as a consequence of the failure of COMET-1, one of our two phase 3 pivotal trials of cabozantinib in metastatic castration-resistant prostate cancer, we initiated a restructuring, which we refer to as the 2014 Restructuring, to reduce our workforce. The aggregate reduction in headcount from the 2014 Restructuring was 143 employees.

Explanation of Responses:

Table of Contents

The principal objective of the 2014 Restructuring was to enable us to focus our financial resources on the phase 3 pivotal trials of cabozantinib in advanced renal cell carcinoma and advanced hepatocellular carcinoma.

For the years ended December 31, 2015 and 2014, we recorded restructuring charges of $0.3 million and $6.1 million, respectively, for the 2014 Restructuring. The restructuring charge for the year ended December 31, 2015 included $1.6 million in additional charges due to the partial termination of one of our building leases and additional facility-related charges related to the decommissioning and exit of certain buildings. The restructuring charge for the year ended December 31, 2015 was partially offset by $1.0 million in recoveries recorded in connection with the sale of excess equipment and other assets that had previously been fully depreciated. The restructuring charge for the year ended December 31, 2014 includes $5.8 million of employee severance and other benefits that are recognized ratably during the period from the implementation date of the 2014 Restructuring through the employees' termination dates. In addition, we recorded charges of $0.3 million for property and equipment write-downs and other charges, which were partially offset by recoveries recorded in connection with the sale of excess equipment and other assets that were previously fully impaired and the reversal of severance charges recorded in 2014 for employees that were recalled in 2015.

The restructuring liability related to the 2014 Restructuring is included in the current and long-term portion of restructuring liability on the accompanying Consolidated Balance Sheets. The components of and changes to these liabilities during the year ended December 31, 2015 are summarized in the following table (in thousands):

	Employee Severance and Other Benefits	Facility Charges	Asset Impairment and Sales	Legal and Other Fees	Total
Restructuring charge	$5,775	$65	$188	$59	$6,087
Proceeds from sale of assets	—	—	100	—	100
Cash payments, net	(4,507)	(65)	—	(12)	(4,584)
Other items	22	—	(288)	—	(266)
Restructuring liability as of December 31, 2014	1,290	—	—	47	1,337
Restructuring charge (recovery)	(269)	1,582	(981)	(47)	285
Proceeds from sale of assets	—	—	1,325	—	1,325
Cash payments, net	(1,021)	(1,357)	—	—	(2,378)
Other items	—	278	(344)	—	(66)
Restructuring liability as of December 31, 2015	$—	$503	$—	$—	$503

2010 Restructurings

Between March 2010 and May 2013, we implemented five restructurings (referred to collectively as the "2010 Restructurings") to manage costs and as a consequence of our decision in 2010 to focus our proprietary resources and development efforts on the development and commercialization of cabozantinib. The aggregate reduction in headcount from the 2010 Restructurings was 429 employees. Charges and credits related to the 2010 Restructurings were recorded in periods other than those in which the 2010 Restructurings were implemented as a result of sublease activities for certain of our buildings in South San Francisco, California, changes in assumptions regarding anticipated sublease activities, the effect of the passage of time on our discounted cash flow computations, previously planned employee terminations, and sales of excess equipment and other assets.

For the years ended December 31, 2015, 2014 and 2013, we recorded restructuring charges of $0.8 million, $1.5 million and $1.2 million, respectively, for the 2010 Restructurings. The charges for the periods presented were related to the effect of the passage of time on our discounted cash flow computations for the exit, in prior periods, of certain of our South San Francisco buildings and changes in estimates regarding future subleases. During the year ended December 31, 2014, those charges were partially offset by $0.1 million in recoveries recorded in connection with the sale of excess equipment and other assets.

Table of Contents

The total outstanding restructuring liability related to the 2010 Restructurings is included in the current and long-term portion of restructuring liability on the accompanying Consolidated Balance Sheets. The changes of these liabilities, all of which related to facility charges during the year ended December 31, 2015, are summarized in the following table (in thousands):

	Facility Charges	Other	Total
Restructuring liability as of December 31, 2012	$19,202	$20	$19,222
Restructuring charge	662	569	1,231
Proceeds from sale of assets	—	95	95
Cash payments, net	(6,331)	(434)	(6,765)
Other items	(73)	(238)	(311)
Restructuring liability as of December 31, 2013	13,460	12	13,472
Restructuring charge (recovery)	1,626	(117)	1,509
Proceeds from sale of assets	—	199	199
Cash payments, net	(5,644)	(8)	(5,652)
Other items	12	(86)	(74)
Restructuring liability as of December 31, 2014	9,454	—	9,454
Restructuring charge	757	—	757
Cash payments, net	(6,449)	—	(6,449)
Other items	325	—	325
Restructuring liability as of December 31, 2015	$4,087	$—	$4,087

We expect to pay the combined accrued facility charges for both the 2014 Restructuring and the 2010 Restructurings of $4.6 million, net of $6.1 million to be received from our subtenants, through the end of our lease terms of the buildings, the last of which ends in 2017. We expect to incur additional restructuring charges for both restructuring plans of approximately $0.3 million relating to the effect of the passage of time on our discounted cash flow computations used to determine the accrued facilities charges through the end of the building lease terms.

NOTE 4. CASH AND INVESTMENTS

The following table summarizes cash and cash equivalents, investments, and restricted cash and investments by balance sheet line item as of December 31, 2015 and 2014 (in thousands):

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash and cash equivalents	$141,634	$—	$—	$141,634
Short-term investments	25,484	5	(63)	25,426
Long-term investments	83,665	2	(67)	83,600
Long-term restricted cash and investments	2,650	—	—	2,650
Total cash and investments	$253,433	$7	$(130)	$253,310

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Cash and cash equivalents	$80,395	$—	$—	$80,395
Short-term investments	63,988	37	(135)	63,890
Short-term restricted cash and investments	12,105	107	—	12,212
Long-term investments	81,600	1	(22)	81,579
Long-term restricted cash and investments	4,684	—	—	4,684
Total cash and investments	$242,772	$145	$(157)	$242,760

81

Explanation of Responses: 30

Table of Contents

Under our loan and security agreement with Silicon Valley Bank, we are required to maintain compensating balances on deposit in one or more investment accounts with Silicon Valley Bank or one of its affiliates. The total collateral balances as of December 31, 2015 and 2014 were $81.6 million and $82.0 million, respectively and are reflected in our Consolidated Balance Sheets in Long-term investments. See “Note 7 - Debt” for more information regarding the collateral balance requirements under our Silicon Valley Bank loan and security agreement.

All of our cash equivalents and investments are classified as available-for-sale. The following table summarizes our cash equivalents and investments by security type as of December 31, 2015 and 2014. The amounts presented exclude cash, but include investments classified as cash equivalents (in thousands):

	December 31, 2015			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$72,000	$—	$—	$72,000
Commercial paper	78,155	—	—	78,155
Corporate bonds	72,205	4	(118)	72,091
U.S. Treasury and government sponsored enterprises	28,434	1	(12)	28,423
Marketable equity securities	16	2	—	18
Total investments	$250,810	$7	$(130)	$250,687

	December 31, 2014			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Money market funds	$23,376	$—	$—	$23,376
Commercial paper	56,714	—	—	56,714
Corporate bonds	143,444	35	(157)	143,322
U.S. Treasury and government sponsored enterprises	12,105	107	—	12,212
Municipal bonds	2,659	3	—	2,662
Total investments	$238,298	$145	$(157)	$238,286

There were no gains or losses on the sales of investments during the years ended December 31, 2015, 2014 and 2013.

All of our investments are subject to a quarterly impairment review. During the years ended December 31, 2015, 2014, and 2013 we did not record any other-than-temporary impairment charges on our available-for-sale securities. As of December 31, 2015, there were 62 investments in an unrealized loss position with gross unrealized losses of $130 thousand and an aggregate fair value $109.5 million. We had a single investment with a gross unrealized loss of $3 thousand and an aggregate fair value of $1.4 million that has been in an unrealized loss position for more than one year. Investments in an unrealized loss position are primarily comprised of corporate bonds. The unrealized losses were not attributed to credit risk, but rather associated with the changes in interest rates. Based on the scheduled maturities of our investments, we concluded that the unrealized losses in our investment securities are not other-than-temporary, as it is more likely than not that we will hold these investments for a period of time sufficient for a recovery of our cost basis.

The following summarizes the fair value of securities classified as available-for-sale by contractual maturity as of December 31, 2015 (in thousands):

	Mature within One Year	After One Year through Two Years	Fair Value
Money market funds	$72,000	$—	$72,000
Commercial paper	78,155	—	78,155
Corporate bonds	49,483	22,608	72,091

U.S. Treasury and government sponsored enterprises	22,427	5,996	28,423
Total	$222,065	$28,604	$250,669

Cash and marketable equity securities are excluded from the table above. The classification of certain compensating balances and restricted investments are dependent upon the term of the underlying restriction on the asset and not the maturity

Table of Contents

date of the investment. Therefore, certain long-term investments and long-term restricted cash and investments have contractual maturities within one year.

NOTE 5. INVENTORY

Inventory consists of the following (in thousands):

	December 31,	
	2015	2014
Raw materials	$1,037	$1,118
Work in process	2,251	2,845
Finished goods	583	559
Total	3,871	4,522
Less: non-current portion included in Other long-term assets	(1,255)	(2,141)
Inventory	$2,616	$2,381

We generally relieve inventory on a first-expiry, first-out basis. Write-downs related to expiring and excess inventory are charged to cost of goods sold. Such write-downs were $1.2 million and $0.2 million for the years ended December 31, 2015 and 2014, respectively. The non-current portion of inventory is recorded within Other long-term assets on the accompanying Consolidated Balance Sheets and is comprised of a portion of the active pharmaceutical ingredient that is included in raw materials and work in process inventories. There were no other write-downs for obsolete inventory.

NOTE 6. PROPERTY AND EQUIPMENT

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

	December 31,	
	2015	2014
Laboratory equipment	$4,749	$13,677
Computer equipment and software	11,890	14,840
Furniture and fixtures	2,253	3,701
Leasehold improvements	6,395	16,364
Construction-in-progress	456	120
	25,743	48,702
Less: accumulated depreciation and amortization	(24,309)	(46,270)
Property and equipment, net	$1,434	$2,432

For the years ended December 31, 2015, 2014 and 2013, we recorded depreciation expense of $1.4 million, $2.4 million and $3.1 million, respectively.

In 2014 and 2013, we recorded gross asset impairment charges in the amounts of $0.7 million and $0.1 million, respectively, in connection with the Restructurings. There were no such charges in 2015. The amount recorded as a restructuring charge for asset impairment, as presented in “Note 3 - Restructurings,” was net of the gain on the sale of such assets. In 2015 and 2014, the gain on the sale of excess equipment was $1.0 million and $0.6 million, respectively. There were no such gains in 2013. Cash proceeds on those sales were $1.3 million, $0.3 million and $0.1 million during 2015, 2014 and 2013, respectively.

Table of Contents

NOTE 7. DEBT

The amortized carrying amount of our debt consists of the following (in thousands):

	December 31,	
	2015	2014
Convertible Senior Subordinated Notes due 2019	$198,708	$179,135
Secured Convertible Notes due 2018	102,727	97,449
Silicon Valley Bank term loan	80,000	80,000
Silicon Valley Bank line of credit	—	381
Total debt	381,435	356,965
Less: current portion	—	(97,830)
Long-term debt	$381,435	$259,135

Convertible Senior Subordinated Notes due 2019

In August 2012, we issued and sold $287.5 million aggregate principal amount of the 4.25% Convertible Senior Subordinated Notes due 2019, (the “2019 Notes”), for net proceeds of $277.7 million. The 2019 Notes mature on August 15, 2019, unless earlier converted, redeemed or repurchased, and bear interest at a rate of 4.25% per annum, payable semi-annually in arrears on February 15 and August 15 of each year, beginning February 15, 2013. Subject to certain terms and conditions, at any time on or after August 15, 2016, we may redeem for cash all or a portion of the 2019 Notes. The redemption price will equal 100% of the principal amount of the 2019 Notes to be redeemed plus accrued and unpaid interest, if any, to, but excluding, the redemption date. Upon the occurrence of certain circumstances, holders may convert their 2019 Notes prior to the close of business on the business day immediately preceding May 15, 2019. On or after May 15, 2019, until the close of business on the second trading day immediately preceding August 15, 2019, holders may surrender their 2019 Notes for conversion at any time. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. The initial conversion rate of 188.2353 shares of common stock per $1,000 principal amount of the 2019 Notes is equivalent to a conversion price of approximately $5.31 per share of common stock and is subject to adjustment in connection with certain events. If a Fundamental Change, as defined in the indenture governing the 2019 Notes, occurs, holders of the 2019 Notes may require us to purchase for cash all or any portion of their 2019 Notes at a purchase price equal to 100% of the principal amount of the Notes to be purchased plus accrued and unpaid interest, if any, to, but excluding, the Fundamental Change purchase date. In addition, if certain specified bankruptcy and insolvency-related events of default occur, the principal of, and accrued and unpaid interest on, all of the then outstanding notes will automatically become due and payable. If an event of default other than certain specified bankruptcy and insolvency-related events of default occurs and is continuing, the Trustee of the 2019 Notes by notice to us or the holders of at least 25% in principal amount of the outstanding 2019 Notes by notice to us and the Trustee, may declare the principal of, and accrued and unpaid interest on, all of the then outstanding 2019 Notes to be due and payable.

In connection with the offering of the 2019 Notes, $36.5 million of the proceeds were deposited into an escrow account which contained an amount of permitted securities sufficient to fund, when due, the total aggregate amount of the first six scheduled semi-annual interest payments on the 2019 Notes. As of December 31, 2015, we have used all of the remaining amount held in the escrow account to pay the required semi-annual interest payments and therefore future semi-annual interest payments will be made from unrestricted cash and investments.

The debt discount and debt issuance costs will be amortized as interest expense through August 2019. The following is a summary of interest expense for the 2019 Notes (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Stated coupon interest	$12,218	$12,253	$12,219
Amortization of debt discount and debt issuance costs	19,573	17,804	16,201
Total interest expense	$31,791	$30,057	$28,420

The balance of unamortized debt costs was $2.6 million and $3.3 million as of December 31, 2015 and December 31, 2014, respectively, which, pursuant to the early adoption of ASU 2015-03, is recorded as a reduction of the carrying

amount of

84

Explanation of Responses:

Table of Contents

the 2019 Notes on the accompanying Consolidated Balance Sheets. See “Note 1 - Organization and Summary of Significant Accounting Policies” for more information regarding the early adoption ASU 2015-03.

Secured Convertible Notes due June 2018

In June 2010, we entered into a note purchase agreement with Deerfield Private Design Fund, L.P. and Deerfield Private Design International, L.P., (the “Original Deerfield Purchasers”), pursuant to which, on July 1, 2010, we sold to the Original Deerfield Purchasers an aggregate of $124.0 million principal amount of our Secured Convertible Notes due July 1, 2015, which we refer to as the Original Deerfield Notes, for an aggregate purchase price of $80.0 million, less closing fees and expenses of approximately $2.0 million. On January 22, 2014, the note purchase agreement was amended to provide us with an option to extend the maturity date of our indebtedness under the note purchase agreement to July 1, 2018. On July 1, 2015, we made a $4.0 million principal payment and then extended the maturity date of the Original Deerfield Notes from July 1, 2015 to July 1, 2018. In connection with the extension, Deerfield Partners, L.P. and Deerfield International Master Fund, L.P. (the “New Deerfield Purchasers”) acquired the $100.0 million principal amount of the Original Deerfield Notes and we entered into the Restated Deerfield Notes with each of the New Deerfield Purchasers, representing the $100.0 million principal amount. We refer to the Original Deerfield Purchasers and the New Deerfield Purchasers collectively as Deerfield, and to the Original Deerfield Notes and Restated Deerfield Notes, collectively as the Deerfield Notes.

As of December 31, 2015 and 2014, the outstanding principal balance on the Deerfield Notes was $103.8 million and $104.0 million, respectively, which, subject to certain limitations, is payable in cash or in stock at our discretion. Beginning on July 2, 2015, the outstanding principal amount of the Deerfield Notes bears interest at the rate of 7.5% per annum to be paid in cash, quarterly in arrears, and 7.5% per annum to be paid in kind, quarterly in arrears, for a total interest rate of 15% per annum. Through July 1, 2015, the outstanding principal amount of the Deerfield Notes bore interest in the annual amount of $6.0 million, payable quarterly in arrears.

On August 6, 2012, the parties amended the note purchase agreement to permit the issuance of the 2019 Notes and modify certain optional prepayment rights. The amendment became effective upon the issuance of the 2019 Notes and the payment to the Original Deerfield Purchasers of a $1.5 million consent fee. On August 1, 2013, the parties further amended the note purchase agreement to clarify certain of our other rights under the note purchase agreement. On January 22, 2014, the note purchase agreement was amended to provide us with an option to extend the maturity date of our indebtedness under the note purchase agreement to July 1, 2018, which extension was completed on July 1, 2015. On July 10, 2014, the parties further amended the note purchase agreement to clarify certain provisions of the note purchase agreement.

The following is a summary of interest expense for the Deerfield Notes (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Stated coupon interest	$6,792	$6,000	$6,000
Amortization of debt discount, debt issuance costs and interest paid in kind	9,278	11,731	10,089
Total interest expense	$16,070	$17,731	$16,089

The balance of unamortized debt issuance costs was $0.7 million and $1.4 million as of December 31, 2015 and December 31, 2014, respectively, which, pursuant to the early adoption of ASU 2015-03, is recorded as a reduction of the carrying amount of the 2019 Notes on the accompanying Consolidated Balance Sheets. See “Note 1 - Organization and Summary of Significant Accounting Policies” for more information regarding the early adoption ASU 2015-03.

Prior to our exercise of the option to extend the maturity date to July 1, 2018, the unamortized discount, fees and costs were amortized into interest expense as a yield adjustment through July 1, 2015. Effective March 4, 2015, upon notification of our election to require the New Deerfield Purchasers to acquire the Deerfield Notes and extend the maturity date to July 1, 2018, we began to amortize the remaining unamortized discount, fees and costs through July 1, 2018 using the effective interest method and an effective interest rate of 15.26%.

In each of January 2014 and 2013, we made mandatory prepayments of $10.0 million on the Deerfield Notes. We were required to make an additional mandatory prepayment on the Deerfield Notes in January 2015 equal to 15% of certain revenues from collaborative arrangements, which we refer to as Development/Commercialization Revenue,

received during the prior fiscal year, subject to a maximum prepayment amount of $27.5 million. We received no such revenues during the fiscal year ended December 31, 2014 and therefore made no minimum prepayment in January 2015. As a result of the extension of the maturity date of the Deerfield Notes to July 1, 2018, our obligation to make annual mandatory prepayments equal to 15% of Development/Commercialization Revenue received by us during the prior fiscal year will continue to apply in each of 2016, 2017 and 2018. However, we will only be obligated to make any such annual mandatory prepayment if the New Deerfield

Table of Contents

Purchasers provide notice to us of their election to receive the prepayment. Pursuant to this requirement, we notified Deerfield that they were entitled to a mandatory prepayment of $450,000 as a result of to the $3.0 million milestone payment received from Merck during 2015; the New Deerfield Purchasers elected not to receive a mandatory prepayment in January 2016. Mandatory prepayments relating to Development/Commercialization Revenue will continue to be subject to a maximum annual prepayment amount of $27.5 million. The definition of "Development/Commercialization Revenue" expressly excludes any sale or distribution of drug or pharmaceutical products in the ordinary course of our business, and any proceeds from any Intellectual Property Sales (as further described below), but would include our share of the net profits from the commercialization of cobimetinib in the U.S. and the receipt of royalties from cobimetinib sales outside the U.S., if any.

Under the note purchase agreement, we may at our sole discretion, prepay all of the principal amount of the Deerfield Notes at a prepayment price equal to 105% of the outstanding principal amount of the Deerfield Notes, plus all accrued and unpaid interest through the date of such prepayment, plus, if prior to July 1, 2017, all interest that would have accrued on the principal amount of the Deerfield Notes between the date of such prepayment and July 1, 2017, if the outstanding principal amount of the Deerfield Notes as of such prepayment date had remained outstanding through July 1, 2017, plus all other accrued and unpaid obligations, collectively referred to as the Prepayment Price.

In lieu of making any portion of the Prepayment Price or mandatory prepayment in cash, subject to certain limitations (including a cap on the number of shares issuable under the note purchase agreement), we have the right to convert all or a portion of the principal amount of the Deerfield Notes into, or satisfy all or any portion of the Prepayment Price amounts or mandatory prepayment amounts with shares of our common stock. Additionally, in lieu of making any payment of accrued and unpaid interest in respect of the Deerfield Notes in cash, subject to certain limitations, we may elect to satisfy any such payment with shares of our common stock. The number of shares of our common stock issuable upon conversion or in settlement of principal and interest obligations will be based upon the discounted trading price of our common stock over a specified trading period. Upon certain changes of control of Exelixis, a sale or transfer of assets in one transaction or a series of related transactions for a purchase price of more than (i) $400 million or (ii) 50% of our market capitalization, Deerfield may require us to prepay the Deerfield Notes at the Prepayment Price. Upon an event of default, as defined in the Deerfield Notes, Deerfield may declare all or a portion of the Prepayment Price to be immediately due and payable.

We are required to notify the applicable Deerfield entities of certain sales, assignments, grants of exclusive licenses or other transfers of our intellectual property pursuant to which we transfer all or substantially all of our legal or economic interests, defined as an Intellectual Property Sale, and the Deerfield entities may elect to require us to prepay the principal amount of the Deerfield Notes in an amount equal to (i) 100% of the cash proceeds of any Intellectual Property Sale relating to cabozantinib and (ii) 50% of the cash proceeds of any other Intellectual Property Sale.

In connection with the January 2014 amendment to the note purchase agreement, on January 22, 2014, we issued to the New Deerfield Purchasers two-year warrants, which we refer to as the 2014 Warrants, to purchase an aggregate of 1,000,000 shares of our common stock at an exercise price of $9.70 per share. Subsequent to our election to extend the maturity date of the Deerfield Notes, the exercise price of the 2014 Warrants was reset to $3.445 per share and the term was extended by two years to January 22, 2018. See "Note 8 - Common Stock and Warrants" for more information on the valuation of the 2014 Warrants.

In connection with the note purchase agreement, we also entered into a security agreement in favor of Deerfield which provides that our obligations under the Deerfield Notes will be secured by substantially all of our assets except intellectual property. On August 1, 2013, the security agreement was amended to limit the extent to which voting equity interests in any of our foreign subsidiaries shall be secured assets.

The note purchase agreement as amended and the security agreement include customary representations and warranties and covenants made by us, including restrictions on the incurrence of additional indebtedness.

Silicon Valley Bank Loan and Security Agreement

On May 22, 2002, we entered into a loan and security agreement with Silicon Valley Bank for an equipment line of credit. On December 21, 2004, December 21, 2006 and December 21, 2007, we amended the loan and security agreement to provide for additional equipment lines of credit and on June 2, 2010, we further amended the loan and

security agreement to provide for a new seven-year term loan in the amount of $80.0 million. As of both December 31, 2015 and 2014, the outstanding principal balance due under the term loan was $80.0 million. As of December 31, 2015 and 2014, the outstanding principal balance under the lines of credit was $0 and $0.4 million, respectively. The principal amount outstanding under the term loan accrues interest at 1.0% per annum, which interest is due and payable monthly. We are required to repay the term loan in one balloon principal payment, representing 100% of the principal balance and accrued and unpaid interest, on May 31, 2017. We have the option to prepay all, but not less than all, of the amounts advanced under the term loan, provided that we pay all unpaid accrued interest thereon that is due through the date of such prepayment and the interest on the entire principal

Table of Contents

balance of the term loan that would otherwise have been paid after such prepayment date until the maturity date of the term loan. In accordance with the terms of the loan and security agreement, we are required to maintain an amount equal to at least 100%, but not to exceed 107%, of the outstanding principal balance of the term loan and all equipment lines of credit under the loan and security agreement on deposit in one or more investment accounts with Silicon Valley Bank or one of its affiliates as support for our obligations under the loan and security agreement (although we are entitled to retain income earned or the amounts maintained in such accounts). Any amounts outstanding under the term loan during the continuance of an event of default under the loan and security agreement will, at the election of Silicon Valley Bank, bear interest at a per annum rate equal to 6.0%. If one or more events of default under the loan and security agreement occurs and continues beyond any applicable cure period, Silicon Valley Bank may declare all or part of the obligations under the loan and security agreement to be immediately due and payable and stop advancing money or extending credit to us under the loan and security agreement.

The total collateral balance as of December 31, 2015 and 2014 was $81.6 million and $82.0 million, respectively, and is reflected in our Consolidated Balance Sheet in Long-term Investments as the amounts are not restricted as to withdrawal. However, withdrawal of some or all of this amount such that the collateral balance falls below the required level could result in Silicon Valley Bank declaring the obligation immediately due and payable.

Future Principal Payments

Aggregate contractual future principal payments of our debt were as follows as of December 31, 2015 (in thousands):

Year Ending December 31, (1)	
2016	$—
2017	80,000
2018	124,972
2019	287,500
Thereafter	—

(1) The actual timing of payments made may differ materially.

NOTE 8. COMMON STOCK AND WARRANTS

Sale of Shares of Common Stock

In July 2015, we completed a registered underwritten public offering of 28,750,000 shares of our common stock, including 3,750,000 shares issued under the underwriters' 30-day option to buy shares, at a price of $5.40 per share pursuant to a shelf registration statement previously filed with the Securities and Exchange Commission ("SEC"), which was filed and automatically became effective on July 1, 2015. We received $145.6 million in net proceeds from the offering after deducting the underwriting discount and other estimated expenses. The shares of common stock were listed on The NASDAQ Global Select Market. All of the shares in the offering were sold by the Company.

The Underwriting Agreement contains customary representations, warranties and agreements by the Company, indemnification obligations of the Company and the Underwriter, including for liabilities under the Securities Act of 1933, as amended, other obligations of the parties and termination provisions. The representations, warranties and covenants contained in the Underwriting Agreement were made only for purposes of such agreement and as of specific dates, were solely for the benefit of the parties to such agreement and may be subject to limitations agreed upon by the contracting parties.

In January 2014, we completed a registered underwritten public offering of 10,000,000 shares of our common stock at a price of $8.00 per share pursuant to a shelf registration statement previously filed with the SEC, which the SEC declared effective on June 8, 2012. We received $75.6 million in net proceeds from the offering after deducting the underwriting discount and related offering expenses.

Conversion of Debt into Common Stock

The 2019 Notes and the Deerfield Notes are, under certain circumstances, convertible into shares of our common stock. See "Note 7 - Debt" for more information regarding the conversion features of these instruments.

2014 Warrants

In connection with an amendment to the note purchase agreement for the Original Deerfield Notes, in January 2014 we issued to the New Deerfield Purchasers two-year warrants to purchase an aggregate of 1,000,000 shares of our common stock at an exercise price of $9.70 per share. Subsequent to our March 2015 notification of our election to extend the maturity

Table of Contents

date of the Deerfield Notes, the exercise price of the 2014 Warrants was reset to $3.445 per share and the term was extended by two years to January 22, 2018.

The 2014 Warrants contain certain limitations that prevent the holder from acquiring shares upon exercise that would result in the number of shares beneficially owned by the holder to exceed 9.98% of the total number of shares of our common stock then issued and outstanding. In addition, upon certain changes in control of Exelixis, to the extent the 2014 Warrants are not assumed by the acquiring entity, or upon certain defaults under the 2014 Warrants, the holder has the right to net exercise the 2014 Warrants for shares of common stock, or be paid an amount in cash in certain circumstances where the current holders of our common stock would also receive cash, equal to the Black-Scholes Merton value of the 2014 Warrants.

In connection with the issuance of the 2014 Warrants, we entered into a registration rights agreement with Deerfield, pursuant to which we filed a registration statement with the SEC covering the resale of the shares of common stock issuable upon exercise of the 2014 Warrants.

Due to the potential increase in term and decrease of the exercise price, the 2014 Warrants were included in Other long-term liabilities at their current estimated fair value, which was $1.5 million and $0.9 million as of March 18, 2015 and December 31, 2014, respectively. We recorded an unrealized loss of $0.5 million and an unrealized gain of $1.8 million on the 2014 Warrants during the years ended December 31, 2015 and 2014, respectively, which is included in Interest income and other, net. Subsequent to our March 2015 notification of our election to extend the maturity date of the Deerfield Notes, the terms of the 2014 Warrants became fixed as of March 18, 2015 and the 2014 Warrants were transferred to Additional paid-in capital as of that date at their then estimated fair value of $1.5 million. See “Note 9 - Fair Value Measurements” for more information on the valuation of the 2014 Warrants.

The warrants are participating securities. The warrant holders do not have a contractual obligation to share in our losses.

NOTE 9. FAIR VALUE MEASUREMENTS

The following table sets forth the fair value of our financial assets and liabilities that were measured and recorded on a recurring basis as of December 31, 2015 and 2014. We did not have any financial liabilities that were measured and recorded on a recurring basis or Level 3 investments as of December 31, 2015. The amounts presented exclude cash, but include investments classified as cash equivalents (in thousands):

	December 31, 2015		
	Level 1	Level 2	Total
Money market funds	$72,000	$—	$72,000
Commercial paper	—	78,155	78,155
Corporate bonds	—	72,091	72,091
U.S. Treasury and government sponsored enterprises	—	28,423	28,423
Marketable equity securities	18	—	18
Total financial assets	$72,018	$178,669	$250,687

	December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Money market funds	$23,376	$—	$—	$23,376
Commercial paper	—	56,714	—	56,714
Corporate bonds	—	143,322	—	143,322
U.S. Treasury and government sponsored enterprises	—	12,212	—	12,212
Municipal bonds	—	2,662	—	2,662
Total financial assets	$23,376	$214,910	$—	$238,286
Financial liabilities:				
Warrants	$—	$—	$921	$921

Explanation of Responses:

Table of Contents

The following is a reconciliation of changes in the fair value of warrants which are classified as Level 3 in the fair value hierarchy (in thousands):

Balance at December 31, 2014	$921
Unrealized loss at final re-measurement of warrants on March 18, 2015, included in Interest income and other, net	549
Transfer of warrants from Other long-term liabilities to Additional paid-in capital at their estimated fair value upon warrant repricing on March 18, 2015	(1,470)
Balance at December 31, 2015	$—

The estimated fair value of our financial instruments that are carried at amortized cost for which it is practicable to determine a fair value was as follows (in thousands):

	December 31, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
2019 Notes	$198,708	$336,260	$179,135	$156,889
Silicon Valley Bank Term Loan	$80,000	$79,815	$80,000	$79,943
Silicon Valley Bank Line of Credit	$—	$—	$381	$381

As of December 31, 2015, the carrying value and estimated fair value of our Deerfield Notes was $102.7 million and $101.1 million, respectively. As of December 31, 2014, we had determined that it was not practicable to determine the fair value of the Deerfield Notes due to the unique structure of the instrument, including the Extension Option, which was exercised in March 2015, and was financed by entities affiliated with Deerfield.

The carrying amounts of cash, trade and other receivables, accounts payable, accrued clinical trial liabilities, accrued compensation and benefits, and other accrued liabilities approximate their fair values and are excluded from the tables above.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate a value:

- When available, we value investments based on quoted prices for those financial instruments, which is a Level 1 input. Our remaining investments are valued using third-party pricing sources, which use observable market prices, interest rates and yield curves observable at commonly quoted intervals of similar assets as observable inputs for pricing, which is a Level 2 input.
- The 2019 Notes are valued using a third-party pricing model that is based in part on average trading prices, which is a Level 2 input. The 2019 Notes are not marked-to-market and are shown at their initial fair value less the unamortized discount; the portion of the value allocated to the conversion option is included in Stockholders' deficit on the accompanying Consolidated Balance Sheets.
- We estimate the fair value of our other debt instruments, where possible, using the net present value of the payments. For the Silicon Valley Bank term loan and line of credit, we use an interest rate that is consistent with money-market rates that would have been earned on our non-interest-bearing compensating balances as our discount rate, which is a Level 2 input. For the Deerfield Notes, we used a discount rate of 17%, which we estimate as our current borrowing rate for similar debt as of December 31, 2015, which is a Level 3 input.
- The 2014 Warrants were valued using a Monte Carlo simulation model until December 31, 2014 and the Black-Scholes Merton option pricing model on March 18, 2015. The expected life was based on the contractual terms of the 2014 Warrants, and in certain simulations, assumed the two year extension that would result from our exercise of the Extension Option; as of and subsequent to September 30, 2014, we estimated that it was probable that we would exercise this two-year extension. We considered implied volatility as well as our historical volatility in developing our estimate of expected volatility. The fair value of the 2014 Warrants was estimated using the following assumptions, which, except for risk-free interest rate, are Level 3 inputs (dollars in thousands):

	March 18, 2015	December 31, 2014
Risk-free interest rate	0.87 %	1.07 %

Dividend yield	—	%	—	%
Volatility	95	%	96	%
Average expected life	2.8 years		3.1 years	

Table of Contents

NOTE 10. EMPLOYEE BENEFIT PLANS

Equity Incentive Plans

We have several equity incentive plans under which we have granted incentive stock options, non-qualified stock options and RSUs to employees, directors and consultants. The Board of Directors or a designated Committee of the Board is responsible for administration of our employee equity incentive plans and determines the term, exercise price and vesting terms of each option. Prior to May 2011, options issued to our employees had a four-year vesting term, an exercise price equal to the fair market value on the date of grant, and a ten year life from the date of grant (6.2 years for options issued in exchange for options cancelled under our 2009 option exchange program). Stock options issued after May 2011 have a four-year vesting term, an exercise price equal to the fair market value on the date of grant, and a seven year life from the date of grant. RSUs granted to our employees vest over a four year term; RSUs issued after September 29, 2011 vest annually; the remaining unvested portion of RSUs issued prior to September 29, 2011 vested quarterly.

In December 2005, our Board of Directors adopted a Change in Control and Severance Benefit Plan for executives and certain non-executives. Eligible Change in Control and Severance Benefit Plan participants include our employees with the title of vice president and above. If a participant’s employment is terminated without cause during a period commencing one month before and ending thirteen months following a change in control, as defined in the plan document, then the Change in Control and Severance Benefit Plan participant is entitled to have the vesting of all of such participant’s stock options accelerated with the exercise period being extended to no more than one year.

Employee Stock Purchase Plan

In January 2000, we adopted the 2000 Employee Stock Purchase Plan (the “ESPP”). The ESPP allows for qualified employees (as defined in the ESPP) to purchase shares of our common stock at a price equal to the lower of 85% of the closing price at the beginning of the offering period or 85% of the closing price at the end of each six month purchase period. Compensation expense related to our ESPP was $0.4 million, $0.8 million, and $0.6 million for the years ended December 31, 2015, 2014 and 2013, respectively. As of December 31, 2015, we had 1,046,959 shares available for issuance under our ESPP. We issued 324,315 shares, 669,565 shares, and 345,828 shares of common stock during the years ended December 31, 2015, 2014 and 2013, respectively, pursuant to the ESPP at an average price per share of $1.75, $2.14 and $4.13, respectively.

Stock-Based Compensation

We recorded and allocated employee stock-based compensation expense for our equity incentive plans and our ESPP as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Research and development expense	$11,691	$3,245	$6,021
Selling, general and administrative	10,286	6,783	5,948
Restructuring-related stock compensation expense (recovery)	—	(22)	49
Total employee stock-based compensation expense	$21,977	$10,006	$12,018

We use the Black-Scholes Merton option pricing model to value our stock options. The weighted average grant-date fair value of our stock options and ESPP purchases was as follows:

	2015	2014	2013
Stock options	$2.55	$1.46	$2.97
ESPP	$1.20	$1.28	$1.64

Table of Contents

The fair value of employee stock option awards and ESPP purchases was estimated using the following assumptions:

	Stock Options		
	2015	2014	2013
Risk-free interest rate	1.22%	1.80%	1.51%
Dividend yield	—%	—%	—%
Volatility	93%	85%	61%
Expected life	4.5 years	5.5 years	5.6 years
	ESPP		
	2015	2014	2013
Risk-free interest rate	0.15%	0.06%	0.11%
Dividend yield	—%	—%	—%
Volatility	98%	69%	66%
Expected life	6 months	6 months	6 months

The expected life computation is based on historical exercise patterns and post-vesting termination behavior. We considered implied volatility as well as our historical volatility in developing our estimate of expected volatility.

A summary of all option activity was as follows for the periods presented (dollars in thousands, except per share amounts):

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding at December 31, 2014	27,811,992	$5.00		
Granted	8,894,800	$3.78		
Exercised	(2,340,963)	$4.66		
Forfeited	(924,890)	$3.67		
Expired	(6,015,085)	$7.12		
Options outstanding at December 31, 2015	27,425,854	$4.22	5.09 years	$51,501
Exercisable at December 31, 2015	15,666,177	$4.68	4.38 years	$25,532

At December 31, 2015, a total of 8,041,842 shares were available for grant under our stock option plans.

The aggregate intrinsic value in the table above represents the total intrinsic value (the difference between our closing stock price on the last trading day of fiscal 2015 and the exercise prices, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2015. The total intrinsic value of options exercised was $2.9 million during the year ended December 31, 2015 and nominal in 2014 and 2013. The total estimated fair value of employee options vested and recorded as expense in 2015, 2014 and 2013 was $18.9 million, $8.6 million and $7.4 million, respectively.

On July 20, 2015, as a result of positive top-line results from the primary analysis of METEOR, the Compensation Committee of the Board of Directors of Exelixis convened to determine we had met certain performance objectives for performance-based stock options granted to employees in 2013, 2014 and 2015. As a result of this determination, 6,982,613 performance-based stock options vested on July 20, 2015. Previously, we had not considered achievement of those performance objectives to be probable and therefore, we recorded $9.9 million in employee stock-based compensation expense during 2015 related to those options.

We have an additional 5,934,052 outstanding unvested stock options as of December 31, 2015 which were granted to employees in 2014 and 2015 and are subject to performance objectives tied to the achievement of regulatory goals set by the Compensation Committee of our Board of Directors and will vest in part based on achievement of such goals. As of

91

Explanation of Responses:

Table of Contents

December 31, 2015, we expect that achievement of the performance objectives tied to 2,967,026 performance-based stock options with a fair value of $3.7 million is probable and have, therefore, recorded $3.3 million of stock-based compensation expense in connection with such awards; the remainder of the expense for these awards will be recognized on a straight-line basis through the anticipated achievement date of the performance objectives. We have not included any stock-based compensation expense for the remaining 2,967,026 stock options with performance objectives for which the achievement of the performance goals is not considered probable; the grant date fair value of such awards outstanding was $3.7 million.

The following table summarizes information about stock options outstanding and exercisable at December 31, 2015:

	Options Outstanding			Options Outstanding and Exercisable		
Exercise Price Range	Number	Weighted Average Remaining Contractual Life		Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$1.46 - $1.87	7,997,474	5.78 years		$1.70	3,857,469	$1.70
$1.90	3,738,000	6.07 years		$1.90	1,826,502	$1.90
$2.57 - $4.88	2,772,796	5.27 years		$3.80	1,681,199	$3.98
$5.01 - $5.51	4,043,479	4.02 years	3,186,063	$5.44	3,186,063	$5.44
$5.55 - $6.02	2,600,943	4.70 years		$5.73	1,890,661	$5.70
$6.21	2,822,900	6.69 years		$6.21	—	
$6.25 - $11.66	3,450,262	2.53 years		$8.71	3,224,283	$8.82
	27,425,854	5.09 years		$4.22	15,666,177	$4.68

As of December 31, 2015, $19.5 million of total unrecognized compensation expense related to stock options is expected to be recognized over a weighted-average period of 2.56 years.

Cash received from option exercises and purchases under the ESPP in 2015, 2014 and 2013 was $11.5 million, $1.6 million and $1.5 million, respectively.

A summary of all RSU activity was as follows for all periods presented (dollars in thousands, except per share amounts):

	Shares	Weighted Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Awards outstanding at December 31, 2014	961,469	$3.82		
Awarded	838,535	$5.01		
Vested and released	(672,951)	$5.62		
Forfeited	(124,865)	$5.32		
Awards outstanding at December 31, 2015	1,002,188	$5.16	2.50 years	$5,652

As of December 31, 2015, $3.4 million of total unrecognized compensation expense related to employee RSUs was expected to be recognized over a weighted-average period of 2.50 years.

401(k) Retirement Plan

We sponsor a 401(k) Retirement Plan (the “401(k) Plan”) whereby eligible employees may elect to contribute up to the lesser of 50% of their annual compensation or the statutorily prescribed annual limit allowable under Internal Revenue Service regulations. The 401(k) Plan permits us to make matching contributions on behalf of all participants. We matched 100% of the first 3% of participant contributions into the 401(k) Plan in the form of our common stock. We recorded expense of $0.4 million, $1.1 million, and $0.8 million related to the stock match for the years ended December 31, 2015, 2014 and 2013, respectively. As of December 31, 2015, we had 450,042 shares available for issuance under our 401(k) Plan.

92

Table of Contents

NOTE 11. INCOME TAXES

The income tax (benefit) provision is based on the following loss before income taxes (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Domestic	$(158,839)	$(237,780)	$(236,076)
Foreign	(10,843)	(30,944)	(8,780)
Total	$(169,682)	$(268,724)	$(244,856)

Income tax expense (benefit) consists of the following for the periods shown below (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Current:			
Federal	$—	$—	$—
State	55	(182)	12
Total current tax expense	55	(182)	12
Deferred:			
Federal	—	—	(106)
State	—	—	(2)
Total deferred tax expense	—	—	(108)
Income tax provision (benefit)	$55	$(182)	$(96)

The 2015 income tax provision of $0.1 million relates to state minimum and franchise tax expenses as well as true ups related to prior year tax entries. The 2014 income tax benefit of $0.2 million resulted from the lapse of the applicable statute of limitations in California for the 2009 tax year, offset by current year state income tax expense. The 2013 income tax benefit of $0.1 million resulted from the exception to the general intra-period allocation rules required by ASC 740-20-45-7, and is related to the income tax effect of unrealized gains on available-for-sale investments included in other comprehensive income.

During 2013, Exelixis International (Bermuda) Ltd. (“Exelixis Bermuda”) acquired the existing and future intellectual property rights to exploit cabozantinib in jurisdictions outside of the United States. The transfer of the existing rights created a taxable gain in the U.S. and state jurisdictions. For tax purposes, that gain is primarily offset by current fiscal year losses and the remainder through the utilization of an insignificant amount of net operating loss carry-forwards for which there is a corresponding reduction to our valuation allowance. Because this was an intercompany transaction, ASC 740-10-25-3(e) applies, however, there was no impact to tax expense due to the full valuation allowance and therefore no deferred prepaid charge was recorded to the balance sheet.

A reconciliation of income taxes at the statutory federal income tax rate to our income tax (benefit) provision included in the Consolidated Statements of Operations is as follows (in thousands):

	Year Ended December 31,		
	2015	2014	2013
U.S. federal income tax benefit at statutory rate	$(57,692)	$(91,366)	$(83,251)
Unutilized net operating losses	54,139	87,448	(3,438)
Non-deductible interest	3,308	3,598	3,380
Stock-based compensation	195	255	393
State tax expense	55	(182)	10
Available-for-sale investments	—	—	(106)
Impact of intellectual property rights transfer	—	—	82,858
Other	50	65	58
Income tax (benefit) provision	$55	$(182)	$(96)

Table of Contents

Deferred tax assets and liabilities reflect the net tax effects of net operating loss and tax credit carry-forwards and temporary differences between the carrying amounts of assets and liabilities for financial reporting and the amounts used for income tax purposes.

Our deferred tax assets and liabilities consist of the following (in thousands):

	December 31,	
	2015	2014
Deferred tax assets:		
Net operating loss carry-forwards	$464,504	$446,343
Tax credit and charitable contribution carry-forwards	64,350	64,368
Amortization of deferred stock compensation – non-qualified	14,615	27,500
Accruals and reserves not currently deductible	7,775	6,521
Book over tax depreciation and amortization	1,752	5,118
Deferred revenue	—	988
Total deferred tax assets	552,996	550,838
Valuation allowance	(523,574)	(511,171)
Net deferred tax assets	29,422	39,667
Deferred tax liabilities:		
Unrealized gain on derivatives	(497)	(704)
Convertible debt	(28,925)	(38,963)
Total deferred tax liabilities	(29,422)	(39,667)
Net deferred taxes	$—	$—

Realization of deferred tax assets is dependent upon future earnings, if any, the timing and amount of which are uncertain. Accordingly, the net deferred tax assets have been fully offset by a valuation allowance. The valuation allowance increased by $12.4 million, increased by $89.7 million and decreased by $16.8 million during 2015, 2014 and 2013, respectively.

At December 31, 2015, we had federal net operating loss carry-forwards of approximately $1,323 million which expire in the years 2019 through 2035, and federal business tax credits of approximately $75 million which expire in the years 2020 through 2029. We also had state net operating loss carry-forwards of approximately $692 million, which expire in the years 2016 through 2035, California research and development tax credits of approximately $25 million which have no expiration. Included in the federal and state carry-forwards is $18 million related to deductions from the exercise of stock options and the related tax benefit that will result in an increase in additional paid-in capital if and when realized through a reduction of taxes paid in cash.

Under the Internal Revenue Code and similar state provisions, certain substantial changes in our ownership could result in an annual limitation on the amount of net operating loss and credit carry-forwards that can be utilized in future years to offset future taxable income. The annual limitation may result in the expiration of net operating losses and credit carry-forwards before utilization. We completed a Section 382 study through December 31, 2015, and concluded that an ownership change, as defined under Section 382, had not occurred.

ASC Topic 740-10 clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The following table summarizes the activity related to our unrecognized tax benefits (in thousands):

	Year Ended December 31,		
	2015	2014	2013
Beginning balance	$58,215	$55,077	$47,298
Increase (decrease) relating to prior year provision	21,696	719	(112)
Increase relating to current year provision	8,727	2,706	7,891
Reductions based on the lapse of the applicable statutes of limitations	—	(287)	—
Ending balance	$88,638	$58,215	$55,077

94

Explanation of Responses:

Table of Contents

Included in the balance of unrecognized tax benefits as of December 31, 2013 was $0.1 million of tax benefits that if recognized would affect the effective tax rate. There were no such unrecognized benefits as of December 31, 2015 or 2014. All of our deferred tax assets are subject to a valuation allowance. As of December 31, 2013 we had an accrued interest balance of $20 thousand related to tax contingencies. Interest expense related to those tax contingencies was $4 thousand during the year ended December 31, 2013. There were no such interest accruals or expenses during the years ended December 31, 2015 and 2014. There were no penalties recognized or accrued during any of the periods presented. Any tax-related interest and penalties are included in income tax (benefit) provision in the Consolidated Statements of Operations. We do not anticipate that the amount of unrecognized tax benefits existing as of December 31, 2015, will significantly decrease over the next 12 months.

We file U.S. and state income tax returns in jurisdictions with varying statues of limitations during which such tax returns may be audited and adjusted by the relevant tax authorities. The 1998 through 2014 years generally remain subject to examination by federal and most state tax authorities to the extent of net operating losses and credits generated during these periods and are being utilized in the open tax periods.

It is our intention to reinvest the earnings of our non-U.S. subsidiaries in those operations. As of December 31, 2015, there were no undistributed foreign earnings of our only non-U.S. subsidiary, Exelixis Bermuda.

NOTE 12. NET LOSS PER SHARE

The following table sets forth a reconciliation of basic and diluted net loss per share (in thousands, except per share amounts):

	Year Ended December 31,		
	2015	2014	2013
Numerator:			
Net loss	$(169,737)	$(268,542)	$(244,760)
Denominator:			
Shares used in computing basic and diluted net loss per share	209,227	194,299	184,062
Net loss per share, basic and diluted	$(0.81)	$(1.38)	$(1.33)

The following table sets forth outstanding potential shares of common stock outstanding as of dates presented that are not included in the computation of diluted net loss per share because to do so would be anti-dilutive (in thousands):

	December 31,		
	2015	2014	2013
Convertible debt	88,008	75,734	54,123
Outstanding stock options, unvested RSUs and ESPP contributions	28,470	28,930	21,401
Warrants	1,000	1,000	1,441
Total potentially dilutive shares	117,478	105,664	76,965

NOTE 13. COMMITMENTS

Leases

We lease office and research space under operating leases that expire at various dates through the year 2018. Certain operating leases contain renewal provisions and require us to pay other expenses. As a result of the Restructurings, we exited certain facilities in South San Francisco. Aggregate future minimum lease payments under our operating leases are as follows (in thousands):

Year Ending December 31,	Operating Leases (1)
2016	$14,236
2017	8,474
2018	3,007
	$25,717

(1) Minimum payments have not been reduced by minimum sublease rentals of $6.1 million due in the future under noncancelable subleases.

The following is a summary of aggregate future minimum lease payments under operating leases at December 31, 2015, by operating lease agreements (in thousands):

	Original Term (Expiration)	Renewal Options	Future Minimum Lease Payments
Building Lease #1 and 2	May 2017	2 additional periods of 5 years	$12,732
Building Lease #3	July 2018	1 additional period of 5 years	12,985
Total			$25,717

Rent expense under operating leases was $8.7 million, $10.3 million, and $9.1 million for the years ended December 31, 2015, 2014 and 2013, respectively. Rent expense was recorded net of sublease rental incomes of $5.2 million, $4.9 million and $4.1 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Table of Contents

Letters of Credit and Restricted Cash

We entered into a standby letter of credit with a bank in July 2004, which is related to a building lease, with a credit limit of $0.5 million at both December 31, 2015 and 2014. We entered into two standby letters of credit with a bank in May 2007, which is related to our workers compensation insurance policy, for a combined credit limit of $0.6 million and $0.7 million at December 31, 2015 and 2014, respectively. All three letters of credit are fully collateralized by long-term restricted cash and investments. As of December 31, 2015, the full amount of our three letters of credit was still available.

As part of a purchasing card program with a bank we initiated during 2007, we were required to provide collateral in the form of a non-interest bearing certificate of deposit. The collateral at December 31, 2015 and 2014 was $1.5 million and $3.5 million, respectively. We recorded these amounts in the Consolidated Balance Sheet as Long-term restricted cash and investments as the certificates of deposit were restricted as to withdrawal.

Indemnification Agreements

In connection with the sale of our plant trait business, we agreed to indemnify the purchaser and its affiliates up to a specified amount if they incur damages due to any infringement or alleged infringement of certain patents. We have certain collaboration licensing agreements that contain standard indemnification clauses. Such clauses typically indemnify the customer or vendor for an adverse judgment in a lawsuit in the event of our misuse or negligence. We consider the likelihood of an adverse judgment related to any of our indemnification agreements to be remote. Furthermore, in the event of an adverse judgment, any losses under such an adverse judgment may be substantially offset by applicable corporate insurance.

NOTE 14. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject us to concentrations of credit risk are primarily trade and other receivables and investments. Investments consist of money market funds, taxable commercial paper, corporate bonds with high credit quality, U.S. Treasury and government sponsored enterprises, and municipal bonds. All investments are maintained with financial institutions that management believes are creditworthy.

Trade and other receivables are unsecured and are concentrated in the pharmaceutical and biotechnology industries. Accordingly, we may be exposed to credit risk generally associated with pharmaceutical and biotechnology companies. We have incurred no bad debt expense since inception. As of December 31, 2015, 95% of our trade and other receivables are with the specialty pharmacy that sells COMETRIQ in the United States and 5% are with our European distribution partner. Both of these customers pay promptly and within their respective payment terms. All of our long-lived assets are located in the United States.

We have operations primarily in the United States, while some of our collaboration partners have headquarters outside of the United States and some of our clinical trials for cabozantinib are also conducted outside of the United States. During the second quarter of 2013, we initiated a Named Patient Use program through our distribution partner, Swedish Orphan Biovitrum (“Sobi”), to support the distribution and commercialization of COMETRIQ for metastatic MTC primarily in the European Union and potentially other countries. In March 2014, the European Commission approved cabozantinib for the treatment of adult patients with progressive, unresectable locally advanced or metastatic MTC, also under the brand name COMETRIQ. In June 2014, we began selling COMETRIQ to Sobi in preparation for commercial sales in certain countries in the European Union. The following table shows the percentage of revenues earned in the United States and European Union.

	Year Ended December 31,					
	2015		2014		2013	
Percentage of revenues earned in the United States	91	%	99	%	97	%
Percentage of revenues earned in the European Union [1]	9	%	1	%	3	%

(1) Net product revenues in the European Union for the year ended December 31, 2015 and 2014 included a $0.1 million and $2.3 million reduction, respectively, to revenue for a project management fee payable to our European distributor upon their achievement of a cumulative revenue goal.

We recorded a $0.1 million and $0.5 million gain relating to foreign exchange fluctuations for the year ended December 31, 2015 and 2014, respectively. Such gains were nominal in 2013.

96

Table of Contents

The following table sets forth the percentage of revenues recognized under our collaboration agreements and product sales to the specialty pharmacy that represent 10% or more of total revenues:

	Year Ended December 31,		
	2015	2014	2013
Product sales:			
Diplomat Specialty Pharmacy	83 %	99 %	45 %
Collaboration agreement:			
Bristol-Myers Squibb	— %	— %	52 %

NOTE 15. SUBSEQUENT EVENT

On February 29, 2016, we entered into a collaboration and license agreement with Ipsen for the commercialization and further development of cabozantinib. Pursuant to the terms of this agreement, Ipsen will have exclusive commercialization rights for current and potential future cabozantinib indications outside of the United States, Canada and Japan. The companies have agreed to collaborate on the development of cabozantinib for current and potential future indications.

In consideration for the exclusive license and other rights contained in the agreement, Ipsen will pay us an upfront payment of $200.0 million. We will be eligible to receive regulatory milestones, including a $60.0 million milestone payment upon approval of cabozantinib by the EMA in second-line RCC and milestone payments of $10.0 million upon the filing and $40.0 million upon the approval of cabozantinib in second-line HCC, as well as additional regulatory milestone payments for potential further indications. The agreement also provides that we will be eligible to receive payments of up to $545.0 million associated with potential commercial milestone payments, including two $10.0 million milestone payments upon the launch of the product in the first two of the following countries: Germany, France, Italy, Spain and the United Kingdom. Exelixis will also receive royalties on net sales of cabozantinib outside of the United States, Canada and Japan. We will receive a 2% royalty on the initial $50 million of net sales, and 12% royalty on the next $100 million of net sales. After this initial period, Exelixis will receive a tiered royalty of 22% to 26% on annual net sales. These tiers will reset each calendar year. Exelixis is responsible for funding cabozantinib related development costs for existing trials; development costs for potential future trials will be shared between the parties, with Ipsen to reimburse us for 35% of such costs. Pursuant to the terms of the agreement, we will remain responsible for the manufacture and supply of cabozantinib for all development and commercialization activities under the collaboration. As part of the collaboration, we entered into a supply agreement which provides that through the end of the second quarter of 2018, we will supply finished, labeled product to Ipsen for distribution in the territories outside of the United States, Canada and Japan, and from the end of the second quarter of 2018 forward, we will supply primary packaged bulk tablets to Ipsen.

In connection with the establishment of our collaboration with Ipsen, we intend to provide Sobi with notice of termination and following a transition period, Ipsen will become responsible for the continued distribution and commercialization of COMETRIQ for the approved MTC indication in territories currently supported by Sobi.

Table of Contents

NOTE 16. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables summarize the unaudited quarterly financial data for the last two fiscal years (in thousands, except per share data):

	Quarter Ended December 31,	September 30,	June 30,	March 31,
2015:				
Revenues	$9,938	$9,854	$7,992	$9,388
Gross profit	$8,915	$8,434	$7,306	$8,622
Loss from operations	$(31,600)	$(35,781)	$(31,280)	$(22,760)
Net loss	$(43,641)	$(47,564)	$(43,362)	$(35,170)
Net loss per share, basic and diluted	$(0.19)	$(0.22)	$(0.22)	$(0.18)
2014:				
Revenues	$7,353	$6,291	$6,562	$4,905
Gross profit	$6,669	$5,718	$6,085	$4,596
Loss from operations	$(46,208)	$(51,574)	$(61,688)	$(64,988)
Net loss	$(57,953)	$(62,560)	$(73,410)	$(74,619)
Net loss per share, basic and diluted	$(0.30)	$(0.32)	$(0.38)	$(0.39)

On September 2, 2014, as a consequence of the failure of COMET-1, we initiated the 2014 Restructuring to reduce our workforce. The aggregate reduction in headcount from the 2014 Restructuring was 143 employees. The 2014 Restructuring, along with associated reductions in clinical trial costs related to COMET-1 and COMET-2, resulted in a decrease in operating expenses and a corresponding decrease the loss from operations and net loss. See “Note 2 - Restructurings” for more information on the 2014 Restructuring.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A.CONTROLS AND PROCEDURES

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

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

Management’s Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting is a process designed under the supervision of our principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of the end of our 2015 fiscal year, management conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework established in the original Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (COSO). Based on this

98

Table of Contents

assessment, management has determined that our internal control over financial reporting as of January 1, 2016 was effective. There were no material weaknesses in internal control over financial reporting identified by management.
Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.
The independent registered public accounting firm Ernst & Young LLP has issued an audit report on our internal control over financial reporting, which is included on the following page.
Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

Report of Independent Registered Public Accounting Firm
The Board of Directors and Stockholders of Exelixis, Inc.
We have audited Exelixis, Inc.'s internal control over financial reporting as of January 1, 2016, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Exelixis, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.
In our opinion, Exelixis, Inc. maintained, in all material respects, effective internal control over financial reporting as of January 1, 2016, based on the COSO criteria.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Exelixis, Inc. as of January 1, 2016 and January 2, 2015, and the related consolidated statements of operations, comprehensive loss, stockholders' equity (deficit), and cash flows for each of the three fiscal years in the period ended January 1, 2016, of Exelixis, Inc. and our report dated February 29, 2016 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Redwood City, California
February 29, 2016

Table of Contents

ITEM 9B. OTHER INFORMATION

On February 29, 2016, we entered into a collaboration and license agreement with Ipsen for the commercialization and further development of cabozantinib. Pursuant to the terms of this agreement, Ipsen will have exclusive commercialization rights for current and potential future cabozantinib indications outside of the United States, Canada and Japan. The companies have agreed to collaborate on the development of cabozantinib for current and potential future indications.

The parties' efforts will be governed through a joint steering committee and appropriate subcommittees established to guide and oversee the collaboration's operation and strategic direction; provided, however, that we will retain final decision-making authority with respect to cabozantinib's ongoing development. The agreement anticipates the transfer to Ipsen of sponsorship of our MAA for cabozantinib in RCC, currently on file with the EMA. It also anticipates transfer of Marketing Authorization Holder status for COMETRIQ for the MTC indication approved in the European Union to Ipsen and the transition of rights regarding COMETRIQ outside the United States from Sobi, our current international partner for COMETRIQ, to Ipsen, in accordance with the terms of our agreement with Sobi.

In consideration for the exclusive license and other rights contained in the agreement, Ipsen will pay us an upfront payment of $200.0 million. We will be eligible to receive regulatory milestones, including a $60.0 million milestone payment upon approval of cabozantinib by the EMA in second-line RCC and milestone payments of $10.0 million upon the filing and $40.0 million upon the approval of cabozantinib in second-line HCC, as well as additional regulatory milestones payments for potential further indications. The agreement also provides that we will be eligible to receive payments of up to $545.0 million associated with potential commercial milestone payments, including two $10.0 million milestone payments upon the launch of the product in the first two of the following countries: Germany, France, Italy, Spain and the United Kingdom. Exelixis will also receive royalties on net sales of cabozantinib outside of the United States, Canada and Japan. We will receive a 2% royalty on the initial $50 million of net sales, and 12% royalty on the next $100 million of net sales. After this initial period, Exelixis will receive a tiered royalty of 22% to 26% on annual net sales. These tiers will reset each calendar year. Exelixis is responsible for funding cabozantinib related development costs for existing trials; development costs for potential future trials will be shared between the parties, with Ipsen to reimburse us for 35% of such costs. Pursuant to the terms of the agreement, we will remain responsible for the manufacture and supply of cabozantinib for all development and commercialization activities under the collaboration. As part of the collaboration, we entered into a supply agreement which provides that through the end of the second quarter of 2018, we will supply finished, labeled product to Ipsen for distribution in the territories outside of the United States, Canada and Japan, and from the end of the second quarter of 2018 forward, we will supply primary packaged bulk tablets to Ipsen.

Unless terminated earlier, the agreement has a term that continues, on a product-by-product and country-by-country basis, until the latter of (i) the expiration of patent claims related to cabozantinib, (ii) the expiration of regulatory exclusivity covering cabozantinib or (iii) ten years after the first commercial sale of cabozantinib, other than COMETRIQ. The agreement may be terminated for cause by either party based on uncured material breach by the other party, bankruptcy of the other party or for safety reasons. We may terminate the agreement if Ipsen challenges or opposes any patent covered by the agreement. Ipsen may terminate the agreement if the FDA or EMA orders or requires substantially all cabozantinib clinical trials to be terminated or if the EMA refuses to approve our MAA for cabozantinib in advanced RCC in such region. Ipsen also has the right to terminate the agreement on a region-by-region basis after the first commercial sale of cabozantinib in advanced RCC in the given region. Upon termination by either party, all licenses granted by us to Ipsen will automatically terminate, and, except in the event of a termination by Ipsen for our material breach, the licenses granted by Ipsen to us shall survive such termination and shall automatically become worldwide, or, if Ipsen terminated only for a particular region, then for the terminated region. Following termination by us for Ipsen's material breach, or termination by Ipsen without cause or because we undergo a change of control by a party engaged in a competing program, Ipsen is prohibited from competing with us for a period of time.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item relating to our directors and nominees, including information with respect to our audit committee, audit committee financial experts and procedures by which stockholders may recommend nominees to our board of directors, is incorporated by reference to the section entitled “Proposal 1 –Election of Class II Directors” appearing in our Proxy Statement for our 2016 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission, or SEC, within 120 days after January 1, 2016, which we refer to as our 2016 Proxy Statement. The information required by this item regarding our executive officers is incorporated by reference to the section entitled “Executive Officers” appearing in our 2016 Proxy Statement. The information required by this item regarding compliance with Section 16(a) of the Securities Exchange Act of 1934, as amended, is incorporated by reference to the section entitled “Section 16(a) Beneficial Ownership Reporting Compliance” appearing in our 2016 Proxy Statement.

Table of Contents

Code of Ethics

We have adopted a Corporate Code of Conduct that applies to all of our directors, officers and employees, including our principal executive officer, principal financial officer and principal accounting officer. The Corporate Code of Conduct is posted on our website at www.exelixis.com under the caption “Investors & Media -- Corporate Governance.” We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this Corporate Code of Conduct by posting such information on our website, at the address and location specified above and, to the extent required by the listing standards of the NASDAQ Stock Market, by filing a Current Report on Form 8-K with the SEC, disclosing such information.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the sections entitled “Compensation of Executive Officers,” “Compensation of Directors,” “Compensation Committee Interlocks and Insider Participation” and “Compensation Committee Report” appearing in our 2016 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item relating to security ownership of certain beneficial owners and management is incorporated by reference to the section entitled “Security Ownership of Certain Beneficial Owners and Management” appearing in our 2016 Proxy Statement.

Equity Compensation Plan Information

The following table provides certain information about our common stock that may be issued upon the exercise of stock options and other rights under all of our existing equity compensation plans as of December 31, 2015, which consists of our 2000 Equity Incentive Plan, or the 2000 Plan, our 2000 Non-Employee Directors’ Stock Option Plan, or the Director Plan, our 2000 Employee Stock Purchase Plan, or the ESPP, our 2010 Inducement Award Plan, or the 2010 Plan, our 2011 Equity Incentive Plan, or the 2011 Plan, our 2014 Equity Incentive Plan, or the 2014 Plan, and our 401(k) Retirement Plan, or the 401(k) Plan:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights (1)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by stockholders (2)	29,428,042	$ 4.19	9,088,801
Equity compensation plans not approved by stockholders (3)	—	n/a	450,042
Total	29,428,042	$ 4.19	9,538,843

(1) The weighted average exercise price does not take into account the shares subject to outstanding restricted stock units, or RSUs, which have no exercise price.

(2) Represents shares of our common stock issuable pursuant to the 2000 Plan, the 2011 Plan, the Director Plan and the ESPP.

(3) Represents shares of our common stock issuable pursuant to the 401(k) Plan. We sponsor a 401(k) Plan whereby eligible employees may elect to contribute up to the lesser of 50% of their annual compensation or the statutorily prescribed annual limit allowable under Internal Revenue Service regulations. The 401(k) Plan permits us to make matching contributions on behalf of all participants. We match 100% of the first 3% of participant contributions into the 401(k) Plan in the form of our common stock.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item is incorporated by reference to the sections entitled “Certain Relationships and Related Party Transactions” and “Proposal 1 – Election of Class II Directors” appearing in our 2016 Proxy Statement.

Explanation of Responses:

Table of Contents

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference to the section entitled “Proposal 2 – Ratification of Selection of Independent Registered Public Accounting Firm” appearing in our 2016 Proxy Statement.

Table of Contents

PART IV
ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are being filed as part of this report:
(1) The following financial statements and the Report of Independent Registered Public Accounting Firm are included in Part II, Item 8:

(2) All financial statement schedules are omitted because the information is inapplicable or presented in the Notes to Consolidated Financial Statements.
(3) See Index to Exhibits at the end of this Report, which is incorporated herein by reference. The Exhibits listed in the accompanying Index to Exhibits are filed as part of this report.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

Date: February 29, 2016.

EXELIXIS, INC.

By: /s/ MICHAEL M. MORRISSEY
Michael M. Morrissey, Ph.D.
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints MICHAEL M. MORRISSEY, CHRISTOPHER SENNER and JEFFREY J. HESSEKIEL and each or any one of them, his or her true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitutes or substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934,this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signatures	Title	Date
/s/ MICHAEL M. MORRISSEY Michael M. Morrissey, Ph.D.	Director, President and Chief Executive Officer (Principal Executive Officer)	February 29, 2016
/s/ CHRISTOPHER SENNER Christopher Senner	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	February 29, 2016
/s/ STELIOS PAPADOPOULOS Stelios Papadopoulos, Ph.D.	Chairman of the Board	February 29, 2016
/s/ CHARLES COHEN Charles Cohen, Ph.D.	Director	February 29, 2016
/s/ CARL B. FELDBAUM Carl B. Feldbaum, Esq.	Director	February 29, 2016
/s/ ALAN M. GARBER Alan M. Garber, M.D., Ph.D.	Director	February 29, 2016

Table of Contents

Signatures	Title	Date
/s/ VINCENT T. MARCHESI Vincent T. Marchesi, M.D., Ph.D.	Director	February 29, 2016
/s/ GEORGE POSTE George Poste, D.V.M., Ph.D.	Director	February 29, 2016
/s/ GEORGE A. SCANGOS George A. Scangos, Ph.D.	Director	February 29, 2016
/s/ LANCE WILLSEY Lance Willsey, M.D.	Director	February 29, 2016
/s/ JACK L. WYSZOMIERSKI Jack L. Wyszomierski	Director	February 29, 2016

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/ Appendix Reference	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of Exelixis, Inc.	10-K	000-30235	3.1	3/10/2010	
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Exelixis, Inc.	10-K	000-30235	3.2	3/10/2010	
3.3	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Exelixis, Inc.	8-K	000-30235	3.1	5/25/2012	
3.4	Certificate of Ownership and Merger Merging X-Ceptor Therapeutics, Inc. with and into Exelixis, Inc.	8-K	000-30235	3.1	10/15/2014	
3.5	Certificate of Change of Registered Agent and/or Registered Office of Exelixis, Inc.	8-K	000-30255	3.2	10/15/2014	
3.6	Amended and Restated Bylaws of Exelixis, Inc.	8-K	000-30235	3.1	12/5/2011	
4.1	Specimen Common Stock Certificate.	S-1, as amended	333-96335	4.1	4/7/2000	
4.2	Amended and Restated Secured Convertible Note dated July 1, 2015 in favor of Deerfield Partners, L.P.	10-Q	000-30235	4.2	8/11/2015	
4.3	Amended and Restated Secured Convertible Note dated July 1, 2015 in favor of Deerfield International Master Fund, L.P.	10-Q	000-30235	4.3	8/11/2015	
4.4	Registration Rights Agreement dated January 22, 2014 by and among Exelixis, Inc., Deerfield Partners, L.P. and Deerfield International Master Fund, L.P.	8-K	000-30235	4.2	1/22/2014	
4.5	Form of Warrant to Purchase Common Stock of Exelixis, Inc. issued to OTA LLC	10-Q	000-30235	4.5	11/10/2015	
4.6	Indenture dated August 14, 2012 by and between Exelixis, Inc. and Wells Fargo Bank, National Association	8-K	000-30235	4.1	8/14/2012	
4.7	First Supplemental Indenture dated August 14, 2012 to Indenture dated August 14, 2012 by and between Exelixis, Inc. and Wells Fargo Bank, National Association	8-K	000-30235	4.2	8/14/2012	
4.8	Form of 4.25% Convertible Senior Subordinated Note due 2019	8-K	000-30235	4.2 (Exhibit A)	8/14/2012	
10.1†	Form of Indemnity Agreement.	S-1,	333-96335	10.1	3/17/2000	

		as amended			
10.2†	2000 Equity Incentive Plan.	10-Q	000-30235	10.1	5/3/2007
10.3†	Form of Stock Option Agreement under the 2000 Equity Incentive Plan (early exercise permissible).	10-Q	000-30235	10.2	11/8/2004
10.4†	Form of Stock Option Agreement under the 2000 Equity Incentive Plan (early exercise may be restricted).	8-K	000-30235	10.1	12/15/2004

Table of Contents

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/ Appendix Reference	Filing Date	
10.5†	Form of Restricted Stock Unit Agreement under the 2000 Equity Incentive Plan.	10-K	000-30235	10.6	3/10/2010	
10.6†	2000 Non-Employee Directors' Stock Option Plan.	10-K	000-30235	10.6	2/20/2014	
10.7†	Form of Stock Option Agreement under the 2000 Non-Employee Directors' Stock Option Plan.	10-K	000-30235	10.7	2/22/2011	
10.8†	2000 Employee Stock Purchase Plan.	Schedule 14A	000-30235	A	4/13/2009	
10.9†	2011 Equity Incentive Plan.	8-K	000-30235	10.1	5/24/2011	
10.10†	Form of Stock Option Agreement under the 2011 Equity Incentive Plan	10-Q	000-30235	10.3	8/4/2011	
10.11†	Form of Restricted Stock Unit Agreement under the 2011 Equity Incentive Plan	10-Q	000-30235	10.4	8/4/2011	
10.12†	Form of Stock Option Agreement (International) under the Exelixis, Inc. 2011 Equity Incentive Plan	10-Q	000-30235	10.6	7/31/2014	
10.13†	Exelixis, Inc. 2014 Equity Incentive Plan	8-K	000-30235	10.1	5/29/2014	
10.14†	Form of Stock Option Agreement under the Exelixis, Inc. 2014 Equity Incentive Plan	10-Q	000-30235	10.2	7/31/2014	
10.15†	Form of Stock Option Agreement (International) under the Exelixis, Inc. 2014 Equity Incentive Plan	10-Q	000-30235	10.3	7/31/2014	
10.16†	Form of Stock Option Agreement (Non-Employee Director) under the Exelixis, Inc. 2014 Equity Incentive Plan	10-Q	000-30235	10.4	7/31/2014	
10.17†	Form of Restricted Stock Unit Agreement under the Exelixis, Inc. 2014 Equity Incentive Plan	10-Q	000-30235	10.5	7/31/2014	
1018†	Form of Restricted Stock Unit Agreement (Non-Employee Director) under the 2014 Equity Incentive Plan	8-K	000-30235	10.1	10/16/2014	
10.19†	Non-Employee Director Equity Compensation Policy under the 2014 Equity Incentive Plan					X
10.20†	Offer Letter Agreement, dated February 3, 2000, between Michael Morrissey, Ph.D., and Exelixis, Inc.	10-Q	000-30235	10.43	8/5/2004	
10.21†	Offer Letter Agreement, dated June 30, 2015, between Christopher Senner, and Exelixis, Inc.	10-Q	000-30235	10.5	11/10/2015	

10.22†	Offer Letter Agreement, dated June 20, 2006, between Exelixis, Inc. and Gisela M. Schwab, M.D.	8-K	000-30235	10.1	6/26/2006	
10.23†	Offer Letter Agreement, dated February 10, 2014, between Exelixis, Inc. and Jeffrey J. Hessekiel.	10-Q	000-30235	10.4	5/1/2014	
10.24†	Offer Letter Agreement, dated August 11, 2000, between Exelixis, Inc. and Peter Lamb.					X

Table of Contents

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/ Appendix Reference	Filing Date	
10.25†	Transition and Consulting Agreement, dated May 7, 2014, between Exelixis, Inc. and Frank Karbe	10-Q	000-30235	10.7	7/31/2014	
10.26†	Offer Letter Agreement, dated May 9, 2005, between Exelixis, Inc. and Deborah Burke	10-Q	000-30235	10.8	7/31/2014	
10.27†	Special One-Time Bonus Memorandum for Deborah Burke dated May 15, 2014	10-Q	000-30235	10.9	7/31/2014	
10.28†	Resignation Agreement dated July 22, 2010, by and between Exelixis, Inc. and George A. Scangos	10-Q	000-30235	10.1	11/4/2010	
10.29†	Compensation Information for Named Executive Officers (2015 cash bonus and 2016 compensation)	8-K	000-30235	Item 5.02 disclosure	2/16/2016	
10.30†	Compensation Information for Non-Employee Directors.	10-Q	000-30235	10.3	5/1/2014	
10.31†	Exelixis, Inc. Change in Control and Severance Benefit Plan, as amended and restated.	10-Q	000-30235	10.2	10/27/2011	
10.32	Lease, dated May 12, 1999, between Britannia Pointe Grand Limited Partnership and Exelixis, Inc.	S-1, as amended	333-96335	10.11	2/7/2000	
10.33	First Amendment, dated March 29, 2000, to Lease, dated May 12, 1999, between Britannia Pointe Grand Limited Partnership and Exelixis, Inc.	10-Q	000-30235	10.1	5/15/2000	
10.34	Second Amendment, dated January 31, 2001, to Lease dated May 12, 1999, between Britannia Pointe Grand Limited Partnership and Exelixis, Inc.	S-1, as amended	333-152166	10.44	7/7/2008	
10.35	Third Amendment, dated May 24, 2001, to Lease dated May 12, 1999, between Britannia Pointe Grand Limited Partnership and Exelixis, Inc.	10-K	000-30235	10.46	2/22/2011	
10.36	Partial Lease Termination Agreement dated June 30, 2015, by and between Britannia Pointe Grand Limited Partnership and Exelixis, Inc.	10-Q	000-30235	10.1	8/11/2015	
10.37	Lease Agreement, dated May 24, 2001, between Britannia Pointe Grand Limited Partnership and Exelixis, Inc.	10-Q	000-30235	10.48	8/5/2004	
10.38	First Amendment, dated February 28, 2003, to Lease, dated May 24, 2001, between Britannia Pointe Grand	S-1, as amended	333-152166	10.46	7/7/2008	

10.39	Limited Partnership and Exelixis, Inc. Second Amendment, dated July 20, 2004, to Lease, dated May 24, 2001, between Britannia Pointe Grand	10-Q	000-30235	10.49	8/5/2004
10.40	Limited Partnership and Exelixis, Inc. Lease Agreement, dated May 27, 2005, between Exelixis, Inc. and Britannia Pointe Grand Limited Partnership.	8-K	000-30235	10.1	5/27/2005
10.41	Sublease, dated July 25, 2011, between Exelixis, Inc. and Nodality, Inc.	10-Q	000-30235	10.3	10/27/2011

Table of Contents

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/ Appendix Reference	Filing Date	
10.42	Consent to Sublease, dated August 16, 2011, by and among HCP Life Science REIT, Inc., Exelixis, Inc., and Nodality, Inc.	10-Q	000-30235	10.4	10/27/2011	
10.43	Side Letter dated April 12, 2012 to Sublease between Exelixis, Inc. and Nodality, Inc.	10-Q	000-30235	10.1	8/2/2012	
10.44	First Amendment to Sublease dated effective June 1, 2012 by and between Exelixis, Inc. and Nodality, Inc.	10-Q	000-30235	10.2	8/2/2012	
10.45	Consent of Landlord dated June 1, 2012 to First Amendment to Sublease dated effective June 1, 2012 by and between Exelixis, Inc. and Nodality, Inc.	10-Q	000-30235	10.3	8/2/2012	
10.46	Second Amendment to Sublease dated effective July 1, 2015 by and between Exelixis, Inc. and Nodality, Inc.	10-Q	000-30235	10.2	8/11/2015	
10.47	First Amendment to Consent to Sublease Agreement dated effective July 1, 2015 by and among Britannia Pointe Grand Limited Partnership, Exelixis, Inc. and Nodality, Inc.	10-Q	000-30235	10.3	8/11/2015	
10.48	Sublease, dated July 25, 2011, between Exelixis, Inc. and Threshold Pharmaceuticals, Inc.	10-Q	000-30235	10.5	10/27/2011	
10.49	Consent to Sublease, dated August 19, 2011, by and among HCP Life Science REIT, Inc., Exelixis, Inc., and Threshold Pharmaceuticals, Inc.	10-Q	000-30235	10.6	10/27/2011	
10.50	First Amendment to Sublease dated effective October 1, 2013 by and between Exelixis, Inc. and Threshold Pharmaceuticals, Inc.	10-Q	000-30235	10.4	8/11/2015	
10.51	First Amendment to Consent to Sublease Agreement dated effective October 1, 2013 by and among Britannia Pointe Grand Limited Partnership, Exelixis, Inc. and Threshold Pharmaceuticals, Inc.	10-Q	000-30235	10.5	8/11/2015	
10.52	Second Amendment to Sublease dated effective July 1, 2015 by and between Exelixis, Inc. and Threshold Pharmaceuticals, Inc.	10-Q	000-30235	10.6	8/11/2015	
10.53		10-Q	000-30235	10.7	8/11/2015	

	Second Amendment to Consent to Sublease Agreement dated effective July 1, 2015 by and among Britannia Pointe Grand Limited Partnership, Exelixis, Inc. and Threshold Pharmaceuticals, Inc.				
10.54	Sublease Agreement, dated August 5, 2013, by and between Exelixis, Inc. and Sutro Biopharma, Inc.	10-Q	000-30235	10.2	10/30/2013
10.55	Consent to Sublease Agreement, dated August 5, 2013, by and among Britannia Pointe Limited Grand Partnership, Exelixis, Inc. and Sutro Biopharma, Inc.	10-Q	000-30235	10.3	10/30/2013
10.56	Loan and Security Agreement, dated May 22, 2002, by and between Silicon Valley Bank and Exelixis, Inc.	10-Q	000-30235	10.34	8/6/2002

Table of Contents

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/ Appendix Reference	Filing Date	
10.57	Loan Modification Agreement, dated December 21, 2004, between Silicon Valley Bank and Exelixis, Inc.	8-K	000-30235	10.1	12/23/2004	
10.58	Amendment No. 7, dated December 21, 2006, to the Loan and Security Agreement, dated May 22, 2002, between Silicon Valley Bank and Exelixis, Inc.	8-K	000-30235	10.1	12/27/2006	
10.59	Amendment No. 8, dated December 21, 2007, to the Loan and Security Agreement, dated May 22, 2002, between Silicon Valley Bank and Exelixis, Inc.	8-K	000-30235	10.1	12/26/2007	
10.60	Amendment No. 9, dated December 22, 2009, to the Loan and Security Agreement, dated May 22, 2002, between Silicon Valley Bank and Exelixis, Inc.	8-K	000-30235	10.1	12/23/2009	
10.61*	Amendment No. 10, dated June 2, 2010, to the Loan and Security Agreement, dated May 22, 2002, by and between Silicon Valley Bank and Exelixis, Inc.	10-Q	000-30235	10.3	8/5/2010	
10.62*	Amendment No. 11, dated August 18, 2011, to the Loan and Security Agreement, dated May 22, 2002, by and between Silicon Valley Bank and Exelixis, Inc.	10-Q	000-30235	10.7	10/27/2011	
10.63	Note Purchase Agreement, dated June 2, 2010, by and between Deerfield Private Design Fund, L.P., Deerfield Private Design International, L.P. and Exelixis, Inc.	10-Q	000-30235	10.1	8/5/2010	
10.64	Consent and Amendment dated as of August 6, 2012 to Note Purchase Agreement, dated as of June 2, 2010, between Exelixis, Inc., Deerfield Private Design Fund, L.P. and Deerfield Private Design International, L.P.	8-K	000-30235	10.1	8/6/2012	
10.65	Amendment No. 2 dated as of August 1, 2013 to Note Purchase Agreement, dated as of June 2, 2010, between Exelixis, Inc., Deerfield Private Design Fund, L.P. and Deerfield	10-Q	000-30235	10.1	10/30/2013	

	Private Design International, L.P. Amendment No. 3 dated as of January 22, 2013 to Note Purchase Agreement, dated as of June 2, 2010, by and among Exelixis, Inc., Deerfield Private Design Fund, L.P., Deerfield Private Design International, L.P., Deerfield Partners L.P. and Deerfield International Master Fund, L.P.				
10.66		8-K	000-30235	10.1	1/22/2014
	Amendment No. 4 dated as of July 10, 2014 to Note Purchase Agreement, dated as of June 2, 2010, by and among Exelixis, Inc., Deerfield Private Design Fund, L.P., Deerfield Private Design International, L.P., Deerfield Partners L.P. and Deerfield International Master Fund, L.P.				
10.67		10-Q	000-30235	10.1	11/4/2014

Table of Contents

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/ Appendix Reference	Filing Date	
10.68	Security Agreement, dated July 1, 2010, by and between Deerfield Private Design Fund, L.P., Deerfield Private Design International, L.P. and Exelixis, Inc.	10-Q	000-30235	10.2	8/5/2010	
10.69*	Collaboration Agreement, dated December 22, 2006, between Exelixis, Inc. and Genentech, Inc.	10-K	000-30235	10.39	2/27/2007	
10.70*	First Amendment, dated March 13, 2008, to the Collaboration Agreement, dated December 22, 2006, between Exelixis, Inc. and Genentech, Inc.	10-Q	000-30235	10.1	5/6/2008	
10.71	Second Amendment, dated April 30, 2010, to the Collaboration Agreement, dated December 22, 2006, between Exelixis, Inc. and Genentech, Inc.	10-Q	000-30235	10.5	8/5/2010	
10.72*	License Agreement, dated May 27, 2009, between Exelixis, Inc. and Sanofi.	10-Q, as amended	000-30235	10.1	7/30/2009	
10.73*	Collaboration Agreement, dated May 27, 2009, between Exelixis, Inc. and Sanofi	10-Q	000-30235	10.1	7/31/2014	
10.74	Letter, dated May 27, 2009, relating to regulatory filings for the Collaboration Agreement, dated May 27, 2009, between Exelixis, Inc. and Sanofi.	10-Q, as amended	000-30235	10.3	7/30/2009	
10.75*	Termination Agreement, dated December 22, 2011, between Exelixis, Inc. and Sanofi.	10-K	000-30235	10.83	2/22/2012	
10.76*	Amended and Restated Collaboration Agreement, dated April 15, 2011, by and between Exelixis, Inc., Exelixis Patent Company, LLC., and Bristol-Myers Squibb Company.	10-Q	000-30235	10.6	8/4/2011	
10.77*	Amended and Restated Collaboration Agreement, dated April 15, 2011, by and between Exelixis, Inc., Exelixis Patent Company, LLC., and Bristol-Myers Squibb Company.	10-Q	000-30235	10.5	8/4/2011	
10.78*	Amended and Restated License Agreement, dated April 15, 2011, by and between Exelixis, Inc., Exelixis Patent Company, LLC, and Bristol-Myers Squibb Company.	10-Q	000-30235	10.7	8/4/2011	
10.79*		10-Q	000-30235	10.8	8/4/2011	

10.80*	Amended and Restated Collaboration Agreement, dated April 15, 2011, by and between Exelixis, Inc., Exelixis Patent Company, LLC, and Bristol-Myers Squibb Company. Exclusive License Agreement, dated December 20, 2011, between Exelixis, Inc. and Merck.	10-K	000-30235	10.91	2/22/2012	
12.1	Statement Re Computation of Earnings to Fixed Charges					X
21.1	Subsidiaries of Exelixis, Inc.					X
23.1	Consent of Independent Registered Public Accounting Firm.					X
24.1	Power of Attorney (contained on signature page).					X

Table of Contents

Exhibit Number	Exhibit Description	Incorporation by Reference				Filed Herewith
		Form	File Number	Exhibit/ Appendix Reference	Filing Date	
31.1	Certification required by Rule 13a-14(a) or Rule 15d-14(a).					X
31.2	Certification required by Rule 13a-14(a) or Rule 15d-14(a).					X
32.1‡	Certification by the Chief Executive Officer and the Chief Financial Officer of Exelixis, Inc., as required by Rule 13a-14(b) or 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase					X
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

† Management contract or compensatory plan.

* Confidential treatment granted for certain portions of this exhibit.

‡ This certification accompanies this Annual Report on Form 10-K, 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, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Annual Report on Form 10-K), irrespective of any general incorporation language contained in such filing.