

Edgar Filing: EXELIXIS INC - Form DEF 14A

EXELIXIS INC
Form DEF 14A
April 28, 2003

SCHEDULE 14A
(Rule 14a-101)

SCHEDULE 14A INFORMATION

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

Filed by the Registrant ☒
Filed by a Party other than the Registrant ☐

Check the appropriate box:

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

EXELIXIS, INC.

(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)

- ☒ 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

Edgar Filing: EXELIXIS INC - Form DEF 14A

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:

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON JUNE 16, 2003

TO THE STOCKHOLDERS OF EXELIXIS, INC.:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Exelixis, Inc., a Delaware corporation (the "Company"), will be held on Monday, June 16, 2003 at 8:00 a.m., local time, at the Company's offices located at 170 Harbor Way, South San Francisco, California 94080 for the following purposes:

- 1) To elect two Class I directors to hold office until the 2006 Annual Meeting of Stockholders.
- 2) To ratify the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as independent auditors of the Company for its fiscal year ending December 31, 2003.
- 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 April 21, 2003, 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/ Glen Y. Sato

Glen Y. Sato
Secretary

South San Francisco, California
April 28, 2003

Edgar Filing: EXELIXIS INC - Form DEF 14A

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

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

PROXY STATEMENT
FOR THE 2003 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON JUNE 16, 2003

QUESTIONS AND ANSWERS ABOUT THIS PROXY MATERIAL AND VOTING

Why am I receiving these materials?

We sent you this proxy statement and the enclosed proxy card because the Board of Directors of Exelixis, Inc. (sometimes referred to as the "Company" or "Exelixis") is soliciting your proxy to vote at the 2003 Annual Meeting of Stockholders. You are invited to attend the Annual Meeting, and Exelixis requests that you vote on the proposals described in this proxy statement. However, you do not need to attend the meeting to vote your shares. Instead, you may simply complete, sign and return the enclosed proxy card.

The Company intends to mail this proxy statement and accompanying proxy card on or about May 9, 2003 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 April 21, 2003 will be entitled to vote at the Annual Meeting. On the record date, there were approximately 59,694,141 shares of common stock outstanding and entitled to vote.

Stockholder of Record: Shares Registered in Your Name

If on April 21, 2003 your shares were registered directly in your name with Exelixis' transfer agent, Mellon Investor Services, then you are a stockholder of record. As a stockholder of record, you may vote in person at the meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, Exelixis urges you to fill out and return the enclosed proxy card.

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

If on April 21, 2003 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

Edgar Filing: EXELIXIS INC - Form DEF 14A

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 two Class I directors to hold office until the 2006 Annual Meeting of Stockholders; and
- Ratification of the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as independent auditors of the Company for its fiscal year ending December 31, 2003.

How do I vote?

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

Stockholder of Record: Shares Registered in Your Name

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

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

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

Most beneficial owners whose stock is held in street name receive voting instruction forms from their banks, brokers or other agents, rather than the Company's proxy card. A number of brokers and banks are participating in a program provided through ADP Investor Communication Services that offers the means to grant proxies to vote shares by means of the telephone and Internet. If your shares are held in an account with a broker or bank participating in the ADP Investor Communications Services program, you may grant a proxy to vote those shares telephonically by calling the telephone number shown on the instruction form received from your broker or bank, or via the Internet at ADP Investor Communication Services' web site at (www.proxyvote.com).

Votes submitted via the Internet or by telephone must be received by 3:59 p.m., Eastern Time, on June 13, 2003. Submitting your proxy via the Internet or by telephone will not affect your right to vote in person should you decide to attend the Annual Meeting.

|The telephone and Internet voting procedures are designed to authenticate |

Edgar Filing: EXELIXIS INC - Form DEF 14A

|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 own as of April 21, 2003.

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 two nominees for director and "For" the ratification of the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as independent auditors of the Company for its fiscal year ending December 31, 2003. If any other matter is properly presented at the meeting, your proxy (one of the individuals named on your proxy card) will vote your shares using his or her best judgment.

Who is paying for this proxy solicitation?

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

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

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

Can I change my vote after submitting my proxy?

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

- Your proxy may be revoked by filing with the secretary of the Company at the Company's principal executive office, 170 Harbor Way, South San Francisco, California 94080, either (1) a written notice of revocation or (2) a duly executed proxy bearing a later date.
- Your proxy may also be revoked by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not, by itself, revoke your proxy.

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

To be considered for inclusion in next year's proxy materials, your proposal must be submitted in writing by January 9, 2004 to the secretary of the

Edgar Filing: EXELIXIS INC - Form DEF 14A

Company at Exelixis, Inc., 170 Harbor Way, South San Francisco, California 94080. If you wish to submit a proposal that is not to be included in next year's proxy materials, you must submit your proposal in writing, in the manner set forth in the Company's bylaws, to the secretary of the Company at Exelixis, Inc., 170 Harbor Way, South San Francisco, California 94080, not earlier than the close of business on March 18, 2004, nor later than the close of business on April 17, 2004.

How are votes counted?

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

How many votes are needed to approve each proposal?

- For the election of directors, the two Class I nominees receiving the most "For" votes (among votes properly cast in person or by proxy) will be elected. Broker non-votes will have no effect.
- To be approved, Proposal No. 2, ratifying the selection by the Audit Committee of the Board of Directors of Ernst & Young LLP as independent auditors for the Company for its fiscal year ending December 31, 2003, 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 are represented by votes at the meeting or by proxy. On the record date, there were approximately 59,694,141 shares outstanding and entitled to vote. Thus 29,847,072 shares must be represented by votes at the meeting or by proxy to have a quorum.

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

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

Preliminary voting results will be announced at the Annual Meeting. Final voting results will be published in the Company's quarterly report on Form 10-Q for the second quarter of 2003.

PROPOSAL 1 ELECTION OF CLASS I DIRECTORS

Our amended and restated certificate of incorporation and bylaws provide

Edgar Filing: EXELIXIS INC - Form DEF 14A

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

Our Board of Directors is presently composed of nine members. There are two directors in Class I, the class whose term of office expires in 2003. Each of the nominees for election to this class is currently a director of the Company. If elected at the Annual Meeting, each of the nominees would serve until the 2006 Annual Meeting of stockholders and until his successor is elected and has qualified, or until such director's earlier death, resignation or removal.

Directors are elected by a plurality of the votes present in person or represented by proxy and entitled to vote at the Annual Meeting. Shares represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the two 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 management may propose. Each person nominated for election has agreed to serve if elected, and management has no reason to believe that any nominee will be unable to serve.

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

CLASS I NOMINEES FOR ELECTION FOR A THREE-YEAR TERM EXPIRING AT THE 2006 ANNUAL MEETING

Charles Cohen, Ph.D., age 52, has been a director since November 1995. Dr. Cohen is currently the Chairman, Supervisory Board of CellZome GmbH, a post-genomics biopharmaceutical company. From July 2000 to August 2002, Dr. Cohen was the Chief Executive Officer of CellZome GmbH. Before this, Dr. Cohen co-founded Creative BioMolecules, Inc., a biotechnology company, in 1982 and was a director and its Chief Scientific Officer. In July 2000, Creative BioMolecules, Inc. merged with Ontogeny, Inc. and Reprogenesis, Inc. and formed Curis, Inc. Dr. Cohen serves on the Board of Directors of several private companies. Dr. Cohen holds a B.A. from State University of New York at Buffalo and a Ph.D. in Basic Medical Sciences from New York University School of Medicine.

Geoffrey Duyk, M.D., Ph.D., age 44, has been a director since April 1998 and has served as our President of Research and Development since January 2003. Prior to that time, he served as our Executive Vice President and Chief Scientific Officer from April 1997 to December 2002. From 1994 to 1997, Dr. Duyk served at Millennium Pharmaceuticals, Inc., a genomics company, most recently as Vice President of Genomics. From 1992 to 1994, Dr. Duyk was an Assistant Professor in the Department of Genetics at Harvard Medical School and an Assistant Investigator of the Howard Hughes Medical Institute. While at Harvard Medical School, Dr. Duyk was a co-principal investigator in the NIH-funded Cooperative Human Linkage Center. Dr. Duyk is a member of the Board of Directors of two private companies. Dr. Duyk holds a Ph.D. and an M.D. from Case Western Reserve University and completed his residency and post-doctoral training at University of California, San Francisco.

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

Edgar Filing: EXELIXIS INC - Form DEF 14A

CLASS II DIRECTORS CONTINUING IN OFFICE UNTIL THE 2004 ANNUAL MEETING

Jason S. Fisherman, M.D., age 46, has been a director since March 1996. Dr. Fisherman is a managing director of Advent International Corporation, a global private equity and venture capital investment firm, which he joined in 1994. From 1991 to 1994, Dr. Fisherman served as Senior Director of Medical Research at Enzon, Inc., a biopharmaceutical company. Dr. Fisherman serves on the Board of Directors of Crucell N.V., ILEX Oncology, Inc., Oridon Systems Ltd. and several private companies. Dr. Fisherman holds a B.A. in Molecular Biophysics and Biochemistry from Yale University, an M.D. from the University of Pennsylvania and an M.B.A. from the Wharton Graduate School of Business.

Jean-Francois Formela, M.D., age 46, has been a director since September 1995. Dr. Formela has been a principal of Atlas Venture, a venture capital firm, since 1993. From 1989 to 1993, Dr. Formela served at Schering-Plough Corporation, most recently as Senior Director, Medical Marketing and Scientific Affairs, where he had biotechnology licensing and marketing responsibilities. Dr. Formela serves on the Board of Directors of DeCode Genetics, Inc., Nuvelo, Inc. and several private companies. Dr. Formela holds an M.D. from Paris University School of Medicine and an M.B.A. from Columbia Business School.

Vincent T. Marchesi, M.D., Ph.D., age 67, has been a director since May 2001. Since 1973, Dr. Marchesi has been a Professor of Pathology and Cell Biology at Yale University and since 1991, has been the Director of the Boyer Center for Molecular Medicine at Yale University. Dr. Marchesi is also Editor-in-Chief at the Federation of American Societies for Experimental Biology Journal. In 1982, Dr. Marchesi co-founded Molecular Diagnostics, Inc., a diagnostic development company. Dr. Marchesi was formerly Chair of Pathology at the Yale-New Haven Hospital. Dr. Marchesi holds an M.D. from Yale University and a Ph.D. from Oxford University.

CLASS III DIRECTORS CONTINUING IN OFFICE UNTIL THE 2005 ANNUAL MEETING

Stelios Papadopoulos, Ph.D., age 54, has been a director since December 1994 and the Chairman of the Board since January 1998. Dr. Papadopoulos has been an investment banker at SG Cowen Securities Corporation since February 2000. Before this, Dr. Papadopoulos was an investment banker at UBS PaineWebber from April 1987 to February 2000, and Chairman of PaineWebber Development Corp., a UBS PaineWebber subsidiary, from June 1998 to February 2000. Dr. Papadopoulos is a member of the Board of Directors of Diacrin, Inc. and several private companies. Dr. Papadopoulos holds a Ph.D. in Biophysics and an M.B.A. in Finance, both from New York University.

George A. Scangos, Ph.D., age 54, has served as a director and as our President and Chief Executive Officer since October 1996. From September 1993 to October 1996, Dr. Scangos served as President of Biotechnology at Bayer Corporation, a pharmaceutical company, and was responsible for research, business and process development, manufacturing, engineering and quality assurance. Dr. Scangos is a member of the Board of Directors of Onyx Pharmaceuticals, Inc. and a private company. Dr. Scangos was a Post-Doctoral Fellow at Yale University and a faculty member at the Johns Hopkins University. Dr. Scangos currently holds an appointment as Adjunct Professor of Biology at Johns Hopkins University. Dr. Scangos holds a B.A. in Biology from Cornell University and a Ph.D. in Microbiology from the University of Massachusetts.

Peter Stadler, Ph.D., age 57, has been a director since April 1998. Dr. Stadler has been Managing Director of Artemis Pharmaceuticals GmbH, a wholly-owned subsidiary of the Company, since May 2001. From 1998 to 2001, Dr. Stadler was President and Chief Executive Officer of Artemis Pharmaceuticals GmbH, a biotechnology company. From 1987 to 1997, Dr. Stadler was head of pharma-biotechnology at Bayer AG, a pharmaceutical company. From 1986 to 1987,

Edgar Filing: EXELIXIS INC - Form DEF 14A

Dr. Stadler served as a visiting scientist at the University of Munster, Germany and the Massachusetts Institute of Technology in the area of biotechnology. Dr. Stadler holds a Ph.D. in Organic Chemistry and Biochemistry from the University of Hamburg.

Lance Willsey, M.D., age 41, has been a director since April 1997. Dr. Willsey has been a Founding Partner of DCF Capital, a hedge fund focused on investing in the life sciences, since July 1998. From July 1997 to July 1998, Dr. Willsey served on the Staff Department of Urologic Oncology at the Dana Farber Cancer Institute at Harvard University School of Medicine. From July 1996 to July 1997, Dr. Willsey served on the Staff Department of Urology at Massachusetts General Hospital at Harvard University School of Medicine, where he was a urology resident from July 1992 to July 1996. Dr. Willsey holds a B.S. in Physiology from Michigan State University and an M.S. in Biology and an M.D., both from Wayne State University.

BOARD COMMITTEES AND MEETINGS

During the year ended December 31, 2002, our Board of Directors held four meetings and acted by written consent three times. Our Board of Directors has an Audit Committee and a Compensation Committee.

The Audit Committee of the Board of Directors oversees the Company's corporate accounting and financial reporting process. For this purpose, the Audit Committee performs several functions. The Audit Committee evaluates the performance of and assesses the qualifications of the independent auditors; determines on behalf of the Board of Directors the engagement of the independent auditors; determines on behalf of the Board of Directors whether to retain or terminate the existing independent auditors or to appoint and engage new independent auditors; reviews and approves the engagement of the independent auditors to perform any proposed permissible services; monitors the rotation of partners of the independent auditors on the Company engagement team as required by law; reviews the financial statements to be included in the Company's Annual Report on Form 10-K; and discusses with management and the independent auditors the results of the annual audit and the results of the Company's quarterly financial statements.

The Audit Committee was established in January 2000 in connection with our initial public offering. The Audit Committee is currently composed of three non-employee directors: Drs. Fisherman, Formela and Willsey. The Audit Committee met four times during the year ended December 31, 2002. All members of the Audit Committee are independent (as independence is currently defined by the rules of the National Association of Securities Dealers). The Audit Committee has adopted a written Audit Committee Charter that is attached as Appendix A to these proxy materials.

The Compensation Committee of the Board of Directors was established in January 2000 in connection with our initial public offering and reviews and recommends to the Board of Directors the compensation and benefits of all of our officers, establishes and reviews general policies relating to compensation and benefits of our employees that also include executive officers and performs such other functions regarding compensation as the Board of Directors may delegate. The Compensation Committee also administers the issuance of stock options and other awards under our stock plans. The Compensation Committee is currently composed of three non-employee directors: Drs. Cohen, Marchesi and Formela. The Compensation Committee met two times during the year ended December 31, 2002. All members of the Compensation Committee are independent (as independence is currently defined by the rules of the National Association of Securities Dealers).

During the year ended December 31, 2002, all of our directors attended at least 75% or more of the total meetings of the Board of Directors and of the

Edgar Filing: EXELIXIS INC - Form DEF 14A

committees on which they served, held during the period for which they were a director or committee member, respectively.

REPORT OF THE AUDIT COMMITTEE(1)

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

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

1. We have reviewed and discussed the Company's audited consolidated financial statements as of and for the year ended December 31, 2002 with management and the independent auditors. We have also discussed with management and the independent auditors the process used to support the certifications of the Chief Executive Officer and Chief Financial Officer that are required by the Sarbanes-Oxley Act of 2002 and the Securities and Exchange Commission ("SEC") that are required to accompany the Company's periodic filings with the SEC.

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

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

4. Based on review and discussion of the matters set forth in paragraphs (1) through (3) above, we have recommended to the Board of Directors (and the Board of Directors approved) that the audited consolidated financial statements referred to above be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002 for filing with the SEC.

We have also selected Ernst & Young LLP as the Company's independent auditors for the fiscal year ended December 31, 2003 and have presented our selection to the Board of Directors to present to the stockholders for ratification.

The undersigned members of the Audit Committee have submitted this Audit Committee Report as of this 31st day of March 2003.

Edgar Filing: EXELIXIS INC - Form DEF 14A

Jason Fisherman
Jean-Francois Formela
Lance Willsey

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

PROPOSAL 2 RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

The Audit Committee of the Board of Directors has selected Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 2003 and has further directed that management submit the selection of independent auditors for ratification by the stockholders at the Annual Meeting. Ernst & Young LLP has audited the Company's financial statements for the years ended December 31, 2002 and 2001, respectively. PricewaterhouseCoopers LLP had audited the Company's financial statements from the Company's inception through the year ended December 31, 2000. Representatives of Ernst & Young LLP are expected to be present at the Annual Meeting. They will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

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

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

AUDITORS' FEES

(1) "Audit fees" include fees for services necessary to perform the audit of our financial statements for fiscal year 2002 and 2001, statutory audits, attest services and consents and assistance with, and review of, documents filed with the SEC.

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

(3) "Tax fees" can include all services performed by professional staff of the auditor's tax division, including fees for tax compliance, tax and planning and tax advice. There were no such fees incurred in either of the last two fiscal years.

Edgar Filing: EXELIXIS INC - Form DEF 14A

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

	Year Ended December 31,	
	2002	2001
Audit fees	\$ 175,677	\$ 107,861
Audit-related fees	18,260	-
Tax fees	-	-
	\$ 193,937	\$ 107,861
	=====	=====

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

PRE-APPROVAL OF SERVICES

The Audit Committee of the Board of Directors approved the following audit and non-audit services to be performed by Ernst & Young LLP, the Company's external auditor. Non-audit services are defined as services other than those provided in connection with an audit or a review of the financial statements of the Company. The Audit Committee has approved engagements of Ernst & Young LLP for the following services: (1) audit of the Company's Consolidated Financial Statements and related review of the Proxy and Form 10-K; (2) review of the Company's 2003 quarterly consolidated financial statements and the related SEC filings; (3) 2002 German Statutory Audits; (4) review of the Company's 2003 Registration Statement, if any, (5) 2003 Accounting Consultations, if any, and (6) 2003 Tax Consultations, if any. There are no de minimus exceptions for Exelixis.

The Audit Committee has determined that the rendering of the tax services and all other non-audit services by Ernst & Young LLP is compatible with maintaining the auditor's independence.

During the fiscal year ended December 31, 2002, no hours expended on the Company's financial audit by Ernst & Young LLP were provided by persons other than Ernst & Young LLP's full-time permanent employees.

CHANGE IN INDEPENDENT AUDITORS

On December 14, 2001, the Company dismissed PricewaterhouseCoopers LLP as the independent auditors of the Company and appointed Ernst & Young LLP as its independent auditors. The decision to change independent auditors was approved by the Audit Committee under authority granted by the Board of Directors of the Company.

The independent auditors' report on the Company's financial statements for the fiscal year ended December 31, 2000 did not contain an adverse opinion or disclaimer of opinion, nor was the report qualified or modified as to uncertainty, audit scope or accounting principles. In connection with the Company's audits for the fiscal years ended December 31, 2000 and 1999, and in the subsequent interim period prior to PricewaterhouseCoopers LLP's dismissal on December 14, 2001, there were no disagreements between the Company and PricewaterhouseCoopers LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of PricewaterhouseCoopers

Edgar Filing: EXELIXIS INC - Form DEF 14A

LLP, would have caused PricewaterhouseCoopers LLP to make reference thereto in their reports on the financial statements for such years. PricewaterhouseCoopers LLP's letter to the SEC stating its agreement with the statements made herein is filed as an exhibit to the Company's Current Report on Form 8-K filed with the SEC on December 20, 2001.

During the fiscal year ended December 31, 2000 and through December 14, 2001, the Company did not consult with Ernst & Young LLP regarding the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements.

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

EQUITY COMPENSATION PLAN INFORMATION

The following table provides certain information as of December 31, 2002 with respect to all of the Company's equity compensation plans in effect as of December 31, 2002:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted- average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)		
Equity compensation plans approved by stockholders:			
2000 Equity Incentive Plan (1)	8,408,577	\$15.46	259,000
2000 Non-Employee Directors Stock Option Plan (2)	290,000	17.09	1,043,000
2000 Employee Stock Purchase Plan (3)	-	-	430,000
1994 & 1997 Equity Incentive Plan (4)	797,627	5.35	
Equity compensation plans not approved by stockholders:			
None	-	-	
Total	9,496,204	14.66	1,733,000

The above equity compensation plans of the Company were adopted with the approval of the Company's security holders.

Edgar Filing: EXELIXIS INC - Form DEF 14A

(1) In January 2000, the Company adopted the 2000 Equity Incentive Plan ("2000 Plan") to replace the 1997 Plan. A total of 3,000,000 shares of Exelixis common stock were initially authorized for issuance under the 2000 Plan. On the last day of each year for ten years, starting in 2000, the share reserve will automatically be increased by a number of shares equal to the greater of: 5% of the Company's outstanding shares on a fully-diluted basis; or that number of shares subject to stock awards granted under the 2000 Plan during the prior 12-month period.

(2) In January 2000, the Company adopted the 2000 Non-Employees Directors' Stock Option Plan ("Director Plan"). The Director Plan provides for the automatic grant of options to purchase shares of common stock to non-employee directors. A total of 500,000 shares of the Company's common stock were initially authorized for issuance under the Director Plan. On the last day of each year for ten years, starting in 2000, the share reserve will automatically be increased by a number of shares equal to the greater of: 0.75% of the Company's outstanding shares on a fully-diluted basis; or that number of shares subject to options granted under the Director Plan during the prior 12-month period.

(3) In January 2000, the Company adopted the 2000 Employee Stock Purchase Plan (the "ESPP"). The ESPP allows for qualified employees (as defined in the ESPP) to purchase shares of the Company's common stock at a price equal to the lower of 85% of the closing price at the beginning of the offering period or 85% of the closing price at the end of each purchase period. A total of 300,000 shares of common stock were initially authorized for issuance under the ESPP. On the last day of each year for ten years, starting in 2000, the share reserve will automatically be increased by a number of shares equal to the greater of: 0.75% of the Company's outstanding shares on a fully-diluted basis; or that number of shares subject to stock awards granted under the plan during the prior 12-month period.

(4) In January 1995, the Company adopted the 1994 Employee, Director and Consultant Stock Option Plan ("1994 Plan"). The 1994 Plan provides for the issuance of incentive stock options, non-qualified stock options and stock purchase rights to key employees, directors, consultants and members of the Scientific Advisory Board. In September 1997, the Company adopted the 1997 Equity Incentive Plan ("1997 Plan"). The 1997 Plan amends and supercedes the 1994 Plan. This Plan was replaced by the 2000 Plan and no further options will be issued.

In connection with the acquisition of Agritope in December 2000, the Company assumed all the options granted and outstanding to consultants and employees under the Agritope, Inc. 1997 Stock Award Plan. Each outstanding Agritope stock option was converted into the right to purchase the number of shares of the Company's common stock as determined using the applicable exchange ratio of 0.35. All other terms and conditions of the Agritope stock options did not change and such options will operate in accordance with their terms.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

Edgar Filing: EXELIXIS INC - Form DEF 14A

Beneficial Owner	Beneficial Ownership	
	Number of Shares	Percent of Total
George A. Scangos, Ph.D. (1)	2,864,461	4.80
Geoffrey Duyk, M.D., Ph.D. (2)	2,068,749	3.47
Pamela A. Simonton (3)	182,500	*
Jeffrey R. Latts, M.D. (4)	265,000	*
Stelios Papadopoulos, Ph.D. (5)	692,277	1.16
Charles Cohen, Ph.D. (6)	382,857	*
Jason S. Fisherman, M.D. (7)	1,635,768	2.74
Jean-Francois Formela, M.D. (8)	2,445,919	4.10
Vincent T. Marchesi, M.D., Ph.D (9)	40,000	*
Peter Stadler, Ph.D. (10)	263,958	*
Lance Willsey, M.D. (6)	77,500	*
5% Stockholders		
T. Rowe Price (11) 100 E Pratt Street Baltimore, MD 21202	5,150,080	8.63
FMR Corp. (11) 82 Devonshire Street Boston, MA 02109	3,405,000	5.71
Wellington Management Company LLP (11) 75 State Street Boston, MA 02109	4,076,765	6.83
All directors and executive officers as a group (20 persons) (12)	12,574,556	21.08