EXELIXIS INC
Form 424B5
August 06, 2012
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Registration No. 333-182018

The information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated August 6, 2012.

Prospectus Supplement to Prospectus dated June 8, 2012.

$225,000,000

% Convertible Senior Subordinated Notes due 2019

Exelixis, Inc. is offering $225,000,000 aggregate principal amount of its % Convertible Senior Subordinated Notes due 2019, or the notes, under this prospectus supplement and the accompanying prospectus. The notes will bear interest at a rate equal to % per year, payable semiannually in arrears on February 15 and August 15 of each year, beginning on February 15, 2013. The notes will mature on August 15, 2019.

Holders may convert their notes at their option prior to the close of business on the business day immediately preceding May 15, 2019 but only under the following circumstances: (1) during any fiscal quarter commencing after September 30, 2012 (and only during such fiscal quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day; (2) during the five consecutive business day period after any five consecutive trading day period (the measurement period) in which the trading price (as defined herein) per $1,000 principal amount of notes for each trading day of such measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such trading day; (3) if we call the notes for redemption, at any time prior to the close of business on the second scheduled trading day prior to the redemption date; or (4) upon the occurrence of specified corporate events. On or after May 15, 2019 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances. Upon conversion of a note, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, as described in this prospectus supplement.

The conversion rate will initially equal shares of common stock per $1,000 principal amount of notes (equivalent to a conversion price of approximately $ per share of common stock). The conversion rate will be subject to adjustment upon the occurrence of certain events, but will not be adjusted for any accrued and unpaid interest. In addition, following the occurrence of a make-whole fundamental change, we will, in certain circumstances, increase the conversion rate for a holder that converts its notes in connection with such make-whole fundamental change.

At any time on or after August 15, 2016, we may redeem all or part of the notes, except for the notes that we are required to repurchase in connection with a fundamental change (as defined in this prospectus supplement), for cash, but only if the last reported sale price of our common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the trading day prior to the date we provide notice of redemption exceeds 130% of the conversion price in effect on each such trading day. The redemption price will equal 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. No sinking fund will be provided for the notes.

If we undergo a fundamental change, holders may require us to purchase the notes in whole or in part for cash at a fundamental change purchase price equal to 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change purchase date.

The notes will be our general unsecured senior subordinated obligations (other than the interest escrow described below), will rank senior in right of payment to any existing or future subordinated indebtedness; equal in right of payment to our existing and future unsecured senior indebtedness; subordinate in right of payment to the secured convertible notes we previously issued to entities affiliated with Deerfield Management Company L.P., or Deerfield, which we refer to as the Deerfield Notes (other than to the extent of the interest escrow); effectively subordinate (other than to the extent of the interest escrow) to any of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness; and structurally subordinate to all existing and future indebtedness (including trade payables) of our subsidiaries, as well as to any of our existing or future indebtedness that may be guaranteed by any of our subsidiaries (to the extent of any such guarantee).

We do not intend to apply for listing of the notes on any securities exchange or for inclusion of the notes in any automated quotation system. Our common stock is quoted on The NASDAQ Global Select Market under the symbol EXEL. The last reported sale price of the common stock on August 3, 2012, was $5.58 per share.

Our obligations under the notes will be secured in part for the first six scheduled semi-annual interest payments by a pledge of a portion of the proceeds from the sale of the notes to be held in escrow. During the three year term of the escrow, the proceeds held in the escrow account will be invested in U.S. government securities or permitted money market securities.

Concurrently with this offering of notes, we are offering 20,000,000 shares of our common stock (or a total of 23,000,000 shares if the underwriters for the concurrent common stock offering exercise in full their option to purchase additional shares) pursuant to a separate prospectus supplement.

See *Risk Factors* *beginning on page S-16 of this prospectus supplement to read about factors you should consider before buying the notes.*

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense.

	Per Note	Total
Initial price to public	%	$
Underwriting discount	%	$
Proceeds, before expenses, to Exelixis	%	$

The initial price to public set forth above does not include accrued interest, if any. Interest on the notes will accrue from the date of original issuance, expected to be August , 2012.

As part of this offering, Deerfield has indicated an interest in purchasing up to an aggregate of approximately $75.0 million principal amount of the notes at the initial price to public. Because this indication of interest is not a binding agreement or commitment to purchase, Deerfield may elect not to purchase any notes in this offering, or the underwriters may elect not to sell any notes in this offering to Deerfield. Contingent upon the closing of this offering, we have agreed with Deerfield to amend the terms of the Deerfield Notes to permit us to issue the notes in exchange for the payment of a consent fee of $1.5 million and revised terms for voluntary prepayments of the Deerfield Notes on or prior to July 2, 2013.

We have granted the underwriters an option to purchase up to an additional $33,750,000 in principal amount of notes from us on the same terms and conditions as set forth above exercisable within 30 days from the date of this prospectus supplement.

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company on or about August , 2012.

Goldman, Sachs & Co.
Sole Book-Running Manager

Cowen and Company
Joint Lead Manager

Co-Managers

Citigroup **Credit Suisse** **Morgan Stanley**

Prospectus Supplement dated August , 2012.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of the notes we are offering. The second part, the accompanying prospectus dated June 8, 2012, gives more general information about our notes. You should read this prospectus supplement and the accompanying prospectus, including the information incorporated by reference and any free writing prospectuses we have authorized for use in connection with this offering, in their entirety before making an investment decision.

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus, along with the information contained in any free writing prospectuses we have authorized for use in connection with this offering. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. We have not authorized anyone to provide you with different or additional information. Under no circumstances should the delivery to you of this prospectus supplement and the accompanying prospectus or any sale made pursuant to this prospectus supplement create any implication that the information contained in this prospectus supplement or the accompanying prospectus is correct as of any time after the respective dates of such information.

Unless the context requires otherwise, the words Exelixis, we, the company, us and our refer to Exelixis, Inc. and its subsidiaries, and the ter you refers to a prospective investor.

This prospectus supplement and the accompanying prospectus, including the information incorporated by reference into this prospectus supplement and the accompanying prospectus, include trademarks, service marks and trade names owned by us or others. Exelixis, Inc., the Exelixis, Inc. logo and all other Exelixis product and service names are trademarks of Exelixis, Inc. in the United States and in other selected countries. All other trademarks, service marks and trade names included or incorporated by reference in this prospectus supplement and the accompanying prospectus are the property of their respective owners.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information appearing elsewhere or incorporated by reference in this prospectus supplement and accompanying prospectus and any free writing prospectus that we have authorized for use in connection with this offering and may not contain all of the information that is important to you. This prospectus supplement and the accompanying prospectus include information about the notes we are offering as well as information regarding our business and financial data. You should read this prospectus supplement and the accompanying prospectus, including the information incorporated by reference and any free writing prospectuses we have authorized for use in connection with this offering, in their entirety. Investors should carefully consider the information set forth under Risk Factors in this prospectus supplement.

Exelixis, Inc.

We are a biotechnology company committed to developing small molecule therapies for the treatment of cancer. We are focusing our proprietary resources and development efforts exclusively on cabozantinib, formerly known as XL184, our most advanced product candidate, in order to maximize the therapeutic and commercial potential of this compound. We believe cabozantinib has the potential to be a high-quality, broadly-active, differentiated pharmaceutical product that can make a meaningful difference in the lives of patients. We have also established a portfolio of other novel compounds that we believe have the potential to address serious unmet medical needs, many of which are being advanced by partners as part of collaborations.

Cabozantinib

Cabozantinib inhibits MET, VEGFR2 and RET, proteins that are key drivers of tumor growth, vascularization, and/or metastasis. Cabozantinib has shown novel and differentiated activity in multiple cancer indications. The current clinical program for cabozantinib is focused on the treatment of metastatic castration-resistant prostate cancer, or CRPC, and medullary thyroid cancer but also includes the evaluation of other tumor types.

Exelixis has implemented a strategy to investigate cabozantinib in a comprehensive development program for CRPC to potentially generate a product that could effectively compete in the CRPC marketplace. Two phase 3 pivotal trials, COMET-1 (CabOzantinib MET Inhibition CRPC Efficacy Trial-1, formerly known as XL184-307) and COMET-2 (CabOzantinib MET Inhibition CRPC Efficacy Trial-2, formerly known as XL184-306), were designed to provide an opportunity to commercially differentiate cabozantinib as an oncology agent with a potentially beneficial impact on overall survival, pain palliation and narcotic usage. We initiated the COMET-2 trial with a pain palliation endpoint in December 2011 and the COMET-1 trial with an overall survival endpoint in May 2012.

In May 2012, we completed the submission of our rolling new drug application, or NDA, with the United States Food and Drug Administration, or FDA, for cabozantinib as a treatment for medullary thyroid cancer. On July 30, 2012, we announced that the FDA has accepted our NDA for filing and granted a Priority Review designation with a stated action date of November 29, 2012. The NDA submission was based on the data from our phase 3 clinical trial of cabozantinib as a potential treatment for medullary thyroid cancer, known as the EXAM trial (Efficacy of XL184 (Cabozantinib) in Advanced Medullary Thyroid Cancer), with progression-free survival, or PFS, as the trial s primary endpoint. The EXAM trial has been conducted under a special protocol assessment, or SPA, with the FDA, which allows for full approval on the basis of PFS if the data are supportive. We announced in

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October 2011 that the primary endpoint of the EXAM trial had been met. Data from the EXAM trial was reported at the American Society of Clinical Oncology Annual Meeting, or ASCO, in June 2012. Assuming approval of our NDA by the FDA, we currently anticipate a potential commercial launch of cabozantinib for the treatment of medullary thyroid cancer in late 2012 or early 2013.

We expect to expand the cabozantinib development program to other solid tumor indications, based on encouraging interim data that have emerged from the randomized discontinuation trial, or RDT, investigating cabozantinib in 9 distinct tumor types, as well as other clinical trials. Objective tumor responses have been observed in patients treated with cabozantinib in 12 of 13 individual tumor types investigated to date, reflecting the broad potential clinical activity and commercial opportunity of this new product candidate. Interim data suggest that cabozantinib has shown novel activity against bone and soft tissue lesions in patients with CRPC. We have also observed resolution of metastatic bone lesions on bone scan in patients with metastatic breast cancer, renal cell carcinoma, thyroid cancer, and melanoma.

Interim data from the CRPC cohort of the RDT reported at ASCO in June 2011 demonstrated that in addition to improvement of bone lesions on bone scan observed in the majority (75%) of patients, 67% of patients with bone metastases and bone pain at baseline also experienced alleviation of pain. This observation has been corroborated in a non-randomized expansion cohort, or NRE, of CRPC patients in the RDT, which collected prospectively defined patient reported outcomes on pain and narcotic use. Interim data reported at ASCO in June 2012 demonstrated that 64% of CRPC patients with moderate to severe pain in the NRE experienced durable pain reduction greater than or equal to 30%. The median best pain reduction was 46%. In addition, these interim data indicated that 56% of CRPC patients in the NRE with moderate to severe bone pain and on narcotics at baseline were able to reduce or discontinue narcotic medication. These interim data also indicated that 92% of evaluable CRPC patients in the NRE experienced a reduction greater than or equal to 30% in their circulating tumor cell, or CTC, count.

Lower starting doses of cabozantinib are being evaluated through a dose-ranging study in CRPC patients conducted through an investigator-sponsored trial, or IST. Interim data from this dose-ranging IST reported at ASCO in June 2012 demonstrated that a daily dose of 40 mg resulted in a rate of bone scan responses similar to that of a 100 mg daily dose used in the RDT, and was associated with improved tolerability compared with the higher dose. The interim data from the IST reported at ASCO in June 2012 also indicated that 92% of evaluable CRPC patients in the 40 mg dose cohort of the IST experienced a reduction greater than or equal to 30% in their CTC count. Interim data from a cohort of CRPC patients in the NRE treated at a daily dose of 40 mg has demonstrated pain palliation responses consistent with observations at the 100 mg daily dose.

We believe that cabozantinib s clinical profile is compelling and will allow commercial differentiation, assuming regulatory approval. Accordingly, it is a priority for us to generate additional data from the RDT as well as other ongoing exploratory clinical trials for cabozantinib in a broad range of tumor types, including ovarian cancer, melanoma, breast cancer, non-small cell lung cancer, hepatocellular cancer, renal cell carcinoma, and differentiated thyroid cancer, to support further prioritization of our clinical and commercial options. We have launched two initiatives to expand the cabozantinib development program beyond our internal development efforts: our IST program and our Cooperative Research and Development Agreement, or CRADA, with the National Cancer Institute s Cancer Therapy Evaluation Program, or NCI-CTEP.

We launched the IST program in 2011, and it has already provided important interim data through the dose-ranging study in CRPC patients described above. These data were important for dose

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selection in the COMET pivotal trial program, and we believe they will guide dose selection for a potential future trial to evaluate the ability of cabozantinib to prevent bone metastases in men with prostate cancer. Other recently initiated ISTs include:

- Phase 2 clinical trial of cabozantinib in women with hormone receptor-positive metastatic breast cancer and bone metastases.
- Phase 1b clinical trial evaluating cabozantinib in combination with abiraterone in CRPC patients.
- Phase 2 clinical trial of cabozantinib in chemotherapy naïve CRPC patients with bone metastases.
- Phase 1b clinical trial evaluating cabozantinib in combination with androgen ablation in patients with androgen-dependent metastatic prostate cancer.
- Phase 2 clinical trial using magnetic resonance imaging to measure the effect of cabozantinib on bone metastases in patients with CRPC.
- Phase 1 clinical trial of cabozantinib in patients with relapsed or refractory multiple myeloma with bone disease.
- Phase 2 clinical trial evaluating cabozantinib in patients with advanced pancreatic neuroendocrine and carcinoid tumors.
- Phase 2 clinical trial of cabozantinib in patients with KIF5B/RET-positive advanced non-small cell lung cancer.
- Phase 2 clinical trial evaluating cabozantinib in patients with advanced solid malignancies and bone metastases.

We plan to further expand the IST program with new trials this year.

We entered into our CRADA with NCI-CTEP in November 2011, under which thirteen proposed clinical trials have been approved to date, as follows:

- Phase 2 clinical trials in disease settings where there is substantial unmet medical need and in which cabozantinib has previously demonstrated clinical activity, consisting of randomized phase 2 clinical trials in first line renal cell carcinoma, second line hepatocellular carcinoma, platinum-resistant or refractory ovarian cancer, ocular melanoma, second line non-small cell lung cancer, and second line/third line non-small cell lung cancer. We believe that data from these phase 2 clinical trials will help prioritize future phase 3 pivotal trials of cabozantinib.
- Additional phase 2 clinical trials to explore cabozantinib s potential utility in other tumor types, consisting of trials in endometrial cancer, bladder cancer, sarcoma and second line differentiated thyroid cancer. Positive results in these indications could lead to further study in randomized phase 2 or phase 3 clinical trials.

Additional phase 1 clinical trials, consisting of a trial evaluating cabozantinib in combination with docetaxel in CRPC patients, a trial exploring the utility of combining cabozantinib with vemurafenib, a BRAF inhibitor, in patients with BRAF-mutated melanoma, and a trial to evaluate the safety and phamacokinetics of cabozantinib in pediatric malignancies.

Commencement of each of the proposed trials approved under the CRADA is subject to protocol development and satisfaction of certain other conditions. The proposed trials approved under the CRADA will be conducted under an investigational new drug application held by NCI-CTEP. We believe our CRADA reflects a major commitment by NCI-CTEP to support the broad exploration of

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cabozantinib s potential in a wide variety of cancers that have substantial unmet medical needs. Since NCI-CTEP provides funding for as many as 20 active clinical trials each year for a five year period, we believe the agreement will enable us to broadly expand the cabozantinib development program in a cost-efficient manner.

Collaborations

We have established collaborations with leading pharmaceutical and biotechnology companies, including Bristol-Myers Squibb Company, or Bristol-Myers Squibb, Sanofi, Genentech, Inc. (a wholly owned member of the Roche Group), GlaxoSmithKline, Merck (known as MSD outside of the United States and Canada) and Daiichi Sankyo Company Limited, or Daiichi Sankyo, for various compounds and programs in our portfolio. Pursuant to these collaborations, we have out-licensed compounds or programs to a partner for further development and commercialization, generally have no further unfunded cost obligations related to such compounds or programs and may be entitled to receive research funding, milestones and royalties or a share of profits from commercialization. Several of the out-licensed compounds are in multiple phase 2 studies and could potentially be of significant value to us if their development progresses successfully. With respect to our partnered compounds, we are eligible to receive potential milestone payments under our collaborations totaling approximately $3.1 billion in the aggregate on a non-risk adjusted basis, of which 10% are related to clinical development milestones, 44% are related to regulatory milestones and 46% are related to commercial milestones.

Corporate Information

We were incorporated in Delaware in November 1994 as Exelixis Pharmaceuticals, Inc. and we changed our name to Exelixis, Inc. in February 2000. Our principal executive offices are located at 210 East Grand Ave., South San Francisco, California 94080. Our telephone number is (650) 837-7000 and our website is http://www.exelixis.com. We have not incorporated by reference into this prospectus supplement or the accompanying prospectus the information on our website, and you should not consider it to be a part of this prospectus supplement. Our website address is included in this prospectus supplement as an inactive textual reference only.

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The Offering

The following is a brief summary of the terms of this offering and the notes. We provide the following summary solely for your convenience. This summary is not a complete description of this offering or the notes. You should read the full text and more specific details contained elsewhere in this prospectus supplement and the accompanying prospectus. With respect to the discussion of the terms of the notes on the cover page, in this section and in the section entitled Description of the Notes, the words Exelixis, we, our, us and the company refer only to Ex Inc. and not to any of its subsidiaries. For a more detailed description of the notes, see Description of the Notes in this prospectus supplement and Description of Debt Securities in the accompanying prospectus.

Issuer	Exelixis, Inc., a Delaware corporation
Notes offered	$225,000,000 aggregate principal amount of % Convertible Senior Subordinated Notes due 2019 (plus up to an additional $33,750,000 aggregate principal amount if the underwriters exercise their option to purchase additional notes in full).
Issue price	100%
Maturity date	August 15, 2019, unless earlier converted, redeemed or repurchased
Interest rate	% per year. Interest will accrue from the date of issuance (which is scheduled for August , 2012) or from the most recent date to which interest has been paid or duly provided for, and will be payable semi-annually in arrears on February 15 and August 15 of each year, beginning on February 15, 2013. We will also be required to pay additional interest on the notes under the circumstances described under Description of the Notes Events of Default.
Ranking	The notes will be our general unsecured senior subordinated obligations (except to the extent of the interest escrow described below) and will not be guaranteed by any of our subsidiaries. The notes will rank: senior in right of payment to any existing or future subordinated indebtedness; equal in right of payment to our existing and future unsecured senior indebtedness; subordinate in right of payment to the secured convertible notes we previously issued to entities affiliated with Deerfield Management Company L.P., or Deerfield, which we refer to as the Deerfield Notes (other than to the extent of the interest escrow);

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effectively subordinate (other than to the extent of the interest escrow) to any of our existing and future secured indebtedness, to the extent of the value of the assets securing such indebtedness, including amounts outstanding under our loan and security agreement with Silicon Valley Bank, or SVB and the Deerfield Notes; and

structurally subordinate to all existing and future indebtedness (including trade payables) of our subsidiaries, as well as to any of our existing or future indebtedness that may be guaranteed by any of our subsidiaries (to the extent of any such guarantee).

As of June 30, 2012, our total consolidated indebtedness (excluding trade payables) was $182.7 million, all of which would have been secured indebtedness. After giving effect to the issuance of the notes (assuming no exercise of the underwriters option to purchase additional notes) and the use of the net proceeds therefrom, our total indebtedness at such date would have been $407.7 million (excluding trade payables), $182.7 million of which would have been secured indebtedness. The indenture does not limit the amount of debt that may be issued by us or our subsidiaries under the indenture or otherwise.

Use of proceeds

We estimate that the net proceeds from this offering will be approximately $217.9 million (or a total of approximately $250.6 million if the underwriters exercise their option to purchase additional notes in full), after deducting the estimated underwriting discounts and estimated offering expenses payable by us. We currently expect to use the net proceeds from this offering and the concurrent offering of common stock for general corporate purposes, including for clinical trials, research and development, capital expenditures and working capital. We will also use a portion of the net proceeds to fund the escrow account to be used for the first six scheduled semi-annual interest payments.

A portion of the net proceeds will be used to pay a consent fee to Deerfield with respect to the Deerfield Notes. See Use of Proceeds and Description of Other Indebtedness.

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Interest escrow	Our obligations under the notes will be secured in part until August 15, 2015 by a pledge of a portion of the proceeds from the sale of the notes. During the three year term of the escrow, the proceeds held in the escrow account will be invested in noncallable direct obligations of, or noncallable obligations, the payment of principal of and interest on which are unconditionally guaranteed by, the United States of America, or money market securities issued by permitted money market funds (collectively, permitted securities). Approximately $ million, or approximately $ million if the underwriters exercise their option to purchase additional notes in full, will be deposited in the escrow account. The escrow account will contain an amount of permitted securities sufficient to fund, when due, the total aggregate amount of the first six scheduled semi-annual interest payments on the notes, excluding additional interest, if any. See Description of the Notes Interest Escrow.
Conversion rights	Holders may convert their notes at their option prior to the close of business on the business day immediately preceding May 15, 2019, but only under the following circumstances:
	during any fiscal quarter commencing after September 30, 2012 (and only during such fiscal quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the applicable conversion price on each applicable trading day;
	during the five consecutive business day period after any five consecutive trading day period (the measurement period) in which the trading price (as defined herein) per $1,000 principal amount of notes for each trading day of such measurement period was less than 98% of the product of the last reported sale price of our common stock and the applicable conversion rate on each such trading day;

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	if we call the notes for redemption, at any time prior to the close of business on the second scheduled trading day prior to the redemption date; or
	upon the occurrence of specified corporate events described under Description of the Notes Conversion Rights Conversion Upon Specified Corporate Events.
	On or after May 15, 2019, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their notes at any time, regardless of the foregoing circumstances.
	The conversion rate will initially equal shares of common stock per $1,000 principal amount of notes (equivalent to an initial conversion price of approximately $ per share of common stock), subject to adjustment as described in this prospectus supplement.
	In addition, following the occurrence of a make-whole fundamental change (as defined herein), we will, in certain circumstances, increase the conversion rate for a holder that converts its notes in connection with such make-whole fundamental change. See Description of the Notes Adjustment to Conversion Rate Upon Conversion in Connection with a Make-Whole Fundamental Change. You will not receive any additional cash payment representing accrued and unpaid interest, if any, upon conversion of a note, except in limited circumstances. Instead, interest will be deemed to be paid by the cash, shares of our common stock or a combination of cash and shares of our common stock paid or delivered, as the case may be, to you upon conversion of a note. See Description of the Notes Conversion Rights General.
Settlement upon conversion	We may elect to deliver to holders in full satisfaction of our conversion obligation:
	solely shares of our common stock, together with cash in lieu of fractional shares, which we refer to as a physical settlement ;
	solely cash without any delivery of shares of our common stock, which we refer to as a cash settlement ; or

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a combination of cash and shares of our common stock, together with cash in lieu of fractional shares, which we refer to as a combination settlement.

The amount of cash, if we elect cash settlement, or the amount of cash and the number of shares of our common stock, if any, if we elect a combination settlement, will be based on a daily conversion value (as defined herein) for each of the 50 consecutive trading days during the cash settlement averaging period (as defined herein).

All conversions occurring on or after May 15, 2019 and all conversions occurring after our issuance of a notice of redemption with respect to the notes and prior to the close of business on the second scheduled trading day preceding the related redemption date will be settled using the same settlement method. Except for any conversions occurring on or after May 15, 2019 and any conversions that occur after our issuance of a notice of redemption but prior to the close of business on the second scheduled trading day preceding the related redemption date, we will use the same settlement method for all conversions occurring on the same conversion date, but, unless we have made an irrevocable election to use combination settlement as described above, we will not have any obligation to use the same settlement method with respect to conversions that occur on different conversion dates. That is, we may choose for notes converted on one conversion date to settle conversions in physical settlement, and choose for notes converted on another conversion date cash settlement or combination settlement. If we elect a settlement method, we will inform holders so converting, through the trustee, of the settlement method we have selected no later than the close of business on the trading day immediately following the related conversion date (or in the case of any conversions occurring (i) after the date of issuance of a notice of redemption as described under Description of the Notes Optional Redemption and prior to the close of business on the second scheduled trading day preceding the related redemption date, in such notice of redemption or (ii) on or after May 15, 2019, no later than May 29, 2019 (which is the 55th scheduled trading day prior to the maturity date).

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	If we do not timely elect a settlement method, we will no longer have the right to elect cash settlement or physical settlement and we will be deemed to have elected combination settlement in respect of our conversion obligation, as described below, and the specified dollar amount (as defined below) per $1,000 principal amount of notes will be deemed equal to $1,000. If we elect combination settlement, but we do not timely notify converting holders of the specified dollar amount per $1,000 principal amount of notes, such specified dollar amount will be deemed to be $1,000. Prior to May 29, 2019 (which is the 55th scheduled trading day prior to the maturity date), we will have the right to irrevocably elect combination settlement with a specified dollar amount equal to $1,000 by delivering notice to all holders of the notes, the trustee and the conversion agent and issuing a press release containing the relevant information and make such information available on our website. Following such irrevocable election, we will not have the right to change the settlement method. See Description of the Notes Conversion Rights Settlement Upon Conversion.
Sinking fund	None.
Optional redemption	At any time on or after August 15, 2016, we may redeem all or part of the notes, except for the notes that we are required to repurchase in connection with a fundamental change (as defined herein), for cash, but only if the last reported sale price of our common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the trading day prior to the date we provide notice of redemption exceeds 130% of the conversion price in effect on each such trading day. The redemption price will equal 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.
Fundamental change	If we undergo a fundamental change (as defined under Description of the Notes Fundamental Change Permits Holders to Require Us to Purchase Notes), you may require us to purchase for cash all or part of your notes. The fundamental change purchase price will equal 100% of the principal amount of the notes to be purchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change purchase date.

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Events of default	Except as described under Description of the Notes Events of Default, if an event of default with respect to the notes occurs, holders may, upon satisfaction of certain conditions, accelerate the principal amount of the notes plus accrued and unpaid interest. In addition, the principal amount of the notes plus accrued and unpaid interest will automatically become due and payable in the case of certain types of bankruptcy or insolvency events of default involving us.
Book-entry form	The notes will be issued in book-entry form and will be represented by one or more permanent global certificates deposited with, or on behalf of, The Depository Trust Company, which we refer to as DTC, and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.
No prior market	Prior to this offering, there was no public market for the notes, and we do not intend to list the notes on any national securities exchange. If no active trading market develops, you may not be able to resell your notes at their fair market value or at all. Future trading prices of the notes will depend on many factors, including the market price of our common stock, prevailing interest rates, our operating results and the market for similar securities. We have been informed by the representative of the underwriters that certain underwriters currently intend to make a market in the notes after this offering is completed. However, such underwriters are not obligated to do so, and they may cease market-making at any time and without notice.
No listing	We do not intend to apply for listing of the notes on any securities exchange. Our common stock is quoted on The NASDAQ Global Select Market under the symbol EXEL.
Material U.S. federal income tax considerations	For a discussion of the material U.S. federal income tax considerations relating to the purchase, ownership and disposition of the notes and the shares of our common stock into which the notes are convertible, see Material U.S. Federal Income Tax Considerations.

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Trustee, paying agent, registrar and conversion agent	Wells Fargo Bank, National Association.
Concurrent common stock offering	Concurrently with this offering of notes, we are offering 20,000,000 shares of our common stock (or a total of 23,000,000 shares if the underwriters for the concurrent common stock offering exercise in full their option to purchase additional shares) pursuant to a separate prospectus supplement. See Concurrent Common Stock Offering in this prospectus supplement.
	Based on an assumed offering price to the public of $5.58 per share, we expect to raise approximately $105.6 million in net proceeds from the common stock offering (or approximately $121.5 million if the underwriters for the concurrent common stock offering exercise in full their option to purchase additional shares), after deducting the estimated underwriting discounts and estimated offering expenses payable by us. See Use of Proceeds in this prospectus supplement.
	This prospectus supplement shall not be deemed an offer to sell or a solicitation of an offer to buy any of the common stock offered in the concurrent common stock offering. This notes offering is not contingent upon the concurrent common stock offering, and the concurrent common stock offering is not contingent upon this notes offering. We cannot assure you that either or both of the offerings will be completed.
	Unless we specifically state otherwise, the information in this prospectus supplement assumes the completion of the concurrent common stock offering and that the underwriters for the concurrent common stock offering do not exercise their option to purchase additional shares in that offering.
Risk factors	See Risk Factors beginning on page S-16 for a discussion of factors you should consider before buying our notes.

Unless we specifically state otherwise, the information in this prospectus supplement assumes that the underwriters in this offering and in the concurrent common stock offering do not exercise their option to purchase up to $33.8 million aggregate principal amount of additional notes in this offering or to purchase up to 3,000,000 additional shares of our common stock in the concurrent common stock offering, respectively, within 30 days after the date of this prospectus supplement.

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Summary Consolidated Financial Data

We derived the information presented below as of December 31, 2011, and for each of the three years ended December 31, 2009, 2010 and 2011, from our audited consolidated financial statements. We derived the information presented below as of June 30, 2012, and for each of the six months ended June 30, 2011 and 2012, from our unaudited condensed consolidated financial statements. In the opinion of management, all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the unaudited financial data as of June 30, 2012, and for each of the six months ended June 30, 2011 and 2012, have been reflected therein. Operating results for the six months ended June 30, 2012, are not necessarily indicative of the results that may be expected for the full year. The following information should be read in conjunction with our consolidated financial statements and related notes incorporated by reference in this prospectus supplement and the accompanying prospectus from our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, and our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2012.

The as adjusted balance sheet data as of June 30, 2012, reflects receipt of the estimated net proceeds of $105.6 million from the sale of the common stock in our concurrent common stock offering (assuming no exercise of the underwriters option to purchase additional shares) at an assumed public offering price of $5.58 per share, the closing price of our common stock on August 3, 2012, and the estimated net proceeds of $217.9 million from the issuance of $225.0 million principal amount of the notes (assuming no exercise of the underwriters option to purchase additional notes) in this offering, in each case, after deducting the estimated underwriting discounts and estimated offering expenses payable by us.

For more details on how you can obtain our SEC reports and other information, you should read the section of the accompanying prospectus entitled Where You Can Find More Information.

	Year Ended December 31,			Six Months Ended June 30,	
	2009	2010	2011	2011	2012
				(unaudited)	
	(in thousands, except per share data)				
Consolidated Statement of Operations Data					
Total revenues	$ 151,759	$ 185,045	$ 289.636	$ 68,056	$ 26,323
Total operating expenses	$ 273,666	$ 276,442	$ 200,101	$ 109,794	$ 81,342
Consolidated net (loss) income	$ (139,557)	$ (92,330)	$ 75,697	$ (48,464)	$ (62,638)
Loss attributed to noncontrolling interest	$ 4,337	$	$	$	$
Net (loss) income attributable to Exelixis, Inc.	$ (135,220)	$ (92,330)	$ 75,697	$ (48,464)	$ (62,638)
Net (loss) income per share, basic attributable to Exelixis, Inc.	$ (1.26)	$ (0.85)	$ 0.60	$ (0.40)	$ (0.43)
Net (loss) income per share, diluted attributable to Exelixis, Inc.	$ (1.26)	$ (0.85)	$ 0.58	$ (0.40)	$ (0.43)
Shares used in computing basic net (loss) income per share	107,073				