

EXELIXIS INC  
Form DEF 14A  
March 29, 2007

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a)**

**of the Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

**EXELIXIS, INC.**

**(Name of Registrant as Specified in Its Charter)**

---

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

Payment of Filing Fee (Check the appropriate box)

Edgar Filing: EXELIXIS INC - Form DEF 14A

x No fee required.

.. Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

---

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

---

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

---

(4) Proposed maximum aggregate value of transaction:

---

(5) Total fee paid:

---

.. Fee paid previously with preliminary materials:

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

(1) Amount Previously Paid:

---

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

---

(3) Filing Party:

---

(4) Date Filed:

---

170 Harbor Way

P.O. Box 511

South San Francisco, CA 94083-0511

---

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON MAY 1, 2007**

---

**To the Stockholders of Exelixis, Inc.:**

**NOTICE IS HEREBY GIVEN** that the Annual Meeting of Stockholders of Exelixis, Inc., a Delaware corporation ( Exelixis ), will be held on Tuesday, May 1, 2007 at 8:00 a.m., local time, at its offices located at 210 East Grand Avenue, South San Francisco, California 94080 for the following purposes:

1. To elect three Class II directors to hold office until the 2010 Annual Meeting of Stockholders.
2. To ratify the selection of Ernst & Young LLP as Exelixis independent registered public accounting firm for the fiscal year ending December 28, 2007.
3. To transact such other business as may properly come before the Annual Meeting or any adjournment or postponement thereof. The foregoing items of business are more fully described in the Proxy Statement accompanying this Notice.

The Board of Directors has fixed the close of business on March 5, 2007 as the record date for the determination of stockholders entitled to notice of and to vote at this Annual Meeting and at any adjournment or postponement thereof.

By Order of the Board of Directors

/s/ GEORGE SCANGOS  
George Scangos  
*Chief Executive Officer and President*

South San Francisco, California

March 29, 2007

**ALL STOCKHOLDERS ARE CORDIALLY INVITED TO ATTEND THE ANNUAL MEETING IN PERSON. WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD AS PROMPTLY AS POSSIBLE IN ORDER TO ENSURE YOUR REPRESENTATION AT THE ANNUAL MEETING. A RETURN ENVELOPE (WHICH IS POSTAGE PREPAID IF MAILED IN THE UNITED STATES) IS ENCLOSED FOR THAT PURPOSE. EVEN IF YOU HAVE GIVEN YOUR PROXY, YOU MAY STILL VOTE IN PERSON IF YOU ATTEND THE ANNUAL MEETING. PLEASE NOTE, HOWEVER, THAT IF YOUR SHARES ARE HELD OF RECORD BY A BROKER,**

**BANK OR OTHER NOMINEE AND YOU WISH TO VOTE AT THE ANNUAL MEETING, YOU MUST OBTAIN FROM THE RECORD HOLDER A PROXY ISSUED IN YOUR NAME. YOU MAY ALSO BE ABLE TO SUBMIT YOUR PROXY VIA THE INTERNET OR BY TELEPHONE. PLEASE REFER TO THE INFORMATION PROVIDED WITH YOUR PROXY CARD OR VOTING INSTRUCTION FORM FOR FURTHER INFORMATION.**

170 Harbor Way

P.O. Box 511

South San Francisco, CA 94083-0511

---

**PROXY STATEMENT**

**FOR THE 2007 ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON MAY 1, 2007**

---

**QUESTIONS AND ANSWERS ABOUT THE PROXY MATERIALS AND THE ANNUAL MEETING**

**Why am I receiving these materials?**

We have sent you this proxy statement and the enclosed proxy card because the Board of Directors of Exelixis (the Board) is soliciting your proxy to vote at the 2007 Annual Meeting of Stockholders. The Annual Meeting will take place on May 1, 2007 at 8:00 a.m., local time, at Exelixis offices located at 210 East Grand Avenue, South San Francisco, California 94080. You are invited to attend the Annual Meeting, and we request that you vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, date, sign and return the enclosed proxy card, or follow the instructions below to submit your proxy by telephone or via the Internet.

We intend to mail this proxy statement and accompanying proxy card on or about March 29, 2007 to all stockholders of record entitled to vote at the Annual Meeting.

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

Only stockholders of record at the close of business on March 5, 2007 will be entitled to vote at the Annual Meeting. On the record date, there were approximately 96,631,531 shares of common stock outstanding and entitled to vote.

*Stockholder of Record: Shares Registered in Your Name*

If on March 5, 2007 your shares were registered directly in your name with our transfer agent, Mellon Investor Services, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to fill out and return the enclosed proxy card, or vote by telephone or via the Internet as instructed below, to ensure that your vote is counted.

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

If on March 5, 2007 your shares were held electronically in an account at a brokerage firm, bank, dealer or other similar organization, then you are the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by that organization. The organization holding your account is considered the stockholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to direct your broker or other agent on how to vote the shares in your account. You are also invited to attend the Annual Meeting. However, since you are not the stockholder of record, you may not vote your shares in person at the meeting unless you request and obtain a valid proxy from your broker or other agent.

**What am I voting on?**

There are two matters scheduled for a vote:

election of three Class II directors to hold office until the 2010 Annual Meeting of Stockholders; and

ratification of the selection of Ernst & Young LLP as Exelixis independent registered public accounting firm for the fiscal year ending December 28, 2007.

**How do I vote?**

You may either vote For all the nominees to the Board or you may Withhold your vote for any nominee you specify. For any other matter to be voted on, you may vote For or Against or Abstain from voting. The procedures for voting are explained below:

*Stockholder of Record: Shares Registered in Your Name*

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

To vote in person, come to the Annual Meeting. We will give you a ballot at the Annual Meeting.

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

To vote by telephone, dial toll-free 1-866-540-5760 from the United States using a touch-tone phone and follow the recorded instructions. Votes submitted by telephone must be received by 11:59 p.m., Eastern Time, on April 30, 2007. Submitting your proxy by telephone will not affect your right to vote in person should you decide to attend the Annual Meeting.

To vote via the Internet, go to [www.proxyvoting.com/exel](http://www.proxyvoting.com/exel) to complete an electronic proxy card. Votes submitted via the Internet must be received by 11:59 p.m., Eastern Time, on April 30, 2007. Submitting your proxy via the Internet will not affect your right to vote in person should you decide to attend the Annual Meeting.

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

Most beneficial owners whose stock is held in street name receive voting instruction forms from their banks, brokers or other agents, rather than the proxy card. You must follow these instructions in order for your bank, broker or other agent to vote your shares per your instructions. A number of brokers and banks are participating in a program provided through ADP Investor Communication Services that offers the means to grant proxies to vote shares by telephone and via the Internet. If your shares are held in an account with a broker or bank participating in the ADP Investor Communications Services program, you may grant a proxy to vote those shares telephonically by calling the telephone number shown on the instruction form received from your broker or bank, or via the Internet at ADP Investor Communication Services website at [www.proxyvote.com](http://www.proxyvote.com). Votes submitted via the Internet or by telephone must be received by 11:59 p.m., Eastern Time, on April 30, 2007. To vote in person at the Annual Meeting, you must obtain a valid proxy from your broker, bank or other agent. Follow the instructions from your broker or bank included with these proxy materials, or contact your broker or bank to request a proxy form.

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

**How many votes do I have?**

On each matter to be voted upon, you have one vote for each share of common stock you owned as of March 5, 2007.





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

If you return a signed and dated proxy card without marking any voting selections, your shares will be voted For the election of each of the three nominees for director and For the ratification of the selection of Ernst & Young LLP as Exelixis independent registered public accounting firm for the fiscal year ending December 28, 2007. If any other matter is properly presented at the meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

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

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

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

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

**Can I revoke my proxy?**

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

*Stockholder of Record: Shares Registered in Your Name*

Your proxy may be revoked by filing with the Secretary of Exelixis at the company's principal executive office, Exelixis, Inc., 170 Harbor Way, P.O. Box 511, South San Francisco, California 94083-0511, either (1) a written notice of revocation or (2) a duly executed proxy card bearing a later date.

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

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

If your shares are held by your broker or bank as nominee or agent, you should follow the instructions provided by your broker or bank to revoke any prior voting instructions.

**What is the deadline for submitting stockholder proposals for the 2008 Annual Meeting?**

To be considered for inclusion in the 2008 proxy materials, your proposal must be submitted in writing by November 30, 2007 to Exelixis Secretary at Exelixis, Inc., 170 Harbor Way, P.O. Box 511, South San Francisco, California 94083-0511. However, if our 2008 Annual Meeting of Stockholders is not held between April 1, 2008 and May 31, 2008, then the deadline will be a reasonable time prior to the time that we begin to print and mail our proxy materials.

If you wish to submit a proposal or nominate a director at the 2008 Annual Meeting of Stockholders, but you are not requesting that your proposal or nomination be included in next year's proxy materials, you must

submit your proposal in writing, in the manner set forth in our Bylaws, to Exelixis Secretary at Exelixis, Inc., 170 Harbor Way, P.O. Box 511, South San Francisco, California 94083-0511 no earlier than the close of business on February 1, 2008, and no later than the close of business on March 2, 2008. However, if our 2008 Annual Meeting of Stockholders is not held between April 1, 2008 and May 31, 2008, then you must notify Exelixis Secretary, in writing, not earlier than the close of business on the 90th day prior to the date of the 2008 Annual Meeting of Stockholders and not later than the close of business on the later of (i) the 60th day prior to the date of the 2008 Annual Meeting of Stockholders or (ii) if we publicly announce the date of the 2008 Annual Meeting of Stockholders fewer than 70 days prior to the date of the 2008 Annual Meeting of Stockholders, the 10th day following the day that we first make a public announcement of the date of the 2008 Annual Meeting of Stockholders. We also advise you to review our Bylaws, which contain additional requirements about advance notice of stockholder proposals and director nominations. The chairperson of the 2008 Annual Meeting of Stockholders may determine, if the facts warrant, that a matter has not been properly brought before the meeting and, therefore, may not be considered at the meeting. In addition, if you do not also comply with the requirements of Rule 14a-4(c)(2) under the Securities Exchange Act of 1934, our management will have discretionary authority to vote all shares for which it has proxies in opposition to any such stockholder proposal or director nomination.

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

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

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

For the election of directors, the three Class II nominees receiving the most For votes (among votes properly cast in person or by proxy) will be elected. Only votes For or Withhold will affect the outcome.

To be approved, Proposal 2, the ratification of the selection of Ernst & Young LLP as Exelixis independent registered public accounting firm for the fiscal year ending December 28, 2007, must receive a For vote from the majority of shares present and entitled to vote either in person or by proxy. If you Abstain from voting, it will have the same effect as an Against vote. Broker non-votes will have no effect.

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

A quorum of stockholders is necessary to hold a valid meeting. A quorum will be present if at least a majority of the outstanding shares entitled to vote are represented by votes at the meeting or by proxy. On the record date, there were approximately 96,631,531 shares outstanding and entitled to vote.

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

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

Preliminary voting results will be announced at the Annual Meeting. Final voting results will be published in our quarterly report on Form 10-Q for the second quarter of 2007.

**Proposal 1**

**Election of Class II Directors**

Our Certificate of Incorporation and Bylaws provide that the Board shall be divided into three classes, each class consisting, as nearly as possible, of one third of the total number of directors, with each class having a three-year term. Vacancies on the Board may be filled only by persons elected by a majority of the remaining directors. A director elected by the Board to fill a vacancy (including a vacancy created by an increase in the number of directors) shall serve for the remainder of the full term of the class of directors in which the vacancy occurred and until such director's successor is elected and qualified, or until such director's earlier death, resignation or removal. The authorized number of directors is ten and the Board is presently comprised of ten members. The Board has determined that Drs. Cohen, Garber, Marchesi, McCormick, Papadopoulos, Poste and Willsey and Messrs. Wyszomierski and Feldbaum, who are nine of the ten members of the Board, represent a majority on the Board and are independent (as independence is currently defined by the listing standards of the Nasdaq Stock Market).

There are three directors in Class II, the class whose term of office expires in 2007. Proxies may not be voted for more than three directors. Each of the nominees for election to this class is currently a director of Exelixis, but only Dr. Marchesi was previously elected by the stockholders. Dr. Garber was originally elected to the Board in January 2005, and Mr. Feldbaum in February 2007, each upon the recommendation of the Nominating and Corporate Governance Committee. Both Dr. Garber and Mr. Feldbaum had been recommended to the Nominating and Corporate Governance Committee by members of the Board. If elected at the Annual Meeting, each of the nominees would serve until the 2010 Annual Meeting of Stockholders and until his successor is elected and qualified, or until such director's earlier death, resignation or removal.

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

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

**Class II Nominees for Election for a Three-Year Term expiring at the 2010 Annual Meeting**

*Alan M. Garber, M.D., Ph.D.*, age 51, has been a director since January 2005. Dr. Garber has been the Henry J. Kaiser Jr. Professor and a Professor of Medicine at Stanford University since 1998. Dr. Garber is also a Professor (by courtesy) of Economics, Business, and Health Research and Policy at Stanford University. Dr. Garber is the Director of the Center for Primary Care and Outcomes Research at Stanford University School of Medicine, the Center for Health Policy at Stanford University and the Health Care Program of the National Bureau of Economic Research. He is a Senior Fellow at the Institute for International Studies at Stanford University and a staff physician at the VA Palo Alto Health Care System. Dr. Garber consults for numerous prestigious organizations, is on the editorial board of acclaimed scientific journals and has received numerous awards and honors. Dr. Garber holds an A.B. summa cum laude, an A.M. and a Ph.D., all in Economics from Harvard University, and an M.D. from Stanford University.

*Vincent T. Marchesi, M.D., Ph.D.*, age 71, has been a director since May 2001. Since 1973, Dr. Marchesi has been a Professor of Pathology and Cell Biology at Yale University and, since 1991, the Director of the Boyer Center for Molecular Medicine at Yale University. In 1982, Dr. Marchesi co-founded Molecular Diagnostics, Inc., a diagnostic development company. Dr. Marchesi was formerly Chair of Pathology at the Yale-New Haven Hospital. Dr. Marchesi holds an M.D. from Yale University and a Ph.D. from Oxford University, and is a member of the National Academy of Sciences and the Institute of Medicine.

*Carl B. Feldbaum, Esq.*, age 63, has been a director since February 2007. Mr. Feldbaum is president emeritus of the Biotechnology Industry Organization (BIO), which represents more than 1,000 biotechnology companies, academic institutions and state biotechnology centers internationally. Mr. Feldbaum served as president of BIO from 1993 until his retirement in 2005. Prior to joining BIO, Mr. Feldbaum was chief of staff to Senator Arlen Specter of Pennsylvania. He also was president and founder of the Palomar Corporation, a national security think tank in Washington, D.C. Before founding Palomar Corporation, Mr. Feldbaum was assistant to the Secretary of Energy and served as the Inspector General for defense intelligence in the U.S. Department of Defense. Mr. Feldbaum received a bachelor's degree in Biology from Princeton University and his law degree from the University of Pennsylvania Law School.

**The Board Recommends a Vote in Favor of Each Named Nominee.**

**Class III Directors Continuing in Office until the 2008 Annual Meeting**

*Stelios Papadopoulos, Ph.D.*, age 58, a co-founder of Exelixis, has been a director since December 1994 and the Chairman of the Board since January 1998. Dr. Papadopoulos retired as Vice Chairman of Cowen & Co., LLC in August 2006 after six years as an investment banker with the firm, where he focused on the biotechnology and pharmaceutical sectors. Prior to joining Cowen & Co., he spent 13 years as an investment banker at PaineWebber, Incorporated, where he was most recently Chairman of PaineWebber Development Corp., a PaineWebber subsidiary focusing on biotechnology. He joined PaineWebber in April 1987 from Drexel Burnham Lambert, where he was a Vice President in the Equity Research Department covering the biotechnology industry. Prior to Drexel, he was a biotechnology analyst at Donaldson, Lufkin & Jenrette. Before coming to Wall Street in 1985, Dr. Papadopoulos was on the faculty of the Department of Cell Biology at New York University Medical Center. He continues his affiliation with New York University Medical Center as an Adjunct Associate Professor of Cell Biology. Dr. Papadopoulos is a co-founder and member of the board of directors of Anadys Pharmaceuticals, Inc. and Cellzome, Inc. Dr. Papadopoulos holds a Ph.D. in Biophysics and an M.B.A. in Finance, both from New York University.

*George A. Scangos, Ph.D.*, age 58, has served as a director and as Exelixis President and Chief Executive Officer since October 1996. From September 1993 to October 1996, Dr. Scangos served as President of Biotechnology at Bayer Corporation, a pharmaceutical company, and was responsible for research, business and process development, manufacturing, engineering and quality assurance. Dr. Scangos is a member and Chairman of the board of directors of Anadys Pharmaceuticals, Inc. and Entelos, Inc. Dr. Scangos was a Post-Doctoral Fellow at Yale University and a faculty member at Johns Hopkins University. Dr. Scangos currently holds an appointment as Adjunct Professor of Biology at Johns Hopkins University. Dr. Scangos holds a B.A. in Biology from Cornell University and a Ph.D. in Microbiology from the University of Massachusetts.

*Frank McCormick, Ph.D.*, age 56, has been a director since July 2003. Dr. McCormick is Director of the University of California, San Francisco (UCSF) Comprehensive Cancer Center and has been the David A. Wood Professor of Tumor Biology and Cancer Research in the Department of Microbiology and Immunology at UCSF since 1998. From 1992 to 1998, Dr. McCormick was the founder and Chief Scientific Officer at Onyx Pharmaceuticals, Inc., a biotechnology company. From 1991 to 1992, he served as Vice President of Therapeutic Research at Chiron Corporation, a pharmaceutical company, and from 1981 to 1990, he served as Vice President of Discovery Research with Cetus Corporation, a biotechnology company. Dr. McCormick is on the editorial board of some of the most prestigious international cancer publications and serves as a board member or advisor to multiple cancer research organizations. Dr. McCormick was a Post-Doctoral Fellow with Dr. Allen Smith at the Imperial Cancer Research Fund in London, England, and with Professor Seymour S. Cohen at the State University of New York at Stony Brook. Dr. McCormick holds a B.S. in Biochemistry from the University of Birmingham, England and a Ph.D. in Biochemistry from the University of Cambridge, England.

*Lance Willsey, M.D.*, age 45, has been a director since April 1997. Dr. Willsey has been a founding partner of DCF Capital, a hedge fund focused on investing in the life sciences, since July 1998. From July 1997 to July 1998, Dr. Willsey served on the Staff Department of Urologic Oncology at the Dana Farber Cancer Institute at

Harvard University School of Medicine. From July 1996 to July 1997, Dr. Willsey served on the Staff Department of Urology at Massachusetts General Hospital at Harvard University School of Medicine, where he was a urology resident from July 1992 to July 1996. Dr. Willsey is a member of the board of directors of Exact Sciences Corporation, a biotechnology company. Dr. Willsey holds a B.S. in Physiology from Michigan State University and an M.S. in Biology and an M.D., both from Wayne State University.

#### **Class I Directors Continuing in Office until the 2009 Annual Meeting**

*Charles Cohen, Ph.D.*, age 56, has been a director since November 1995. Since May 2003, Dr. Cohen has been a Vice President of Advent International, a global private equity firm. Currently, Dr. Cohen is the Chairman of the Supervisory Board of Cellzome AG, a post-genomics biotechnology company. From 2000 to 2002, Dr. Cohen was the Chief Executive Officer of Cellzome AG. Prior to that, Dr. Cohen co-founded Creative BioMolecules, Inc., a biotechnology company, in 1982 and was a director and its Chief Executive Officer from 1985 to 1995. Dr. Cohen serves on the board of directors of Anesiva, Inc., a biopharmaceutical company and several private companies. Dr. Cohen has been the Chief Executive Officer of several companies. Dr. Cohen received his Ph.D. from New York University of Medicine.

*George Poste, D.V.M., Ph.D.*, age 62, has been a director since August 2004. Dr. Poste has been the director of the Biodesign Institute at Arizona State University since May 2003. Dr. Poste has also served as the Chief Executive Officer of Health Technology Networks, a consulting company that specializes in the application of genomic technologies and computing in healthcare, since 1999. From 1992 to 1999, he was the Chief Science and Technology Officer and President, R&D of SmithKline Beecham Corporation, a pharmaceutical company. Dr. Poste serves on the Defense Science Board of the U.S. Department of Defense (and chairs the Task Force on Bioterrorism) and is a member of other organizations dedicated to advance the defense against bioweapons and biowarfare. Dr. Poste is also the Non-Executive Chairman of Orchid Biosciences, Inc., a biotechnology company, and a member of the board of directors of Monsanto Company, a provider of agricultural products and solutions. Dr. Poste is a Fellow of the Royal Society, the Academy of Medical Sciences, Pembroke College Cambridge, Hoover Institution, Stanford University, and various other prestigious organizations and has been awarded honorary doctorates from several universities. Dr. Poste holds a D.V.M. and a Ph.D. in Virology from the University of Bristol, England.

*Jack L. Wyszomierski*, age 51, has been a director since February 2004. Since 2004, Mr. Wyszomierski has been the Executive Vice President and Chief Financial Officer of VWR International, Inc., a supplier of laboratory supplies, equipment and supply chain solutions to the global research laboratory industry. From 1982 to 2003, Mr. Wyszomierski held positions of increasing responsibility within the finance group at Schering-Plough Corporation, a health care company, culminating with his appointment as Executive Vice President and Chief Financial Officer in 1996. Prior to joining Schering-Plough, he was responsible for capitalization planning at Joy Manufacturing Company, a producer of mining equipment, and was a management consultant at Data Resources, Inc. Mr. Wyszomierski holds a M.S. in Industrial Administration and a B.S. in Administration, Management Science and Economics from Carnegie Mellon University.

#### **Corporate Governance**

*Corporate Governance Guidelines.* The Board has adopted written corporate governance guidelines, which may be viewed at [www.exelixis.com](http://www.exelixis.com).<sup>1</sup> These guidelines include guidelines for determining director independence and qualifications for directors. The Board regularly reviews, and modifies from time to time, the corporate governance guidelines, Board committee charters and Board practices.

*Code of Business Conduct and Ethics.* We have adopted a Code of Business Conduct and Ethics that applies to all directors, officers and employees, including the principal executive officer, principal financial officer and principal accounting officer. Our Code of Business Conduct and Ethics may be viewed at [www.exelixis.com](http://www.exelixis.com).<sup>1</sup>

---

<sup>1</sup> The information on our website is not a part of this Proxy Statement.

*Director Independence.* We have adopted standards for director independence pursuant to Nasdaq listing standards and rules of the Securities and Exchange Commission ( SEC ), which require that a majority of the members of a company s board of directors must qualify as independent, as affirmatively determined by the board of directors. An independent director means a person other than an officer or employee of the company or one of our subsidiaries, or another individual having a relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. For all of its directors other than Dr. Scangos, the Board has determined that neither the director nor his immediate family members has any direct or indirect material relationship with the company. In making its determination, the Board considered transactions, relationships and arrangements with each of the directors and concluded that none of the non-employee directors has any relationships with us that would impair his independence under applicable Nasdaq listing standards and SEC rules. Dr. Scangos did not meet the independence standards because he is an employee of the company. In addition, the Board has also determined that: (i) all directors who serve on the Audit, Compensation and Nominating and Corporate Governance Committees are independent under applicable Nasdaq listing standards and SEC rules; and (ii) all members of the Audit Committee meet the additional independence requirement that they do not directly or indirectly receive compensation from us other than their compensation as directors.

*Stockholder Communications with the Board.* Security holders may send communications to the Board by mail at 170 Harbor Way, P.O. Box 511, South San Francisco, California 94083-0511, by facsimile at (650) 837-8300 or by e-mail at info@exelixis.com, each of the foregoing sent Attn: Board of Directors.

### **Board Committees and Meetings**

During the year ended December 29, 2006, the Board held five meetings. As required under applicable listing standards of the Nasdaq Stock Market, during the year ended December 29, 2006, our independent directors met four times in regularly scheduled executive sessions at which only independent directors were present. During the year ended December 29, 2006, all of our directors attended at least 75% of the total meetings of the Board and of the committees on which they served during the period for which they were a director or committee member, respectively.

In 2006, the Board had an Audit Committee, Nominating and Corporate Governance Committee, Compensation Committee and Research and Development Committee.

#### *Audit Committee*

The Audit Committee of the Board oversees the company s corporate accounting and financial reporting process, ensures the integrity of our financial statements and has been designated as the Qualified Legal Compliance Committee within the meaning of Rule 205.2(k) of Title 17, Chapter II of the Code of Federal Regulations. The Audit Committee performs several functions, such as evaluating the performance of, and assessing the qualifications of, the independent registered public accounting firm; determining on behalf of the Board whether to retain or terminate the existing independent registered public accounting firm or to appoint and engage a new independent registered public accounting firm; reviewing and approving the engagement of the independent registered public accounting firm to perform any proposed permissible services and appropriate compensation thereof; reviewing and approving all related party transactions; establishing procedures, as required under applicable law, for the receipt, retention and treatment of complaints received by the company regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters; reviewing the financial statements to be included in our Annual Report on Form 10-K; discussing with management and the independent registered public accounting firm the results of the annual audit and the results of our quarterly financial statement reviews; and resolving any disagreements between the independent registered public accounting firm and management. The Audit Committee also has the specific responsibilities and authority necessary to comply with the listing standards of the Nasdaq Stock Market applicable to audit committees.

During 2006, the Audit Committee was comprised of three independent directors, Drs. Cohen and Willsey and Mr. Wyszomierski (chairman). The Board has determined that Mr. Wyszomierski is an audit committee financial expert as defined in applicable SEC rules. The Audit Committee met five times during the year ended December 29, 2006. The Audit Committee's report is set forth in Report of the Audit Committee below. The Audit Committee has adopted a written charter, which is attached as Appendix A to this proxy statement.

*Nominating and Corporate Governance Committee*

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

During 2006, the Nominating and Corporate Governance Committee was comprised of three independent directors, Drs. Garber (chairman), Marchesi and Poste. Effective February 8, 2007, the Committee's membership was changed to consist of Drs. Garber (chairman) and Poste and Mr. Feldbaum. The Nominating and Corporate Governance Committee held two meetings in 2006. The Committee has adopted a written charter, which is attached as Appendix B to this proxy statement. Because we are an emerging biopharmaceutical company with rapidly evolving and expanding research and clinical programs, the Board does not believe that it is appropriate to adopt, and the Nominating and Corporate Governance Committee has not adopted, a formal policy with respect to a fixed set of minimum qualifications for its candidates for membership on the Board. Instead, in considering candidates for directorship, the Nominating and Corporate Governance Committee will generally consider all relevant factors, including the candidate's applicable expertise and demonstrated excellence in his or her field, the usefulness of such expertise to us, the availability of the candidate to devote sufficient time and attention to the affairs of the company, the existence of any relationship that would interfere with the exercise of the candidate's independent judgment, and the candidate's demonstrated character and judgment. In the review process, the Nominating and Corporate Governance Committee evaluates prospective candidates for directorship in the context of the existing membership of the Board (including the qualities and skills of the existing directors), our operating requirements and the long-term interests of our stockholders. The Nominating and Corporate Governance Committee generally will consider and assess all candidates recommended by the directors, officers and security holders. We have also engaged an executive search firm to assist the Committee in identifying and recruiting potential candidates for membership on the Board. The Nominating and Corporate Governance Committee intends to consider security holder recommendations for directors using the same criteria as potential nominees recommended by the members of the Nominating and Corporate Governance Committee or others. The Nominating and Corporate Governance Committee has not received any recommended nominations from any of our stockholders in connection with the 2007 Annual Meeting. Evaluations of candidates generally involve a review of background materials, internal discussions and interviews with selected candidates as appropriate. If after its review, the Nominating and Corporate Governance Committee supports a candidate, it would recommend the candidate for consideration by the full Board.

The Nominating and Corporate Governance Committee will consider director candidates recommended by stockholders. Stockholders who wish to recommend individuals for consideration by the Nominating and Corporate Governance Committee to become nominees for election to the Board may do so by delivering a written recommendation to the Nominating and Corporate Governance Committee within the timeframe specified in our Bylaws that is applicable to matters to be brought before an Annual Meeting of Stockholders as set forth under Questions and Answers about the Proxy Materials and Voting above. Such communications should be sent to the following address: 170 Harbor Way, P.O. Box 511, South San Francisco, California 94083-0511, Attn: Nominating and Corporate Governance Committee of the Board of Directors. Submissions must include the full name of the proposed nominee, a description of the proposed nominee's business experience for



at least the previous five years, complete biographical information, a description of the proposed nominee's qualifications as a director and a representation that the nominating stockholder is a beneficial or record owner of our stock. Any such submission must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director, if elected.

#### *Compensation Committee*

The purpose of the Compensation Committee is to oversee company's compensation policies, plans and programs, review and determine the compensation to be paid to officers and directors and prepare and review the Compensation Committee's report included in our annual proxy statement in accordance with applicable rules and regulations of the SEC. The Compensation Committee reviews and recommends to the Board the compensation and benefits of all officers, establishes and reviews general policies relating to compensation and benefits of employees, including executive officers, and performs such other functions regarding compensation as the Board may delegate. The Compensation Committee also administers the issuance of stock options and other awards under our stock plans.

During 2006, the Compensation Committee was comprised of three independent directors, Drs. Cohen (chairman), Marchesi and Willsey. The Compensation Committee met five times during the year ended December 29, 2006. The Compensation Committee's report is set forth in Report of the Compensation Committee below. Additional information on the committee's processes and procedures for consideration of executive compensation are addressed in the Compensation and Discussion Analysis below. The Compensation Committee has adopted a written charter, which is attached as Appendix C to this proxy statement.

#### *Research and Development Committee*

The Research and Development Committee, which was established effective January 1, 2006, is responsible for advising the company and the Board on matters of scientific importance as the Board, in consultation with management, may designate from time to time. The Research and Development Committee has adopted a written charter. During 2006, the Research and Development Committee was comprised of two members, Drs. McCormick and Poste (chairman) and met two times. Effective February 8, 2007, the membership of the Research and Development Committee was changed to consist of three members, Drs. McCormick, Marchesi and Poste (chairman).

#### **Annual Meeting; Attendance**

The Board does not have a formal policy with respect to the attendance of its members at Annual Meetings of Stockholders. Dr. Scangos was the only member of the Board in attendance at the 2006 Annual Meeting of Stockholders.

## Compensation of Directors

### Cash Compensation Arrangements

The table below provides information regarding the cash compensation arrangements for our non-employee directors for 2007 and 2006. Dr. Scangos receives no compensation in his capacity as a member of the Board.

#### Cash Compensation

		2007	2006
<b>Board</b>	Retainer Fee	\$ 20,000	\$ 20,000
	Additional Chair Retainer Fee	20,000	10,000
	Regular Meeting Fee	2,500	2,500
	Special Meeting Fee <sup>(1)</sup>	500	500
<b>Audit Committee</b>	Retainer Fee	6,000	6,000
	Additional Chair Retainer Fee	6,000	6,000
	Meeting Fee <sup>(2)</sup>	1,000	1,000
<b>Compensation Committee</b>	Retainer Fee	5,000	5,000
	Additional Chair Retainer Fee	2,500	2,500
	Meeting Fee <sup>(2)</sup>	1,000	1,000
<b>Nominating &amp; Corporate Governance Committee</b>	Retainer Fee	5,000	5,000
	Additional Chair Retainer Fee	2,500	2,500
	Meeting Fee <sup>(2)</sup>	1,000	1,000
<b>Research &amp; Development Committee</b>	Retainer Fee	10,000	10,000
	Additional Chair Retainer Fee	10,000	10,000
	Meeting Fee <sup>(2)</sup>	5,000	5,000

(1) Meeting at which minutes are generated.

(2) In-person meeting or teleconference at which minutes are generated.

### Equity Compensation Arrangements

In January 2000, we adopted the 2000 Non-Employee Directors' Stock Option Plan (the "Directors' Plan") to provide for the automatic grant of options to purchase shares of common stock to directors who are not employees of the company or of any of our affiliates. Such options are granted automatically, without further action by us, the Board or our stockholders. Under the terms of the Directors' Plan, all non-employee directors receive a one-time initial option to purchase 25,000 shares of common stock. In addition, all non-employee directors receive an annual option to purchase 10,000 shares of common stock at the Annual Meeting of Stockholders. Options granted under the Directors' Plan are not intended to qualify as incentive stock options under the Internal Revenue Code of 1986, as amended. The exercise price of options granted under the Directors' Plan is equal to 100% of the fair market value of a share of common stock on the grant date. Under the terms of the Directors' Plan, the initial options to purchase 25,000 shares are immediately exercisable but will vest at the rate of 25% of the shares on the first anniversary of the grant date and monthly thereafter over the next three years. The annual grants to purchase 10,000 shares are exercisable immediately but will vest monthly over a one-year period. As long as the optionholder continues to serve with us or with an affiliate of ours, the option will continue to vest and be exercisable during its term. When the optionholder's service terminates, we will have the right to repurchase any unvested shares at the original exercise price, without interest. All options granted under the Directors' Plan have a term of ten years and are set to terminate three months after a non-employee director's service terminates. In the event of a merger of Exelixis with or into another corporation or a consolidation, acquisition of assets or other change-in-control transaction involving Exelixis, any surviving entity will either assume or replace all outstanding options under the Directors' Plan. Otherwise, the vesting of the options will accelerate.

During the last year, we granted options covering 10,000 shares to each of our non-employee directors, at an exercise price per share of \$10.52, which equaled the fair market value of our common stock at the date of grant (based on the closing sale price reported on the Nasdaq Global Market on the last trading day prior to the day of grant).

### Reimbursement of Expenses

The members of the Board are also eligible for reimbursement of expenses incurred in connection with their attendance of Board meetings in accordance with our policy. In 2006, total reimbursement for such expenses was approximately \$23,261.

### Director Compensation Table

The following table shows compensation information for our non-employee directors for the fiscal year ended December 29, 2006.

#### Director Compensation for Fiscal 2006

Name	Fees			Total (\$)
	Earned or Paid in Cash(\$)	Option Awards(\$)(1)	All Other Compensation (\$)	
Charles Cohen, Ph.D.	\$ 54,000	\$ 53,500	\$	\$ 107,500
Alan M. Garber, M.D., Ph.D.	40,000	76,717		116,717
Vincent T. Marchesi, M.D., Ph.D.	44,000	53,500		97,500
Frank McCormick, Ph.D.	50,000	85,774	1,500 <sup>(2)</sup>	137,274
Stelios Papadopoulos, Ph.D.	40,500	175,783		216,283
George Poste, D.V. M., Ph.D.	65,000	82,128		147,128
Lance Willsey, M.D.	49,000	53,500		102,500
Jack L. Wyszomierski	47,500	84,159		131,659

(1) Amounts shown in this column reflect the compensation costs that we recognized in fiscal 2006 for option awards as determined pursuant to Statement of Financial Accounting Standards No. 123(R), (or FAS 123R ). The assumptions used to calculate the value of option awards are set forth in Note 11 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 29, 2006, filed with the SEC on February 27, 2007. There can be no assurance that the options will ever be exercised (in which case no value will actually be realized by the director) or that the value on exercise will be equal to the FAS 123R value shown in this column.

(2) Dr. McCormick received an honorarium in the amount of \$1,500 in the fiscal year ended December 29, 2006.

#### Compensation Committee Interlocks and Insider Participation

During 2006, the Compensation Committee was comprised of Drs. Cohen, Marchesi and Willsey. None of the members of the Compensation Committee has at any time been an officer or employee of Exelixis, except that Dr. Cohen served as our acting Chief Scientific Officer from December 1995 to April 1997 and was named as an officer of one of our former subsidiaries from 2001 through March 2005, for which he did not receive any compensation. No interlocking relationship exists between the Board or Compensation Committee and the board of directors or compensation committee of any other company, nor has any interlocking relationship existed in the past.

**Report of the Compensation Committee<sup>2</sup>**

The Compensation Committee of the Board, comprised of independent directors, has reviewed and discussed the Compensation Discussion and Analysis contained in this proxy statement with management and, based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement and incorporated into our Annual Report on Form 10-K for the year ended December 29, 2006.

Compensation Committee:

Vincent Marchesi

Lance Willsey

Charles Cohen, Chairman

---

<sup>2</sup> The material in this report is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of Exelixis under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation by reference language contained in such filing.

---

**Report of the Audit Committee<sup>3</sup>**

The Audit Committee of our Board of Directors serves as the representative of the Board for (a) general oversight of our financial reporting process, (b) monitoring the integrity of our financial statements and systems of internal accounting and financial controls, (c) compliance with legal and regulatory requirements related to the preparation and external audit of our financial statements, and (d) selection, evaluation and retention of Exelixis' independent registered public accounting firm. Each of the members of the Audit Committee is independent as defined under the listing standards of the Nasdaq Stock Market and Rule 10A-3(b)(1) of the Securities Exchange Act of 1934.

The Audit Committee maintains a written charter that outlines its responsibilities. Our management has primary responsibility for preparing our consolidated financial statements, ensuring the integrity of such data and establishing the financial reporting process. Ernst & Young LLP, Exelixis' independent registered public accounting firm, is responsible for performing an annual audit of our consolidated financial statements, reviewing our unaudited interim financial statements and expressing an opinion as to the conformity of the annual financial statements with U.S. generally accepted accounting principles. The Audit Committee's responsibility is to oversee and review this process. Based on this background, the Audit Committee reports as follows:

1. We have reviewed and discussed Exelixis' audited consolidated financial statements as of and for the fiscal year ended December 29, 2006 with management and the independent registered public accounting firm, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements. The Committee reviewed management's report on its assessment of the effectiveness of Exelixis' internal control over financial reporting and the independent registered public accounting firm's report on management's assessment and the effectiveness of Exelixis' internal control over financial reporting. We have also discussed with management the process used to support the certifications of the Chief Executive Officer and Chief Financial Officer that are required in periodic reports filed by Exelixis with the SEC.
2. We have discussed with the independent registered public accounting firm the matters required to be discussed under generally accepted auditing standards in the United States, including those matters set forth in Statement of Auditing Standards No. 61, as amended, Communication with Audit Committees (Codification of Statements on Auditing Standards, AU Section 380), other standards of the Public Accounting Oversight Board (United States), rules of the Securities and Exchange Commission, and other applicable regulations.
3. We have received and reviewed the written disclosures and letter from the independent registered public accounting firm required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, and have discussed with the independent registered public accounting firm its independence from Exelixis. We have also considered whether the provision of non-audit services to Exelixis by the independent registered public accounting firm is compatible with maintaining the independence of the independent registered public accounting firm. We have concluded that the independent registered public accounting firm is independent from Exelixis and its management.
4. Based on review and discussion of the matters set forth in paragraphs (1) through (3) above, we have recommended to the Board (and the Board has approved) that the audited consolidated financial statements referred to above and management's assessment of the effectiveness of Exelixis' internal control over financial accounting be included in our Annual Report on Form 10-K for the year ended December 29, 2006 for filing with the SEC.

---

<sup>3</sup> The material in this report is not soliciting material, is not deemed filed with the SEC and is not to be incorporated by reference into any filing of Exelixis under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation by reference language contained in such filing.

We have also selected Ernst & Young LLP as Exelixis' independent registered public accounting firm for the fiscal year ending December 28, 2007 and have presented our selection to the Board to present to the stockholders for ratification.

Audit Committee:

Charles Cohen

Lance Willsey

Jack Wyszomierski (Chairman)

## Proposal 2

### Ratification of Selection of Independent Registered Public Accounting Firm

The Audit Committee of the Board has selected Ernst & Young LLP as Exelixis' independent registered public accounting firm for the fiscal year ending December 28, 2007. The Board, on behalf of the Audit Committee, has directed that management submit the selection of independent registered public accounting firm for ratification by the stockholders at the Annual Meeting. Ernst & Young LLP has audited our financial statements for each of the six fiscal years in the period ended December 29, 2006. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Neither our Bylaws nor other governing documents or law require stockholder ratification of the selection of Ernst & Young LLP as Exelixis' independent registered public accounting firm. However, the Board is submitting the selection of Ernst & Young LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee of the Board will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee of the Board in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of us and our stockholders.

The affirmative vote of the holders of a majority of the shares present in person or represented by proxy and entitled to vote at the Annual Meeting is required to ratify the selection of Ernst & Young LLP. Abstentions will be counted toward the tabulation of votes cast on proposals presented to the stockholders and will have the same effect as negative votes. Broker non-votes will be counted towards a quorum, but are not counted for any purpose in determining whether this matter has been approved.

**On Behalf of the Audit Committee, the Board Recommends a Vote in Favor of Proposal 2.**

#### Principal Accountant Fees and Services

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

	Fiscal Year Ended	
	December 29, 2006	December 31, 2005
Audit fees (1)	\$ 928,600	\$ 749,800
Audit-related fees (2)	26,700	86,800
Tax fees (3)		
All other fees (4)	1,500	1,500
	<b>\$ 956,800</b>	<b>\$ 838,100</b>

- (1) Audit fees consist of fees billed for professional services rendered for the audit of our consolidated financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by Ernst & Young LLP in connection with statutory and regulatory filings or engagements.
- (2) Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements and are not reported under Audit fees. During fiscal 2006 and 2005, these services included consultations relating to various transactions of the Company.
- (3) Tax fees include fees for tax compliance, tax and planning and tax advice. No tax fees were billed during fiscal 2006 and 2005.
- (4) All other fees consist of fees for products and services other than the services described above. During fiscal 2006 and 2005, these fees related to an online subscription to an Ernst & Young LLP database.





**Pre-Approval of Services**

During 2006 and 2005, the Audit Committee of the Board pre-approved the audit and non-audit services to be performed by Exelixis independent registered public accounting firm, Ernst & Young LLP. Non-audit services are defined as services other than those provided in connection with an audit or a review of our financial statements. The Audit Committee does pre-approve all audit and non-audit services rendered by Ernst & Young LLP. The Audit Committee has not adopted a formal written policy for the pre-approval of audit and non-audit services rendered by Exelixis independent registered public accounting firm. The Audit Committee generally pre-approves specified services in the defined categories of audit services, audit-related services, tax services and all other services up to specified amounts. Pre-approval may also be given as part of the Audit Committee's approval of the scope of the engagement of the independent registered public accounting firm or on an individual explicit case-by-case basis before the independent auditor is engaged to provide each service. The Audit Committee, or the chairman whom the Audit Committee has designated as a one-person subcommittee with pre-approval authority, pre-approved all audit fees, audit-related fees, tax fees and other fees in 2006 and 2005. Any pre-approvals by the subcommittee must be and were presented to the Audit Committee at its next scheduled meeting.

**Security Ownership of  
Certain Beneficial Owners and Management**

The following table sets forth certain information regarding the ownership of our common stock as of December 31, 2006 by: (i) each director and nominee for director; (ii) each of the executive officers named in the Summary Compensation Table; (iii) all executive officers and directors as of December 31, 2006 as a group; and (iv) all those known by us to be beneficial owners of more than five percent of its common stock. Unless otherwise indicated, the address of each of the individuals named below is: c/o Exelixis, Inc., 170 Harbor Way, P.O. Box 511, South San Francisco, California 94083-0511.

Beneficial Owner	Beneficial Ownership(1)	
	Number of Shares	Percent of Total
George A. Scangos, Ph.D. (2)	3,066,535	3.2
Michael M. Morrissey, Ph.D. (3)	492,150	*
Jeffrey R. Latts, M.D. (4)	215,742	*
Frank L. Karbe (5)	338,363	*
Pamela A. Simonton, J.D., LL.M. (6)	265,889	*
Stelios Papadopoulos, Ph.D. (7)	827,277	*
Charles Cohen, Ph.D. (8)	386,698	*
Alan M. Garber, Ph.D. (9)	45,000	*
Vincent T. Marchesi, M.D., Ph.D. (10)	87,000	*
Frank McCormick, Ph.D. (11)	55,000	*
George Poste, D.V.M., Ph.D. (12)	45,000	*
Lance Willsey, M.D. (13)	112,500	*
Jack Wyszomierski (14)	55,000	*
<b>5% Stockholders</b>		
Wellington Management Company LLP (15)	6,546,144	6.8
75 State Street		
Boston, MA 02109		
T. Rowe Price Associates (16)	8,813,390	9.2
100 E Pratt Street		
Baltimore, MD 21202		
Entities Associated with Barclays Global Investors, NA (17)	5,344,825	5.6
45 Fremont Street		
San Francisco, CA 94105		
Entities Associated with OrbiMed Advisors LLC (18)	5,461,400	5.7
767 Third Avenue, 30 <sup>th</sup> Floor		
New York, New York 10017		
Persons Associated with FMR Corp. (19)	14,366,207	15.0
82 Devonshire Street		
Boston, Massachusetts 021019		
All directors and executive officers as a group (17 persons) (20)	6,314,223	6.6

Edgar Filing: EXELIXIS INC - Form DEF 14A

\* Less than one percent.

(1) This table is based upon information supplied by officers and directors and upon information gathered by us about principal stockholders known to us. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, we believe that each of the stockholders named in this table has sole voting and investment power with respect to the shares indicated as beneficially owned. Applicable percentages are based on 95,990,148 shares outstanding on December 31, 2006, adjusted as required by rules promulgated by the SEC.

- (2) Includes 6,855 shares held by Dr. Scangos and Leslie S. Wilson, as Trustees of The Jennifer Wilson Scangos Trust, and 6,855 shares held by Dr. Scangos and Leslie S. Wilson, as Trustees of The Katherine Wilson Scangos Trust. Also includes 1,681,249 shares Dr. Scangos has the right to acquire pursuant to options exercisable within 60 days of December 31, 2006, 41,667 of which would be subject to repurchase by us, if so exercised.
- (3) Includes 42,500 shares held by Dr. Morrissey and Meghan D. Morrissey, Trustees of the Morrissey Family Living Trust, dated July 21, 1994, as amended. Also includes 446,666 shares Dr. Morrissey has the right to acquire pursuant to options exercisable within 60 days of December 31, 2006, 31,250 of which would be subject to repurchase by us, if so exercised.
- (4) Includes 213,251 shares Dr. Latts has the right to acquire pursuant to options exercisable within 60 days of December 31, 2006, 23,959 of which would be subject to repurchase by us, if so exercised.
- (5) Includes 329,373 shares Mr. Karbe has the right to acquire pursuant to options exercisable within 60 days of December 31, 2006, 56,252 of which would be subject to repurchase by us, if so exercised.
- (6) Includes 263,125 shares Ms. Simonton has the right to acquire pursuant to options exercisable within 60 days of December 31, 2006, 10,417 of which would be subject to repurchase by us, if so exercised.
- (7) Includes 10,000 shares held by Fondation Santé, of which Dr. Papadopoulos is a co-trustee. Also includes 175,000 shares Dr. Papadopoulos has the right to acquire pursuant to options exercisable within 60 days of December 31, 2006, 46,252 of which would be subject to repurchase by us, if so exercised.
- (8) Includes 80,242 shares held by Rovent II L.P., 20,082 shares held by Advent Performance Materials, L.P., 11,504 shares held by Adwest L.P., 4,626 shares held by Advent Partners L.P. and 244 shares held by Advent International Investors II, L.P. Advent International Corporation is the manager of these funds and exercises sole voting and investment power with respect to all shares held by these funds. Dr. Cohen is a Vice President of Advent International Corporation and disclaims beneficial ownership of the shares held by these funds. Advent International Corporation is located at 75 State Street, Boston, MA 02109. Also includes 75,000 shares Dr. Cohen has the right to acquire pursuant to options exercisable within 60 days of December 31, 2006, 2,501 of which would be subject to repurchase by us, if so exercised.
- (9) Represents 45,000 shares Dr. Garber has the right to acquire pursuant to options exercisable within 60 days of December 31, 2006, 13,960 of which would be subject to repurchase by us, if so exercised.
- (10) Includes 65,000 shares Dr. Marchesi has the right to acquire pursuant to options exercisable within 60 days of December 31, 2006, 2,501 of which would be subject to repurchase by us, if so exercised.
- (11) Represents 55,000 shares Dr. McCormick has the right to acquire pursuant to options exercisable within 60 days of December 31, 2006, 5,106 of which would be subject to repurchase by us, if so exercised.
- (12) Represents 45,000 shares Dr. Poste has the right to acquire pursuant to options exercisable within 60 days of December 31, 2006, 11,356 of which would be subject to repurchase by us, if so exercised.
- (13) Includes 75,000 shares Dr. Willsey has the right to acquire pursuant to options exercisable within 60 days of December 31, 2006, 2,501 of which would be subject to repurchase by us, if so exercised.
- (14) Represents 55,000 shares Mr. Wyszomierski has the right to acquire pursuant to options exercisable within 60 days of December 31, 2006, 8,752 of which would be subject to repurchase by us, if so exercised.
- (15) These securities are owned of record by clients of Wellington Management Company, LLP ( WMC ). Those clients have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such securities. WMC, in its capacity as investment adviser, may be deemed to beneficially own the shares held of record by clients of WMC. WMC reported that it has shared voting power over 4,924,331 of such shares and shared dispositive power over 6,468,334 of such shares.
- (16) These shares are owned by various individual and institutional investors for which T. Rowe Price Associates, Inc. ( Price Associates ) serves as investment adviser. Price Associates reported that it has sole dispositive power over such shares and sole voting power over 2,164,100 of such shares. For purposes of the reporting requirements of the Securities Exchange Act of 1934, as amended, Price Associates may be deemed to be a beneficial owner of such shares; however, Price Associates expressly denied ownership of such shares.
- (17) Represents 2,874,169 shares beneficially owned by Barclays Global Investors, NA and 2,470,656 shares beneficially owned by Barclays Global Fund Advisors. The shares reported are held in trust accounts for the economic benefit of the beneficiaries of those accounts. Barclays Global Investors, NA reported that it has

- 
- sole voting power over 2,548,499 of such shares and sole dispositive power over 2,874,169 of such shares, and Barclays Global Fund Advisors reported that it has sole voting and dispositive power over 2,470,656 of such shares.
- (18) Represents 3,859,400 shares held by OrbiMed Advisors LLC and 1,602,000 shares held by OrbiMed Capital LLC. OrbiMed Advisors LLC and OrbiMed Capital LLC hold these shares on behalf of Caduceus Capital Master Fund Limited (417,800 shares), Caduceus Capital II, L.P. (245,400 shares), UBS Eucalyptus Fund, LLC (286,800 shares), PW Eucalyptus Fund, Ltd. (32,200 shares), HFR SHC Aggressive Master Trust (55,200 shares), UBS Juniper Crossover Fund, LLC (150,000 shares), Eaton Vance Worldwide Health Sciences (3,100,000 shares), Eaton Vance Emerald Worldwide Health Sciences (63,000 shares), Eaton Vance Variable Trust (45,000 shares), Finsbury Worldwide Pharmaceutical Trust plc (586,000 shares), and Stichting Pensioenfonds ABP (480,000 shares). OrbiMed Advisors LLC and OrbiMed Capital LLC are investment advisers. Samuel D. Isaly is a control person of OrbiMed Advisors LLC and OrbiMed Capital LLC. Samuel D. Isaly, OrbiMed Advisors LLC and OrbiMed Capital LLC share voting and dispositive power over such shares.
- (19) Fidelity Management & Research Company ( Fidelity ), Pyramis Global Advisors, LLC ( PGA ) and Fidelity International Limited ( FIL ) and together with Fidelity and PGA, the Fidelity Investment Advisers , are wholly owned subsidiaries of FMR Corp., investment advisers and the beneficial owners of 14,285,107, 21,200 and 59,900 shares of our common stock, respectively, as a result of acting as the investment advisers to various investment companies (the Fidelity Funds ). FMR Corp. and Edward C. Johnson 3rd, Chairman of FMR Corp., through their control of the Fidelity Investment Advisers, and the funds each has sole power to dispose of the 14,285,107 shares owned by the Fidelity Funds. Neither FMR Corp. nor Edward C. Johnson 3rd has the sole power to vote or direct the voting of the shares owned directly by the Fidelity Funds, which power resides with the Fidelity Funds boards of trustees. Edward C. Johnson 3rd and FMR Corp., through its control of PGA, each has sole dispositive power over 21,200 shares and sole power to vote or direct the voting of 21,200 shares owned by the institutional accounts or funds advised by PGA. Fidelity Investment Advisers carry out the voting of the shares under written guidelines established by the Fidelity Funds boards of trustees.
- (20) Total number of shares includes 6,314,223 shares of common stock held by our directors and executive officers as of December 31, 2006 and entities affiliated with such directors and executive officers. Also includes 3,842,620 shares issuable upon exercise of options exercisable within 60 days of December 31, 2006, 293,495 of which would be subject to repurchase by us, if so exercised.
- 

The information in the footnote is based solely upon a Form 13G/A filed with the SEC on February 14, 2007.

The information in the footnote is based solely upon a Form 13G/A filed with the SEC on February 12, 2007.

The information in the footnote is based solely upon a Form 13G filed with the SEC on January 23, 2007.

The information in the footnote is based solely upon a Form 13G/A filed with the SEC on February 9, 2007.

The information in the footnote is based solely upon a Form 13G/A filed with the SEC on February 14, 2007.

---

**Executive Officers of Exelixis**

The following chart sets forth certain information regarding our executive officers as of March 15, 2007:

<b>Name</b>	<b>Age</b>	<b>Position</b>
George A. Scangos, Ph.D. (1)	58	President, Chief Executive Officer and Director
Michael M. Morrissey, Ph.D.	46	President of Research and Development
Gisela M. Schwab, M.D.	50	Senior Vice President and Chief Medical Officer
Frank L. Karbe	38	Senior Vice President, Chief Financial Officer
Pamela A. Simonton, J.D., LL.M.	57	Senior Vice President, Patents and Licensing
Peter Lamb, Ph.D.	46	Senior Vice President, Discovery Research and Chief Scientific Officer
Lupe M. Rivera	40	Senior Vice President, Human Resources and Communications

(1) Please see Class III Directors Continuing in Office until the 2008 Annual Meeting in this Proxy Statement for information about Dr. Scangos.

*Michael M. Morrissey, Ph.D.*, has served as President of Research and Development since January 2007. From January 2006 until December 2006, Dr. Morrissey served as Executive Vice President, Discovery. From January 2003 to December 2005, Dr. Morrissey served as Senior Vice President, Discovery. Previously, he served as Vice President of Discovery Research from February 2000 through December 2002. From 1991 to 2000, Dr. Morrissey held several positions at Berlex Biosciences, last holding the position of Vice President, Discovery Research. From 1986 to 1991, he served as a Senior Scientist and Project Team Leader in Medicinal Chemistry at CIBA-Geigy Corporation, a pharmaceutical company. He is the author of numerous scientific publications in medicinal chemistry and drug discovery and an inventor on 68 issued U.S. patents and 25 additional published U.S. patent applications. Dr. Morrissey holds a B.S. (Honors) in Chemistry from the University of Wisconsin and a Ph.D. in Chemistry from Harvard University.

*Gisela M. Schwab, M.D.*, has served as Senior Vice President and Chief Medical Officer since September 2006 when she joined Exelixis. From 2002 to 2006, she held the position of senior vice president and chief medical officer at Abgenix, Inc., a human antibody-based drug development. She also served as vice president, clinical development, at Abgenix from 1999 to 2001. From 1992 to 1999, she held positions of increasing responsibility at Amgen Inc., most recently as director of clinical research and hematology/oncology therapeutic area team leader. She received her Doctor of Medicine degree from the University of Heidelberg, and is board certified in internal medicine and hematology and oncology, and performed postdoctoral research at the National Cancer Institute in Bethesda, MD and at the French National Health and Medical Research Institute (INSERM) in Paris. Dr. Schwab is a member of the American Society of Clinical Oncology, the American Society of Hematology, the American Association for Cancer Research and the American Society of Nephrology.

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

*Pamela A. Simonton, J.D., LL.M.*, has served as Senior Vice President, Patents and Licensing since January 2004. Previously, she served as Vice President of Corporate Technology Development from April 2000 through December 2003. From July 1996 to April 2000, Ms. Simonton served as Vice President, Licensing and

Acquisitions for Bayer Corporation's Pharmaceutical Division. From September 1994 to July 1996, Ms. Simonton served as Vice President of Patents and Licensing for Bayer's Pharmaceutical Division, North America. Ms. Simonton holds a B.S. in Chemistry from Barry College, an M.S. in Physics from the University of Miami, a J.D. from Nova University and an LL.M. in Patent and Trade Regulation from George Washington University.

*Peter Lamb, Ph.D.*, has served as Senior Vice President, Discovery Research and Chief Scientific Officer since January of 2007. Previously, he served as Vice President, Discovery Pharmacology from December 2003 until January 2007 and Senior Director, Molecular Pharmacology and Structural Biology from October 2000 until December 2003. From June 1992 until September 2000 he held positions of increasing responsibility at Ligand Pharmaceuticals, most recently serving as Director of Transcription Research. During this time, he led teams that implemented novel drug discovery approaches that led to the identification of the first small molecule activators of cytokine receptors. Dr. Lamb has held post-doctoral research fellowships at the Carnegie Institution, Department of Embryology with Dr. S.L. McKnight and the University of Oxford with Dr N.J. Proudfoot, working in the field of gene regulation. He has authored numerous articles in the fields of gene expression, signal transduction and oncology, and is an author on multiple issued and pending US patents. He has a Ph.D. in Molecular Biology from the ICRF/University of London and a B.A. in Biochemistry from the University of Cambridge.

*Lupe M. Rivera* has served as Senior Vice President, Human Resources and Communications since January 2007. Ms. Rivera served as Vice President, Human Resources from July 2004 through December 2006. Previously she served as Exelixis' Human Resources Director from January 2002 through June 2004. She joined Exelixis in 2002 from AT&T's Digital Subscriber Line (DSL) unit where she held the position of District Manager, Human Resources. Prior to joining AT&T, she was Director, Human Resources for NorthPoint Communications, and prior to that she held various positions with Deltanet, an information technology company. Ms. Rivera also spent twelve years in banking with Valley National Bank of Arizona and Bank One, Arizona. Ms. Rivera holds a Masters Degree in Human Resources & Organization Development from University of San Francisco. Ms. Rivera is a certified Senior Professional in Human Resources (SPHR) by the Human Resource Certification Institute and a Certified Compensation Professional (CCP) from World at Work (formerly known as the American Compensation Association).

---

**Compensation of Executive Officers**

**Compensation Discussion and Analysis**

*Objectives of the Compensation Program*

We are a biotechnology company that has been undergoing a transition from an early-stage research company to a development-stage company. Our goal is to become a fully integrated biotechnology company with proprietary products on the market that provide meaningful benefits to patients. The success of development-stage biotechnology companies is significantly influenced by the quality of their work forces. As a result, we face intense competition for executives and other skilled employees from large pharmaceutical companies and strong local competitors, all of which are aggressively recruiting employees. In light of these circumstances, the overall objective of our compensation program is to support our long-term strategic goal of becoming a successful fully integrated biotechnology company by attracting, retaining and motivating the highest caliber of executives and other employees.

The goals of our executive compensation program are to align compensation with business objectives and performance and with the interests of our stockholders and to enable us to attract, retain and reward executive officers for extraordinary performance. We pay cash compensation to provide an appropriate and competitive level of current cash income and to reward, in the case of any bonus or salary increase, superior performance over the past year. As discussed in further detail below, our 2006 compensation program for our Named Executive Officers (as defined in Summary Compensation Table below) consisted of, and was intended to strike a balance among, the following three principal components:

*Base Salary.* Base salary for each of our Named Executive Officers is based principally on a review of individual and company performance during the prior year, market and benchmark data for our industry and specific peer group and each Named Executive Officer's long-term performance and skill set, as well as the market value of that skill set.

*Bonus.* Annual cash bonuses are discretionary but generally follows guidelines that set bonus targets based on the seniority of the applicable position and take into account the achievement of company-wide and, other than for our Chief Executive Officer, applicable division or department performance, objectives.

*Equity Incentive Compensation.* Long-term incentive awards, comprised of stock option grants, are designed to ensure that incentive compensation is linked to our long-term performance and to align our Named Executive Officers' performance objectives with the interests of our stockholders. Stock options were granted to our Named Executive Officers both as a reward for past individual and corporate performance and as an incentive for future performance.

In addition, we have a Change in Control and Severance Benefit Plan in which all of our Named Executive Officers participate.

The Compensation Committee has not established any formal policies or guidelines for allocating compensation between current and long-term incentive compensation, or between cash and non-cash compensation. However, because of the overall importance to our success of aggressively pursuing our strategic goals, as well as to preserve our cash resources, a significant portion of the Named Executive Officers' total compensation has been, and is expected to continue to be, comprised of stock options.

*Role of the Compensation Committee and Executive Officers in Compensation Decisions*

The Compensation Committee is responsible for recommending to the Board for approval the compensation packages offered to our Named Executive Officers. The Compensation Committee acts on behalf of the Board of Directors in discharging the Board's responsibilities with respect to overseeing the company's compensation policies, plans and programs and establishing and reviewing general policies relating to compensation and



benefits of our employees. The Compensation Committee also administers our 2000 Equity Incentive Plan and our other benefit plans. For executive compensation decisions, including decisions relating to the grant of stock options to Named Executive Officers, the Compensation Committee typically considers the recommendations of Dr. Scangos, our Chief Executive Officer, and Dr. Scangos typically participates in the Compensation Committee's deliberations about Named Executive Officer compensation matters. However, Dr. Scangos does not participate in the determination of his own compensation, nor does he participate in deliberations with respect thereto. Our Chief Executive Officer also annually develops our research and development and other business goals, which are reviewed and, subject to their input, approved by the Compensation Committee and the Board of Directors. In determining his Named Executive Officer compensation recommendations, Dr. Scangos solicits the input of, and receives documentary support from, our Senior Vice President of Human Resources. The Compensation Committee also receives documentary support from our Senior Vice President of Human Resources, including benchmark and industry data from third-party salary survey sources and a compensation consultant. In 2006, our then Secretary assisted the Board of Directors and the Compensation Committee in developing and updating our peer company list and reviewed the structure of our compensation programs with the Compensation Committee from time to time. In addition, in 2006, our then Executive Vice President of Development made a recommendation to Dr. Scangos and the Compensation Committee with respect to the compensation of our Senior Vice President, Chief Medical Officer. Other than Dr. Scangos and our Senior Vice President of Human Resources, then Secretary and then Executive Vice President of Development, no other executive officers participated in the determination or recommendation of the amount or form of Named Executive Officer compensation. We also retained the consulting firm, Top Five Data Services, Inc., to compile benchmark and industry compensation data. The Compensation Committee does not delegate any of its functions to others in determining executive compensation, and we do not currently engage any other consultants with respect to executive and/or director compensation matters.

#### *Compensation Committee Process*

In setting the level of cash and equity compensation for our Named Executive Officers, the Compensation Committee considers various factors, including the performance of Exelixis and each Named Executive Officer during the prior year; the uniqueness and relative importance to us of each Named Executive Officer's skill set; each Named Executive Officer's expected future contributions to Exelixis; the percentage of vested versus unvested options held by each Named Executive Officer; and each Named Executive Officer's tenure, as well as applicable market pressures. When establishing each element of a Named Executive Officer's compensation, the Compensation Committee also takes into consideration the Named Executive Officer's historical cash and equity compensation as well as his or her total current and potential compensation.

The Compensation Committee believes that it is important when making its compensation decisions to be informed as to the current practices of comparable, publicly held companies. To this end, the Compensation Committee reviews market and benchmark data, which include competitive information relating to compensation levels for comparable positions in the biotechnology and life sciences industries, as well as the compensation levels of our Named Executive Officers. In conjunction with its review, the Compensation Committee utilizes peer company data obtained from publicly filed proxy statements and the following benchmark surveys: Radford Biotechnology Salary Survey and Organization Resources Counselors, Inc.'s Worldwide SIRS Life Sciences Survey.

The list of our peer companies used in setting base salaries and bonus targets for 2006 was based on a list of peer companies that we had developed over time. The list was updated in 2005, taking into account recommendations by Top Five Data Services, Inc. to make changes based on comparable companies' revenue, earnings and number of employees. The companies comprising our peer group for purposes of setting base salaries and bonus targets for 2006 were:

Abgenix, Inc.	Enzon Pharmaceuticals, Inc.	Millennium Pharmaceuticals, Inc.
Affymetrix, Inc.	Human Genome Sciences, Inc.	Nektar Therapeutics
Alkermes, Inc.	ICOS Corporation	Neurocrine Biosciences, Inc.
Allos Therapeutics, Inc.	Incyte Corporation	Onyx Pharmaceuticals, Inc.
Celgene Corporation	Isis Pharmaceuticals, Inc.	OSI Pharmaceuticals, Inc.
Cephalon, Inc.	Lexicon Genetics Incorporated	Protein Design Labs, Inc.
CuraGen Corporation	Ligand Pharmaceuticals Incorporated	Rigel Pharmaceuticals, Inc.
CV Therapeutics, Inc.	Maxygen, Inc.	Telik, Inc.
Cytokinetics, Incorporated	Medarex, Inc.	Vertex Pharmaceuticals Incorporated
ENDO Pharmaceuticals Holdings Inc.		

The list of our peer companies used in setting base salaries and bonus targets for 2007 was developed and approved by our Nominating and Corporate Governance Committee and Board of Directors in 2006. Our peer companies were selected by eliminating from a list of U.S.-listed biotechnology companies those companies that our Nominating and Corporate Governance Committee deemed not suitable for comparison purposes because, at the time that the peer list was determined: (a) they were not U.S. companies, (b) their operations were not directly comparable to our operations, such as companies specializing in drug delivery technologies or tools, (c) they had a market capitalization in excess of \$4 billion or less than \$250 million, (d) they had more than 1,500 or fewer than 100 employees, (e) they were not clinical development-stage companies or (f) a substantial portion of their revenues were related to marketed products.

The companies comprising our peer group for purposes of setting base salaries and bonus targets for 2007 were:

Adolor Corporation	Idenix Pharmaceuticals, Inc.	Nastech Pharmaceutical Company Inc.
Alexion Pharmaceuticals, Inc.	Incyte Corporation	Neurocrine Biosciences, Inc.
Arena Pharmaceuticals, Inc.	Isis Pharmaceuticals, Inc.	Nuvelo, Inc.
ARIAD Pharmaceuticals, Inc.	Lexicon Genetics Incorporated	Regeneron Pharmaceuticals, Inc.
Array BioPharma Inc.	Ligand Pharmaceuticals Incorporated	Rigel Pharmaceuticals, Inc.
AtheroGenics, Inc.	Maxygen, Inc.	Telik, Inc.
CV Therapeutics, Inc.	Medarex, Inc.	Vertex Pharmaceuticals
Dendreon Corporation	Myriad Genetics Company Inc.	Incorporated
Human Genome Sciences, Inc.		

ZymoGenetics, Inc.

The Compensation Committee benchmarks cash compensation as well compensation in the form of stock options. The Compensation Committee uses peer group data primarily to insure that our executive compensation program as a whole is competitive. Consistent with the Compensation Committee's philosophy of maintaining compensation levels that attract and retain the highest caliber executives, the Compensation Committee generally targets total cash and equity compensation at the upper third percentile of the peer company market. In determining the amount and mix of compensation elements and whether each element provides the correct incentives and rewards for performance consistent with our short and long-term goals and objectives, the Compensation Committee relies on its judgment about each individual rather than adopting a formulaic approach to compensatory decisions that are too narrowly responsive to short-term changes in business performance.

*Elements of Compensation*

Our executive compensation program consists of three principal components: base salary, annual cash bonuses (if approved by our Compensation Committee and Board of Directors) and equity incentive compensation in the form of stock options. Our Named Executive Officers are also eligible to participate, on the same basis as other employees, in our 401(k) plan and our other benefit programs generally available to all employees. Our Named Executive Officers currently do not receive any perquisites.

*Base Salary.* The Compensation Committee annually reviews each Named Executive Officer's base salary and sets such salary based on a review of individual and company performance during the prior year, market and benchmark data for our industry and specific peer group and each Named Executive Officer's long-term performance and skill set, as well as the market value of that skill set.

*Annual Cash Bonus.* Our annual cash bonuses are intended to align the Named Executive Officers' compensation with our business objectives and performance and with the interests of our stockholders and to enable us to retain and reward Named Executive Officers who demonstrate extraordinary performance. Annual cash bonuses are discretionary, but our Compensation Committee follows guidelines that set bonus targets (expressed as a percentage of base salary) based on the seniority of the applicable position and take into account the achievement of company-wide and, other than for our Chief Executive Officer, applicable division or department performance, objectives. The bonus targets are reviewed annually by the Compensation Committee. Our company-wide goals in 2006 included both research and development and business goals. Our Compensation Committee follows guidelines that provide that the portion of a Named Executive Officer's total bonus target that is tied to the company-wide performance component increases with the seniority of the Named Executive Officer's position. In 2006, the company-wide performance component was 80% for our executive vice presidents and senior vice presidents and 100% for our Chief Executive Officer. Whether or not a bonus is paid for any year is within the discretion of our Board of Directors. The actual bonus awarded in any year, if any, may be more or less than the target, depending on individual performance and the achievement of our company-wide objectives. In awarding bonuses, the Compensation Committee also reviews total cash compensation (base salary and bonus) awarded to similarly situated executive officers.

In determining annual cash bonuses, the Compensation Committee takes into account the extent to which we achieve the annual company-wide goals that are established by the executive officers and approved by the Compensation Committee and, other than with respect to our Chief Executive Officer, the extent to which each Named Executive Officer's division or department contributed to the overall success of the company. However, while we have established general guidelines related to bonus target amounts and the portion of each Named Executive Officer's annual cash bonus that is tied to company-wide and division or department performance components, the Compensation Committee exercises broad discretion in determining the amount of cash bonuses and does not attempt to quantify the level of achievement of corporate goals or the extent to which each Named Executive Officer's division or department contributed to the overall success of the company.

The Compensation Committee has not determined whether it would attempt to recover bonuses from our executive officers if the performance objectives that led to a bonus determination were to be restated, or found not to have been met to the extent originally believed by the Compensation Committee. However, as a public company, if we are required to restate our financial results due to our material noncompliance with any financial reporting requirements under the federal securities laws, as a result of misconduct, our Chief Executive Officer and Chief Financial Officer may be legally required to reimburse us for any bonus or other incentive-based or equity-based compensation they receive in accordance with the provisions of Section 304 of the Sarbanes-Oxley Act of 2002.

We have not paid any significant signing or promotion bonuses to our executive officers, nor have we guaranteed any bonuses to our executive officers.

*Equity Incentives.* Our 2000 Equity Incentive Plan provides for the issuance of options to Named Executive Officers to purchase shares of our common stock at an exercise price equal to the fair market value of such stock on the date of grant. We grant stock options to align Named Executive Officers

compensation with our long-term performance, thereby linking their compensation to the interests of our stockholders. The Compensation Committee believes that stock options continue to be the most effective equity-based tool to motivate our Named Executive Officers to aggressively pursue our long-term strategic goals because options only have value if our stock price increases over time. Stock options are also the most prevalent long-term incentive instrument at our peer companies. The Compensation Committee generally approves the grant of stock options to Named Executive Officers once a year at its regular meeting in December. Stock options are granted to our Named Executive Officers both as a reward for past individual and corporate performance and as an incentive for future performance. In determining the size of option grants to Named Executive Officers, the Compensation Committee considers the number of shares of our common stock subject to outstanding options, including exercise prices, already owned by each Named Executive Officer, as well as market and benchmark data for our industry and specific peer group. Because of the overall importance to our success of aggressively pursuing our strategic goals, as well as to preserve our cash resources, a significant portion of the Named Executive Officers' total compensation has been, and is expected to continue to be, comprised of stock options.

*Change in Control and Severance Benefit Plan.* Our Change in Control and Severance Benefit Plan, in which all of our Named Executive Officers participate, was adopted in 2005 in order to consolidate our prior change in control and severance benefits with individual executives into a single uniform double-trigger plan for executive officers, to maintain the competitiveness of our executive compensation program and to remove an executive's potential personal bias against a takeover attempt. A description of this plan is included below under the heading *Potential Payments Upon Termination or Change-In-Control*. We adopted a double-trigger plan, in which each plan participant receives benefits under the plan only if the plan participant is terminated without cause or resigns for good reason after a change in control, rather than a single-trigger plan, in which each plan participant would receive benefits under the plan if a change in control occurs or the plan participant resigns for any reason after a change in control. In assessing whether the plan should provide for a single or double trigger, we conducted an analysis of prevailing change in control practices at our peer-companies. We selected the double-trigger because it protects the plan participants from post change in control events that are not related to the plan participants' performance, encourages the plan participants to stay throughout a transition period in the event of a change in control and does not provide for benefits for a plan participant who remains with the surviving company in a comparable position.

*Other Benefits.* We have a 401(k) plan in which substantially all of our employees are entitled to participate. Employees contribute their own funds, as salary deductions, on a pre-tax basis. Contributions may be made up to plan limits, subject to government limitations. We match 50% of the first 4% of employee contributions into the 401(k) plan. We provide health care, dental and vision benefits to all full-time employees, including our Named Executive Officers. These and other benefits are available to all employees, subject to applicable laws.

#### *2006 and 2007 Compensation Decisions*

**General.** In determining each Named Executive Officer's, including our Chief Executive Officer's, 2006 and 2007 base salaries and target bonuses and cash bonus for 2006, the Compensation Committee considered a number of factors and criteria, including such officer's historical compensation levels and the compensation of other executive officers at our peer companies, taking into account each officer's individual performance, experience and knowledge and the achievement of key company departmental performance objectives. Consistent with the Compensation Committee's philosophy of maintaining compensation levels that attract and retain the highest caliber executives, the Compensation Committee generally targeted base salary, target bonus amount and total cash compensation for each Named Executive Officer at a level competitive with approximately the upper third of similarly situated executive officers at companies included our peer company market and in the market surveys reviewed by the Compensation Committee. The Compensation Committee also reviewed historical compensation levels for our Named Executive Officers and similarly situated executive officers at our peer companies in order to ascertain any trends in executive officer compensation.

In determining the 2006 and 2007 base salaries for each Named Executive Officer, the Compensation Committee aimed to set the base salaries at competitive levels as described above. In addition, for each year, the Compensation Committee considered each Named Executive Officer's performance in the prior year, as applicable, in adjusting his or her base salary.

The Compensation Committee's determination of cash bonuses for 2006 for the Named Executive Officers, including our Chief Executive Officer, took into account its assessment of each Named Executive Officer's performance and total compensation, the compensation of similarly situated executive officers at our peer companies and other factors. While the Compensation Committee considered our general guidelines related to bonus target amounts and the portion of each Named Executive Officer's annual cash bonus that should be tied to company-wide and division or department performance components, the Compensation Committee exercised broad discretion in determining the amount of cash bonuses for 2006 and did not attempt to quantify the level of achievement of corporate goals or the extent to which any Named Executive Officer's division or department contributed to the overall success of the company or to apply strict percentage criteria to an allocation of each Named Executive Officer's cash bonus between company-wide and division or department performance components.

The Compensation Committee set the 2007 target bonus percentages for each Named Executive Officer at a competitive levels as described above, taking into account each Named Executive Officer's performance in 2006 and prior years, as applicable, and trends in executive compensation at our peer companies and generally in our industry. The target bonus amounts are intended to serve only as general guidelines for awarding actual bonuses and are not designed to set formulaic payout levels.

In determining option grants to our Named Executive Officers in December 2006, the Compensation Committee considered the number of shares of our common stock subject to outstanding options, including exercise prices, then currently held by each Named Executive Officer, as well as market and benchmark data for our industry and specific peer group, with the goal of ensuring a level of incentive compensation for each Named Executive Officer that is appropriately linked to our long-term performance and aligns our Named Executive Officers' performance objectives with the interests of our stockholders. The Compensation Committee generally targeted option grants for each Named Executive Officer at a level that provides each Named Executive Officer with an ongoing equity position in the company that is competitive with approximately the upper 25th percentile of similarly situated executive officers at companies included our peer company market and in the market surveys reviewed by the Compensation Committee. All option grants to Named Executive Officers were made at an exercise price of \$8.99 per share, which was equal to the fair market value for each share of our common stock on the date of grant. The option to purchase twenty five percent of the shares subject to such options vests one year from the grant date, and the option vests as to remaining shares in 36 equal monthly installments thereafter. The Compensation Committee granted stock options rather than other forms of equity compensation, and applied the foregoing vesting schedule, in order to remain competitive based on its view of prevailing practices at our peer companies and generally in our industry and to maintain consistency with historical practice and equity incentives granted to new employees.

**Compensation for the Chief Executive Officer.** In determining Dr. Scangos' 2006 and 2007 base salaries and target bonuses, cash bonus for 2006 and December 2006 stock option grant, the Compensation Committee considered the factors outlined above.

In determining Dr. Scangos' 2007 base salary and target bonus, cash bonus for 2006 and December 2006 stock option grant, in December 2006, the Compensation Committee considered our 2006 research and development and corporate goals, which included goals related to completing the transfer of XL119 to Helsinn Healthcare; obtaining proof-of-concept data for our development candidates XL999, XL647 and XL880; initiating Phase II clinical trials for XL784 and XL820; completing Phase I clinical trials for XL184 and XL844; making IND filings for XL281 and XL228; advancing three compounds to development candidate status; establishing new corporate collaborations; and completing adequate capital raising transactions, and the following 2006 research and development and corporate achievements:

the outlicensing of XL119 to Helsinn Healthcare;

the initiation of Phase II clinical trials for XL647, XL880 and XL784;

the successful completion of a transaction with Bristol-Myers Squibb Company and the successful execution of a transaction with Sankyo Company;

the filing of INDs for XL228 and XL281;

the advancement of three compounds to development candidate status;

the completion of a successful equity financing during the fall of 2006; and

the successful negotiation and anticipated executions of transactions with Bristol-Myers Squibb Company, Genentech and Sankyo. In December 2005, the Compensation Committee conducted a similar analysis, based on our goals and achievements in 2005, in determining Dr. Scangos' 2006 base salary and target bonus.

In December 2006, the Compensation Committee also reviewed our goals and objectives for 2007, taking such goals and objectives into account in the determination of Dr. Scangos' recommended base salary and target bonus for 2007.

On the strength of our company's achievements and in recognition of Dr. Scangos' instrumental leadership role as our Chief Executive Officer, in December 2006, the Compensation Committee recommended, and the Board of Directors approved, a merit increase of 6.0% to Dr. Scangos' 2006 base salary, a cash bonus of \$400,000 and a grant of stock options to acquire 400,000 shares of our common stock. Dr. Scangos' target bonus for 2006 was 60% of his base salary, and the actual bonus paid to Dr. Scangos represented 53% of his base salary, which was less than the target amount due in part to slower clinical trial progress than our objectives for 2006. The Compensation Committee maintained Dr. Scangos' target bonus for 2007 at 60%.

**Compensation of the Other Named Executive Officers.** The Compensation Committee reviewed similar considerations for each of the other Named Executive Officers, as well as the following factors.

Dr. Morrissey's bonus and stock option grant reflected his promotion to the position of President of Research and Development, effective January 1, 2007. The Compensation Committee gave particular weight to Dr. Morrissey's leadership in our drug discovery effort since his arrival in 2000. With his promotion, the Compensation Committee noted that Dr. Morrissey would now have responsibility for leading all of our discovery and development activities. In recognition of Dr. Morrissey's achievements and skill sets, and with the anticipation that Dr. Morrissey will continue to play a key role in our ongoing efforts to become a fully integrated biotechnology company, the Compensation Committee recommended, and the Board of Directors approved, a merit increase of 7.0% to Dr. Morrissey's 2006 base salary, an additional promotion increase of 3.0% to his 2006 base salary, a cash bonus of \$200,260 and a grant of stock options to acquire 200,000 shares of our common stock. Dr. Morrissey's target bonus for 2006 was 45% of his base salary, and the actual bonus paid to Dr. Morrissey represented 50% of his base salary, which was greater than the target amount due to extraordinary performance of our drug discovery group and in recognition of Dr. Morrissey's promotion to President of Research and Development. In light of Dr. Morrissey's promotion and increased responsibility, the Compensation Committee set Dr. Morrissey's target bonus for 2007 at 50%.

With respect to Mr. Karbe's contributions, the Compensation Committee gave particular weight to Mr. Karbe's leadership in the company's highly successful 2006 equity offering, which generated strong lasting investor interest in the company's stock as reflected by post-offering trading levels, as well as Mr. Karbe's contributions to transforming our finance organization into a more efficient business unit by implementing new systems and processes. In recognition of Mr. Karbe's contributions, the Compensation Committee recommended, and the Board of Directors approved, a merit increase of 7.0% to Mr. Karbe's 2006 base salary, a cash bonus of \$155,264 and a grant of stock options to acquire 100,000 shares of our common stock. Mr. Karbe's target bonus for 2006 was 45% of his base salary, and the actual bonus paid to Mr. Karbe represented 45% of his base salary, in light of the factors discussed above. The Compensation Committee maintained the 2007 target bonus for Mr. Karbe at 45%.

With respect to Ms. Simonton's performance, the Compensation Committee gave particular weight to Ms. Simonton's contributions to our recent collaborations with Bristol-Myers Squibb Company and Genentech. In recognition of her contribution to these achievements, the Compensation Committee recommended, and the Board of Directors approved, a merit increase of 5.0% to Ms. Simonton's 2006 base salary, a cash bonus of \$144,985 and a grant of stock options to acquire 75,000 shares of our common stock. Ms. Simonton's target bonus for 2006 was 35% of her base salary, and the actual bonus paid to Ms. Simonton represented 45% of her base salary, which was greater than the target amount due to her extraordinary performance in collaboration transactions and maintaining excellence in the patents and licensing area. The Compensation Committee maintained the 2007 target bonus for Ms. Simonton at 35%. In recognition of Ms. Simonton's contributions to Exelixis since she joined the company in 2001, in 2006 we also forgave \$52,629 in interest pursuant to the terms of a loan we entered into with Ms. Simonton in 2001, which was fully repaid and no longer outstanding as of December 31, 2006.

In recognition of Dr. Latts' overall contribution to building our development group, the Compensation Committee recommended, and the Board of Directors approved, a performance bonus of \$159,750 and a grant of stock options to acquire 100,000 shares of our common stock. Dr. Latts' target bonus for 2006 was 45% of his base salary, and the actual bonus paid to Dr. Latts represented 40% of his base salary, which was less than the target amount due to slower clinical trial progress than our objectives for 2006. The Compensation Committee maintained the target bonus for Dr. Latts at 45%. Dr. Latts retired in January 2007.

#### *Accounting and Tax Considerations*

Effective January 1, 2006, we adopted the fair value provisions of Financial Accounting Standards Board Statement No. 123(R) (revised 2004), Share-Based Payment, (or FAS 123R). Under FAS 123R, we are required to estimate and record an expense for each award of equity compensation (including stock options) over the vesting period of the award. The Compensation Committee has determined to retain for the foreseeable future our stock option program as the sole component of its long-term compensation program, and, therefore, to record this expense on an ongoing basis according to FAS 123R. The Compensation Committee has considered, and may in the future consider, the grant of restricted stock to our executive officers in lieu of stock option grants in light of the accounting impact of FAS 123R with respect to stock option grants.

Section 162(m) of the Internal Revenue Code of 1986 limits our deduction for federal income tax purposes to not more than \$1 million of compensation paid to certain executive officers in a calendar year. Compensation above \$1 million may be deducted if it is performance-based compensation. The Compensation Committee has not yet established a policy for determining which forms of incentive compensation awarded to our executive officers shall be designed to qualify as performance-based compensation. To maintain flexibility in compensating our executive officers in a manner designed to promote our objectives, the Compensation Committee has not adopted a policy that requires all compensation to be deductible. However, the Compensation Committee intends to evaluate the effects of the compensation limits of Section 162(m) on any compensation it proposes to grant, and the Compensation Committee intends to provide future compensation in a manner consistent with our best interests and those of our stockholders.

#### *Conclusion*

It is the opinion of the Compensation Committee that the aforementioned compensation policies and elements provide the necessary incentives to properly align our performance and the interests of our stockholders while maintaining progressive, balanced and competitive executive compensation practices that enable us to attract and retain the highest caliber of executives.



**Summary Compensation Table**

The following table shows for the fiscal year ended December 29, 2006, compensation awarded to or paid to, or earned by, our Chief Executive Officer, Chief Financial Officer and three other most highly compensated executive officers at December 29, 2006 (the Named Executive Officers ).

**Summary Compensation Table for Fiscal 2006**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
				(\$)	(\$)(1)	(\$)(2)	(\$)(3)	(\$)
George A. Scangos, Ph.D., President and Chief Executive Officer	2006	\$ 750,000	\$ 400,000	\$	\$ 2,510,117	\$	\$ 4,750	\$ 3,664,867
Michael M. Morrissey, Ph.D., President of Research and Development	2006	400,520	200,260		803,627		4,400	1,408,807
Jeffrey Latts, M.D., Executive Vice President of Development (4)	2006	399,376	159,750		790,032		4,400	1,353,558
Frank L. Karbe, Senior Vice President and Chief Financial Officer	2006	345,030	155,264		676,836			1,177,130
Pamela A. Simonton, J.D., LL.M., Senior Vice President Patents and Licensing	2006	322,189	144,985		482,416		57,029	1,006,619

- (1) Amounts shown in this column reflect the compensation costs recognized by us in fiscal 2006 for option awards as determined pursuant to FAS 123R. The assumptions used to calculate the value of option awards are set forth in Note 11 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 29, 2006 filed with the SEC on February 27, 2007. There can be no assurance that the options will ever be exercised (in which case no value will actually be realized by the executive) or that the value on exercise will be equal to the FAS 123R value shown in this column.
- (2) Bonuses for services rendered in 2006 by Named Executive Officers are included in the Bonus column. While we have established general guidelines related to bonus target amounts and the portion of each Named Executive Officer's annual cash bonus that is tied to company-wide and division or department performance components, the Compensation Committee exercises broad discretion in determining the amount of cash bonuses and does not attempt to quantify the level of achievement of corporate goals or the extent to which each Named Executive Officer's division or department contributed to the overall success of the company. Accordingly, we do not consider these bonuses to be Non-Equity Incentive Plan Compensation.
- (3) Unless otherwise indicated, the amounts in this column consist of matching contributions made by us under our tax-qualified 401(k) plan, which provides for broad-based employee participation. In addition to receiving a matching contribution as a result of his participation in the 401(k) plan, Dr. Scangos received a \$350 service award on his 10-year anniversary with the company. In addition to Ms. Simonton receiving a matching contribution under the 401(k) plan in 2006, we also forgave \$52,629 in interest pursuant to the terms of a loan we entered into with Ms. Simonton in 2001.
- (4) Dr. Latts served as Executive Vice President from January 1, 2006 through December 29, 2006. Dr. Latts retired from the company on January 12, 2007.

**Grants of Plan-Based Awards**

The following table shows for the fiscal year ended December 29, 2006, certain information regarding grants of plan-based awards to the Named Executive Officers:

**Grants of Plan-Based Awards in Fiscal 2006**

Name	Grant Date	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)				All Other Option Awards:		
			Units Granted	Threshold	Target	Maximum	Options	Exercise or Base Price of Option Awards	Full Grant Date Fair Value
			(#)	(\$)	(\$)	(\$)	(#)(2)	(\$/Sh)	(\$)(3)
George A. Scangos, Ph.D.	12/8/2006	12/8/2006		\$	\$	\$	400,000	\$ 8.99	\$ 1,967,799
Michael M. Morrissey, Ph.D.	12/8/2006	12/8/2006					200,000	8.99	983,899
Jeffrey Latts, M.D.	12/8/2006	12/8/2006					100,000	8.99	491,950
Frank L. Karbe	12/8/2006	12/8/2006					100,000	8.99	491,950
Pamela A. Simonton, J.D., LL.M.	12/8/2006	12/8/2006					75,000	8.99	368,962

- (1) Each year the Compensation Committee considers payment of annual cash bonuses to Named Executive Officers for services rendered in the past year. While we have established general guidelines related to bonus target amounts and the portion of each Named Executive Officer's annual cash bonus that is tied to company-wide and division or department performance components, the Compensation Committee exercises broad discretion in determining the amount of cash bonuses and does not attempt to quantify the level of achievement of corporate goals or the extent to which each Named Executive Officer's division or department contributed to the overall success of the company. Accordingly, we do not consider these bonuses to be Non-Equity Incentive Plan Compensation. The bonus targets for the year ended December 29, 2006 were \$450,000 for Dr. Scangos, \$180,234 for Dr. Morrissey, \$179,719 for Dr. Latts, \$155,264 for Mr. Karbe and \$112,766 for Ms. Simonton. Whether or not a bonus is paid for any year is within the discretion of the Board. The actual bonus awarded in any year, if any, may be more or less than the target, depending on individual performance and the achievement of our company-wide objectives. In awarding bonuses, the Compensation Committee also reviews total cash compensation (base salary and bonus) awarded to similarly situated executive officers. The actual cash bonus award earned for the year ended December 29, 2006 for each Named Executive Officer is set forth in the Summary Compensation Table above. For a description of the payment of bonuses to Named Executive Officers under our compensation program, see "Compensation Discussion and Analysis" above.
- (2) Options were granted under our 2000 Equity Incentive Plan. The options expire 10 years from the date of grant or earlier upon termination of service. The options vest as to 1/4 of the original number of shares subject to the option on the one-year anniversary of the vesting commencement date and thereafter as to 1/48<sup>th</sup> of the original number of shares subject to the option on each monthly anniversary of the vesting commencement date. Vesting is subject to acceleration as described under the caption "Potential Payments upon Termination or Change-In-Control" below.
- (3) Amounts shown in this column reflect the fair value of the option awards granted in 2006 to each Named Executive Officer as determined pursuant to FAS 123R. The assumptions used to calculate the value of option awards are set forth in Note 11 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 29, 2006 filed with the SEC on February 27, 2007. There can be no assurance that the options will ever be exercised (in which case no value will actually be realized by the executive) or that the value on exercise will be equal to the FAS 123R value shown in this column.

**Outstanding Equity Awards at Fiscal Year End**

The following table shows for the fiscal year ended December 29, 2006, certain information regarding outstanding equity awards at fiscal year end for the Named Executive Officers.

**Outstanding Equity Awards At December 29, 2006**

Name	Grant Date	Number of Securities Underlying Unexercised Options (#)	Option Awards		Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Option	Expiration Date
			Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Option		
George A. Scangos, Ph.D.	12/06/2000	250,000			\$ 18.81	1/14/2011
	12/03/2001	350,000			15.43	12/2/2011
	1/29/2003	400,000			6.45	1/28/2013
	12/10/2003	200,000			6.15	12/9/2013
	12/13/2004	175,000	175,000 <sup>(2)</sup>		8.92	12/12/2014
	12/12/2005	250,000	750,000 <sup>(3)</sup>		8.90	12/11/2015
	12/08/2006		400,000 <sup>(4)</sup>		8.99	12/7/2016
Michael M. Morrissey, Ph.D.	12/06/2000	20,000			18.81	1/14/2011
	12/03/2001	50,000			15.43	12/2/2011
	1/29/2003	85,000			6.45	1/28/2013
	12/10/2003	150,000			6.15	12/9/2013
	12/13/2004	50,000	50,000 <sup>(2)</sup>		8.92	12/12/2014
	12/12/2005	75,000	225,000 <sup>(3)</sup>		8.90	12/11/2015
	12/08/2006		200,000 <sup>(4)</sup>		8.99	12/7/2016
Jeffrey Latts, M.D.	8/01/2001	125,000			16.87	7/31/2011
	12/03/2001	30,000			15.43	12/2/2011
	1/29/2003	110,000			6.45	1/28/2013
	12/10/2003	115,000			6.15	12/9/2013
	12/13/2004	50,000	50,000 <sup>(2)</sup>		8.92	12/12/2014
	12/12/2005	75,000	225,000 <sup>(3)</sup>		8.90	12/11/2015
	12/08/2006		100,000 <sup>(4)</sup>		8.99	12/7/2016
Frank L. Karbe	2/15/2004	200,000			8.00	2/14/2014
	2/24/2004	25,000			8.18	2/23/2014
	12/13/2004	42,500	42,500 <sup>(2)</sup>		8.92	12/12/2014
	12/12/2005	50,000	150,000 <sup>(3)</sup>		8.90	12/11/2015
	12/08/2006		100,000 <sup>(4)</sup>		8.99	12/7/2016
Pamela A. Simonton, J.D., LL.M.	4/03/2000	87,500			11.00	4/2/2010
	12/06/2000	10,000			18.81	12/5/2010
	12/03/2001	35,000			15.43	12/2/2011
	1/29/2003	11,459			6.45	1/28/2013
	12/10/2003	22,917			6.15	12/9/2013

Edgar Filing: EXELIXIS INC - Form DEF 14A

12/13/2004	35,000	35,000 <sup>(2)</sup>	8.92	12/12/2014
12/12/2005	50,000	150,000 <sup>(3)</sup>	8.90	12/11/2015
12/08/2006		75,000 <sup>(4)</sup>	8.99	12/7/2016

- (1) Options were granted under our 2000 Equity Incentive Plan. The options expire 10 years from the date of grant or earlier upon termination of service. The options vest as to 1/4 of the original number of shares subject to the option on the one-year anniversary of the vesting commencement date and thereafter as to

- 1/48<sup>th</sup> of the original number of shares subject to the option on each monthly anniversary of the vesting commencement date. Vesting is subject to acceleration as described under the caption Potential Payments upon Termination or Change-In-Control below.
- (2) Options vest as to 1/48<sup>th</sup> of the original number of shares subject to the option on each monthly anniversary of the vesting commencement date with a final vesting date of December 13, 2008 (assuming that such options are not accelerated).
  - (3) Options vest as to 1/48<sup>th</sup> of the original number of shares subject to the option on each monthly anniversary of the vesting commencement date with a final vesting date of December 12, 2009 (assuming that such options are not accelerated).
  - (4) Options vest as to 1/4 of the original number of shares subject to the option on the one-year anniversary of the vesting commencement date and thereafter as to 1/48<sup>th</sup> of the original number of shares subject to the option on each monthly anniversary of the vesting commencement date with a final vesting date of December 8, 2010 (assuming that such options are not accelerated).

**Option Exercises**

The following table shows for the fiscal year ended December 29, 2006, certain information regarding option exercises during the last fiscal year with respect to the Named Executive Officers:

**Option Exercises in Fiscal 2006**

Name	Option Awards	
	Number of Shares	Value Realized
	Acquired on Exercise	on Exercise
	(#)	(\$)
George A. Scangos, Ph.D.		\$
Michael M. Morrissey, Ph.D.		
Jeffrey Latts, M.D.		
Frank L. Karbe		
Pamela A. Simonton, J.D., LL.M.	920	4,176
	3,958	17,218
	5,000	24,193
	3,541	12,535
	5,000	23,381
	5,000	27,239
	5,000	23,559
	5,000	22,350
	4,080	18,520
	1,042	4,533
	5,000	24,881
	5,000	28,739
	5,000	25,059
	5,000	23,850
	5,000	24,196
	2,083	9,686
<b>Total Exercised</b>	<b>65,624</b>	<b>\$ 314,115</b>

**Potential Payments upon Termination or Change-In-Control**

In December 2005, the Board, upon recommendation of the Compensation Committee, adopted a Change in Control and Severance Benefit Plan that provides for certain severance benefits to our officers in connection with specified termination events. Eligible plan participants may include any employee having a rank of vice president or above, which includes the Named Executive Officers.

If a Named Executive Officer's employment terminates due to an involuntary termination without cause or a constructive termination during a period starting one month prior to and ending 13 months following a change in control, then the Named Executive Officer would be entitled to the following benefits under the plan:

- (a) a cash payment equal to the sum of the Named Executive Officer's base salary and target bonus for (i) 18 months for Named Executive Officers (other than the Chief Executive Officer) and (ii) 24 months for the Chief Executive Officer;
- (b) the vesting of up to all of the Named Executive Officer's options will accelerate in full and the exercise period of such options will be extended to the later of (i) twelve months after the change in control and (ii) the post-termination exercise period provided for in the applicable option agreement. The plan also provides that any reacquisition or repurchase rights held by us in respect of common stock issued or issuable pursuant to any stock awards granted under our 2000 Equity Incentive Plan will lapse;
- (c) payment of COBRA premiums for any health, dental, or vision plan sponsored by the Company for a period of up to (i) 18 months for Named Executive Officers (other than the Chief Executive Officer) and (ii) 24 months for the Chief Executive Officer; and
- (d) payment of outplacement services for (i) 18 months for Named Executive Officers (other than the Chief Executive Officer), subject to a \$30,000 limit, and (ii) 24 months for the Chief Executive Officer, subject to a \$50,000 limit.

The payments and benefits described above are subject to certain reductions and offsets if, for example, the Named Executive Officer received other severance benefits from us pursuant to a written employment agreement. In addition, if any of the severance benefits payable under the plan would constitute a parachute payment subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, a Named Executive Officer may receive a reduced amount of the affected severance benefits (the plan does not provide for the gross up of any excise taxes imposed by Section 4999 of the Internal Revenue Code). No Named Executive Officer would receive benefits under the plan if (i) the Named Executive Officer has entered into an individually negotiated employment agreement that provides for severance or change in control benefits, (ii) the Named Executive Officer voluntarily terminates employment with us to accept employment with another entity that is controlled by us or is otherwise affiliated with us, or (iii) the Named Executive Officer does not confirm in writing that he or she is subject to agreements with us relating to proprietary and confidential information.

If the employment of any Named Executive Officer, including the Chief Executive Officer, terminates due to (x) a termination without cause before a change in control or (y) a termination without cause or a constructive termination more than 13 months following a change in control, then the Named Executive Officer would be entitled to receive a cash severance benefit under the plan equal to six months of base salary. In such circumstances, we would also pay the Named Executive Officer's COBRA premiums for any health, dental or vision plan that we sponsored and that the Named Executive Officer is enrolled in for a period of up to six months.

The following table describes the potential severance payments and benefits under our Change in Control and Severance Benefit Plan to which the Named Executive Officers would be entitled in connection with specified termination events, as if such Named Executive Officers employment terminated as of December 29, 2006, the last day of our last fiscal year. There are no other agreements, arrangements or plans that entitle any Named Executive Officers to severance, perquisites or other enhanced benefits upon termination of employment.

**Change in Control and Severance Benefit Plan**

Name	Benefit	Payment	Involuntary Termination	
			Without Cause	Termination Without Cause
			or	
			Constructive Termination in	
			Connection with a Change in Control	
			Remaining Unamortized	
			Option Expense	
			Upon	
			Change in Control	
			(1)	
			Control	
			Following a Change in	
			Control	
George A. Scangos, Ph.D.	Base Salary	\$ 1,500,000	\$	\$ 375,000
	Bonus	900,000		
	Vesting Acceleration		7,079,202	
	COBRA Premiums	22,353		5,588
	Outplacement Services	50,000		
<b>Total</b>		<b>\$ 2,472,353</b>	<b>\$ 7,079,202</b>	<b>\$ 380,588</b>
Michael M. Morrissey, Ph.D.	Base Salary	\$ 600,780	\$	\$ 200,260
	Bonus	270,351		
	Vesting Acceleration		2,592,314	
	COBRA Premiums	25,924		8,641
	Outplacement Services	30,000		
<b>Total</b>		<b>\$ 927,055</b>	<b>\$ 2,592,314</b>	<b>\$ 208,901</b>
Jeffrey Latts, M.D.(2)	Base Salary	\$ 599,064	\$	\$ 199,688
	Bonus	269,579		
	Vesting Acceleration		1,939,695	
	COBRA Premiums	16,765		5,588
	Outplacement Services	30,000		
<b>Total</b>		<b>\$ 915,408</b>	<b>\$ 1,939,695</b>	<b>\$ 205,276</b>
Frank L. Karbe	Base Salary	\$ 517,545	\$	\$ 172,515
	Bonus	232,895		
	Vesting Acceleration		1,656,088	
	COBRA Premiums	8,257		2,752
	Outplacement Services	30,000		
<b>Total</b>		<b>\$ 788,697</b>	<b>\$ 1,656,088</b>	<b>\$ 175,267</b>
Pamela A. Simonton, J.D., LL.M.	Base Salary	\$ 483,284	\$	\$ 161,095

Edgar Filing: EXELIXIS INC - Form DEF 14A

Bonus	169,149		
Vesting Acceleration		1,257,961	
COBRA Premiums	8,257		2,752
Outplacement Services	30,000		
<b>Total</b>	<b>\$ 690,690</b>	<b>\$ 1,257,961</b>	<b>\$ 163,847</b>

- (1) Amounts shown in this column reflect the remaining unamortized compensation costs as determined pursuant to FAS 123R for option awards that would be accelerated in connection with a Change In Control. The assumptions used to calculate the value of option awards are set forth in Note 11 of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended December 29, 2006 filed with the SEC on February 27, 2007. There can be no assurance that the options will ever be exercised (in which case no value will actually be realized by the executive) or that the value on exercise will be equal to the FAS 123R value shown in this column.
- (2) Dr. Latts retired from his position as an Executive Vice President effective January 12, 2007.



---

**Certain Relationships and Related Party Transactions**

**Indemnification Agreements**

As permitted by Delaware law, our Certificate of Incorporation provides that no director will be personally liable to us or our stockholders for monetary damages for breach of fiduciary duty as a director, except for liability for:

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

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

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

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

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

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

**Policies and Procedures with Respect to Related Party Transactions**

The Board recognizes that related person transactions can present a heightened risk of potential or actual conflicts of interests. In December 2006, the Board adopted a Statement of Policy with respect to Related Person Transactions. Under this policy, the Audit Committee has been tasked with responsibility to review and approve related party transactions. At the beginning of each calendar year, the management shall recommend related party transactions to be entered into in that year and the Audit Committee shall approve or disapprove such transactions and at each subsequently scheduled meeting, the management shall update the Audit Committee as to any material change to the proposed transactions. In the event that the management recommends any further related person transactions subsequent to the first calendar year meeting, such transactions may be presented to the Audit Committee for approval or preliminarily entered into subject to ratification by the Audit Committee; provided that if ratification is not forthcoming, the management shall make all reasonable efforts to cancel or annul such transaction.

Under the policy, a related person includes: any senior officer (including each executive officer or officer subject to Section 16 of the Securities Exchange Act of 1934) or director of the company; a person who is an immediate family member of a senior officer, director or director nominee; a security holder who is known to own of record or beneficially more than 5% percent of any class of our securities; a person who is an immediate family member of such security holder; or an entity which is owned or controlled by one of the aforementioned persons, or an entity in which one of the aforementioned persons has a substantial ownership interest in or control over of such entity.

All related party transactions shall be disclosed in our applicable filings with the SEC as required under SEC rules.

### **Certain Business Relationships**

Dr. Papadopoulos, the Chairman of the Board, was Vice Chairman at Cowen & Company, LLC, which provides investment banking services to us from time to time, until his retirement in August 2006. No fees or expenses were incurred by us in 2006 for services from Cowen & Company, LLC while Dr. Papadopoulos was serving at Cowen. Cowen & Company, LLC acted as an underwriter for our equity offering in October 2006, which occurred after Dr. Papadopoulos' retirement from Cowen.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities of the company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file.

To our knowledge, based solely on a review of the copies of such reports furnished to us and written representations that no other reports were required, during the fiscal year ended December 29, 2006, all Section 16(a) filing requirements applicable to our officers, directors and greater than ten percent beneficial owners were complied with.

### **Householding of Proxy Materials**

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

This year a number of brokers with account holders who are stockholders will be "householding" proxy materials. A single proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be "householding" communications to your address, "householding" will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in "householding" and would prefer to receive a separate proxy statement, please notify your broker or direct your written request to: Investor Relations, Exelixis, Inc., 170 Harbor Way, P.O. Box 511, South San Francisco, California 94083-0511 or contact Exelixis, Inc., Investor Relations at (650) 837-7000. Stockholders who currently receive multiple copies of the proxy statement at their address and would like to request "householding" of their communications should contact their broker.

### **Form 10-K**

**A copy of our Annual Report on Form 10-K for the fiscal year ended December 29, 2006, including the consolidated financial statements, schedules and list of exhibits, and any particular exhibit specifically requested, is available without charge upon written request to: Investor Relations, Exelixis, Inc., 170 Harbor Way, P.O. Box 511, South San Francisco, California 94083-0511.**

**Other Matters**

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

By Order of the Board of Directors  
/s/ GEORGE SCANGOS  
GEORGE SCANGOS  
Chief Executive Officer & President

March 29, 2007

---

**Appendix A**

**EXELIXIS, INC.**

**AUDIT COMMITTEE CHARTER**

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

**Purpose**

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

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

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

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

**Membership**

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

- (a) have no relationship to the Company that may interfere with the exercise of their independence from management and the Company and satisfy the independence requirements of Rule 4200(a)(15) of the listing standards of the Nasdaq Stock Market and Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC applicable to Committee members as in effect from time to time; and
- (b) are financially literate at the time of their appointment to the Committee. In addition, at least one member of the Committee will have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable

Edgar Filing: EXELIXIS INC - Form DEF 14A

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

A-1

### **Authority**

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

### **Key Responsibilities**

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

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

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

The Committee shall meet and review with the outside auditors all critical accounting policies and practices of the Company, alternative treatments of financial information within GAAP that have been discussed by the outside auditors with management, and the treatment preferred by the outside auditors.

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

The Committee shall meet and review with management and the outside auditors the audited financial statements to be included in the Company's Annual Report on Form 10-K and Annual Report to Stockholders and review and consider with the outside auditors the matters required to be discussed by Statement of Auditing Standards No. 61, "Communication with Audit Committees" (SAS No. 61).

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

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

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

The Committee shall at least annually:

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

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

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

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

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

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

## Edgar Filing: EXELIXIS INC - Form DEF 14A

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

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

A-3



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

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

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

**Minutes and Meetings**

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

**Appendix B**

**EXELIXIS, INC.**

**CHARTER OF THE NOMINATING AND CORPORATE GOVERNANCE**

**COMMITTEE OF THE BOARD OF DIRECTORS**

**ORGANIZATION**

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

**STATEMENT OF POLICY**

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

**OPERATING PRINCIPLES AND PROCESSES**

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

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

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

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

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

**RESPONSIBILITIES**

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

*Director Nominations* The Committee shall have the responsibility for establishing criteria for Board membership and identifying, evaluating, reviewing and recommending qualified candidates to serve on

B-1

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

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

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

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

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

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

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

**MEETINGS**

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

**MINUTES AND REPORTS**

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

**Appendix C**

**EXELIXIS, INC.**

**CHARTER OF THE COMPENSATION COMMITTEE**

The Charter of the Company's Compensation Committee is as follows:

The Compensation Committee (the **Committee**) of the Board of Directors of Exelixis, Inc., a Delaware Corporation (the **Company**), shall consist of at least two members of the Board of Directors (the **Board**). All members of the Committee shall satisfy the independence requirements of the Nasdaq National Stock Market ( **Nasdaq** ) applicable to compensation committee members, as in effect from time to time, when and as required by Nasdaq. The Board shall fill any vacancies occurring on the Committee and shall also designate the chairperson of the Committee.

The purpose of the Committee shall be to act on behalf of the Board in fulfilling the Board's responsibilities to oversee the Company's compensation policies, plans and programs and to review and determine the compensation to be paid to the Company's officers and directors, as well as to prepare and review the Committee report included in the Company's annual proxy statement (the **Proxy Statement**) in accordance with applicable rules and regulations of the Securities and Exchange Commission in effect from time to time (the **Compensation Committee Report**).

The Committee shall be charged with the following functions:

**1.** To take any and all actions which may be taken by the Board with respect to fixing the compensation level of officers and employees of the Company, including but not limited to the development of compensation policies that will attract and retain the highest quality executives, that will clearly articulate the relationship of corporate performance to executive compensation and that will reward executives for the Company's progress. In particular, it shall be the responsibility of the Committee to:

**(a)** recommend to the Board for determination and approval the compensation and other terms of employment of the Company's Chief Executive Officer and evaluate the Chief Executive Officer's performance in light of relevant corporate performance goals and objectives. The Chief Executive Officer may not be present during the voting or deliberations regarding his or her compensation; and

**(b)** determine and approve or, at the discretion of the Committee, recommend to the Board for determination and approval the compensation and other terms of employment of each other officer including without limitation any person who is subject to Section 16 of the Exchange Act and Rule 16a-1 thereunder of the Company (together with the Chief Executive Officer, the **Executive Officers**), taking into consideration each such officer's success in achieving his or her individual performance goals and objectives and the corporate performance goals and objectives deemed relevant to the officer as established by the Committee.

**2.** To propose the adoption, amendment, and termination of stock option plans, stock appreciation rights plans, pension and profit sharing plans, stock bonus plans, stock purchase plans, bonus plans, deferred compensation plans, and other similar programs ( **Compensation Plans** ).

**3.** To administer all Compensation Plans, establish guidelines, interpret plan documents and generally to grant rights, participation and interests in Compensation Plans to eligible participants.

**4.** To review and approve such other compensation matters as the Board or the Chief Executive Officer of the Company wishes to have the Committee approve.

**5.** To review and discuss with the Company's management the Compensation Discussion and Analysis ( **CD&A** ) and to recommend to the Board that the CD&A be included in the Company's annual report and the Proxy Statement and to provide the Compensation Committee Report for inclusion in the Proxy Statement.

6. To periodically review, discuss and assess its own performance and to periodically review and assess the adequacy of this Charter, including the Committee's role and responsibilities as outlined in this Charter. The Committee shall recommend any proposed changes to the Board for its consideration.
7. To perform such other functions and have such other powers as may be necessary or convenient in the efficient discharge of the foregoing.
8. To report to the Board from time to time, or whenever it shall be called upon to do so.

#### **AUTHORITY**

The Committee shall have full access to all books, records, facilities and personnel of the Company as deemed necessary or appropriate by any member of the Committee to discharge his or her responsibilities hereunder. The Committee shall have the authority to obtain, at the expense of the Company, advice and assistance from internal or external legal, accounting or other advisors and consultants. Other reasonable expenditures for external resources that the Committee deems necessary or appropriate in the performance of its duties are permitted. The Committee may form and delegate authority to subcommittees, as appropriate.

Notwithstanding anything contained in this Charter, the Board shall retain the power to appoint one or more temporary special purpose committees of the Board for the purpose of determining or approving compensation and equity grants to be made under the Compensation Plans to employees that are not Executive Officers (such as, for example, year end performance-related bonuses, salary increases and incentive grants).

#### **MEETINGS**

The Committee will hold at least one regular meeting per year and additional meetings as the Committee deems appropriate. Executive Officers of the Company may attend these meetings at the invitation of the Committee, subject to the limitations set forth in this Charter.

#### **MINUTES AND REPORTS**

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





