Ignyta, Inc.
Form SC 14D9
January 10, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14D-9

(Rule 14d-101)

Solicitation/Recommendation Statement

Under Section 14(d)(4) of the Securities Exchange Act of 1934

IGNYTA, INC.

(Name of Subject Company)

IGNYTA, INC.

(Name of Person Filing Statement)

Common Stock, par value $0.0001 per share

(Title of Class of Securities)

451731103

(CUSIP Number of Class of Securities)

Jonathan E. Lim, M.D.

President and Chief Executive Officer

Ignyta, Inc.

4545 Towne Centre Court

San Diego, California 92121

(858) 255-5959

(Name, address and telephone number of person authorized to receive notices and communications

on behalf of the persons filing statement)

With copies to:

Charles K. Ruck

Cheston J. Larson

Michael E. Sullivan

Latham & Watkins LLP

12670 High Bluff Drive

San Diego, California 92130

(858) 523-5400

Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

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Item 1. ***Subject Company Information*.**

Name and Address.

The name of the subject company is Ignyta, Inc., a Delaware corporation (the Company). The address of the Company s principal executive office is 4545 Towne Centre Court, San Diego, California 92121. The telephone number of the Company s principal executive office is (858) 255-5959.

Securities.

The title of the class of equity securities to which this Solicitation/Recommendation Statement on Schedule 14D-9 (together with any exhibits attached hereto, this Schedule 14D-9) relates is the Company s common stock, par value $0.0001 per share (the Common Stock). As of January 5, 2018, there were 67,656,026 shares of Common Stock outstanding.

Item 2. ***Identity and Background of Filing Person.***

Name and Address.

The name, address and telephone number of the Company, which is the person filing this Schedule 14D-9 and the subject company, are set forth in Item 1 above under the heading Name and Address.

Tender Offer.

This Schedule 14D-9 relates to the cash tender offer by Abingdon Acquisition Corp., a Delaware corporation (Purchaser) and a wholly owned subsidiary of Roche Holdings, Inc., a Delaware corporation (Parent or Roche), to purchase all of the issued and outstanding shares of Common Stock (the Shares), at a purchase price equal to $27.00 per Share (the Offer Price), net to the seller in cash, without interest and subject to deduction for any required withholding taxes, upon the terms and subject to the conditions set forth in the Offer to Purchase, dated January 10, 2018 (as amended or supplemented from time to time, the Offer to Purchase), and in the related Letter of Transmittal (which, together with the Offer to Purchase, as each may be amended or supplemented from time to time, constitute the Offer). The Offer is described in a Tender Offer Statement on Schedule TO (as amended or supplemented from time to time, the Schedule TO) filed by Parent and Purchaser with the Securities and Exchange Commission (the SEC) on January 10, 2018. The Offer to Purchase and Letter of Transmittal are filed as Exhibits (a)(1) and (a)(2), respectively, hereto and are incorporated herein by reference.

The Offer is being made pursuant to the Agreement and Plan of Merger, dated as of December 21, 2017, by and among Parent, Purchaser and the Company (the Merger Agreement). The Merger Agreement provides that, among other things, subject to the satisfaction or waiver of certain conditions, following completion of the Offer, and upon the terms and subject to the conditions set forth in the Merger Agreement and in accordance with the relevant provisions of the General Corporation Law of the State of Delaware, as amended (the DGCL), Purchaser will be merged with and into the Company (the Merger). Following the Merger, the separate corporate existence of Purchaser shall cease, and the Company will continue as the surviving corporation in the Merger (the Surviving Corporation) under the name Ignyta, Inc. as a wholly owned subsidiary of Parent. The Merger will be governed by Section 251(h) of the DGCL, which provides that following consummation of a successful tender offer for a public corporation, and subject to certain statutory provisions, if the acquirer holds at least the amount of shares of each class of stock of the acquired corporation that would otherwise be required to approve a merger for the acquired corporation, and the other stockholders receive the same consideration for their stock in the merger as was payable in the tender offer, the

acquirer can effect a merger without the action of the other stockholders of the acquired corporation. Accordingly, if Purchaser consummates the Offer, the Merger Agreement contemplates that the parties will effect the closing of the Merger without a vote of the stockholders of the Company in accordance with Section 251(h) of the DGCL.

The Merger Agreement includes a remedy of specific performance and is not subject to a financing condition. The obligation of Purchaser to purchase the Shares validly tendered pursuant to the Offer and not validly withdrawn prior to the expiration of the Offer is subject to the satisfaction or waiver of a number of conditions set forth in the Merger Agreement, including (i) that there shall have been validly tendered and not withdrawn Shares (excluding

any Shares tendered pursuant to guaranteed delivery procedures that have not yet been delivered in settlement or satisfaction of such guarantee) that, considered together with all other Shares (if any) beneficially owned by Parent and its affiliates, represent a majority of the total number of Shares outstanding at the time of the expiration of the Offer; (ii) the accuracy of the representations and warranties of the Company contained in the Merger Agreement, subject to customary exceptions; (iii) the Company s compliance in all material respects with its covenants and obligations contained in the Merger Agreement; (iv) the expiration or termination of any waiting period (and extensions thereof) relating to the Offer under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), and any applicable foreign antitrust laws, and any approvals or clearances required thereunder shall have been obtained; (v) there not having been a material adverse effect with respect to the Company; (vi) the absence of any temporary restraining order, preliminary or permanent injunction or other order or decree issued by any court of competent jurisdiction or other legal restraint or prohibition in effect that would prohibit or make illegal the acquisition of or payment for the Shares pursuant to the Offer, or the consummation of the merger; and (vii) other customary conditions.

At the effective time of the Merger (the Effective Time), by virtue of the Merger and without any action on the part of the holders of any Shares, each outstanding Share, other than any Shares owned by Parent, Purchaser or any wholly owned subsidiary of Parent or held in the treasury of the Company, or any stockholders who are entitled to and who properly exercise appraisal rights under Delaware law, will be canceled and converted into the right to receive the Offer Price, in cash, without interest, and subject to any deduction for any withholding taxes (the Merger Consideration). In addition, (i) effective as of immediately prior to the Effective Time, each outstanding Company stock option (each, a Company Stock Option) will be accelerated and vest in full and automatically be canceled and terminated as of the Effective Time and the holder thereof will be entitled to receive an amount in cash, without interest and subject to deduction for any required withholding taxes, equal to the product of (A) the number of Shares underlying such Company Stock Option multiplied by (B) the excess, if any, of the Merger Consideration over the exercise price per share of such Company Stock Option, (ii) effective as of immediately prior to the Effective Time, each outstanding Company restricted stock unit (each, a Company RSU) will automatically be fully accelerated and vest in full and the restrictions thereon will lapse, and each such Company RSU will be canceled and converted into the right to receive an amount in cash equal to the Merger Consideration, and (iii) effective as of immediately prior to the Effective Time, each outstanding Company warrant, whether vested or unvested and exercisable or unexercisable, in exchange for the surrender and cancellation therefor, shall represent the right to receive an amount in cash, without interest and subject to deduction for any required withholding taxes, equal to the product of (A) the number of Shares subject to the warrant multiplied by (B) the excess, if any, of the Merger Consideration over the exercise price per share of such warrant.

The Company, until the earlier of consummation of the Offer or the termination of the Merger Agreement, has agreed that the Company may not, and will direct and use reasonable best efforts to cause its representatives not to, (i) continue any solicitation, knowing encouragement, or negotiations with any persons that may be ongoing with respect to an acquisition proposal, (ii) solicit, initiate or knowingly facilitate or knowingly encourage any inquiries regarding, or the making of any proposal or offer that constitutes, or could reasonably be expected to lead to, an acquisition proposal, (iii) engage in, continue or otherwise participate in any discussions or negotiations regarding, or furnish to any other person any material nonpublic information for the purpose of soliciting, knowingly encouraging or knowingly facilitating, an acquisition proposal or any proposal or offer that could reasonably be expected to lead to an acquisition proposal, or (iv) enter into any letter of intent, acquisition agreement, agreement in principle or similar agreement with respect to an acquisition proposal or any proposal or offer that could reasonably be expected to lead to an acquisition proposal. Notwithstanding this limitation, prior to the consummation of the Offer, if the Company or any of its representatives receives a bona fide written acquisition proposal from a person that did not result from a breach of the aforementioned non-solicitation restrictions, the Company may contact such person to clarify the terms and conditions with respect to such acquisition proposal, and if the board of directors of the Company (the Company

Board) determines in good faith that such acquisition proposal constitutes or could reasonably be expected to lead to a Superior Proposal (as defined in the Merger Agreement), then the Company and its representatives may furnish information, subject to an acceptable confidentiality agreement, to such person and engage in or otherwise participate in discussions or negotiations with the person making the acquisition proposal. The Company Board may also terminate the Merger Agreement in order to accept a Superior Proposal and may change its recommendation in the event the Company Board determines, in good faith, after consultation with outside legal counsel and financial advisors, that failure to do so would reasonably be expected to be inconsistent with the fiduciary duties of the Company Board under applicable law, subject to certain restrictions.

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The Merger Agreement is summarized in the Offer to Purchase in Section 13 under the heading The Merger Agreement. The summary of the Merger Agreement set forth in the Offer to Purchase and any summary of provisions of the Merger Agreement set forth herein do not purport to be complete and each is qualified in its entirety by reference to the Merger Agreement, a copy of which is filed as Exhibit (e)(1) hereto and is incorporated herein by reference. The expiration date of the Offer is 12:00 midnight, Eastern Time, at the end of the day on Wednesday, February 7, 2018, subject to extension in certain circumstances set forth in the Merger Agreement and described in the Offer to Purchase.

Parent has formed Purchaser for the purpose of effecting the Offer and the Merger. The Offer to Purchase states that each of Parent s and Purchaser s principal executive office is located at Tax Department, 1 DNA Way, Bldg. 82 MS24, South San Francisco, California 9408, and each of their telephone number is (650) 225 7893.

The Company has made information relating to the Offer available online at *www.ignyta.com/investors* and the Company has filed this Schedule 14D-9 and Parent and Purchaser have filed the Schedule TO with the SEC, and these documents are available free of charge at the website maintained by the SEC at *www.sec.gov*.

Item 3. ***Past Contacts, Transactions, Negotiations and Agreements.***

Except as set forth in this Schedule 14D-9 or as otherwise incorporated herein by reference, as of the date of this Schedule 14D-9, to the knowledge of the Company, there are no material agreements, arrangements or understandings and no actual or potential conflicts of interest between the Company or its affiliates, on the one hand, and (i) its executive officers, directors or affiliates, or (ii) Parent or Purchaser or their respective executive officers, directors or affiliates, on the other hand.

Arrangements with Purchaser and Parent.

Merger Agreement

The summary of the Merger Agreement and the description of the conditions to the Offer contained in the Offer to Purchase are incorporated herein by reference. Such summary and description are qualified in their entirety by reference to the Merger Agreement.

The Merger Agreement has been included to provide investors and stockholders with information regarding the terms of the agreement. It is not intended to provide any other factual information about Parent, Purchaser or the Company. The representations, warranties and covenants contained in the Merger Agreement were made only as of specified dates for the purposes of such agreement, were solely for the benefit of the parties to such agreement and may be subject to qualifications and limitations agreed upon by such parties. In particular, in reviewing the representations, warranties and covenants contained in the Merger Agreement and discussed in the foregoing description, it is important to bear in mind that such representations, warranties and covenants were negotiated with the principal purpose of allocating risk between the parties, rather than establishing matters as facts. Such representations, warranties and covenants may also be subject to a contractual standard of materiality different from those generally applicable to stockholders and reports and documents filed with the SEC, and in some cases were qualified by disclosures set forth in a confidential disclosure letter that was provided by the Company to Parent and Purchaser but is not filed with the SEC as part of the Merger Agreement. Investors and stockholders are not third-party beneficiaries under the Merger Agreement. Accordingly, investors and stockholders should not rely on such representations, warranties and covenants as characterizations of the actual state of facts or circumstances described therein without consideration of the entirety of the factual disclosures about the Company, Parent or Purchaser made in this Schedule 14D-9, the Schedule TO or reports filed with the SEC. Information concerning the subject matter of such

representations, warranties and covenants, which do not purport to be accurate as of the date of this Schedule 14D-9, may have changed since the date of the Merger Agreement, which subsequent information may or may not be fully reflected in the parties public disclosures.

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Confidentiality Agreement

On December 1, 2017, the Company and Parent entered into a confidentiality agreement (effective as of November 28, 2017) (the Confidentiality Agreement), pursuant to which, among other things, Parent, Hoffmann-La Roche Inc. and its affiliates agreed, subject to certain exceptions, to keep confidential certain non-public information about the Company in connection with the consideration of a possible negotiated transaction with the Company. The summary of the Confidentiality Agreement contained in the Offer to Purchase in Section 13 under the heading The Confidentiality Agreement is incorporated herein by reference.

Tender and Support Agreement

Concurrent with the execution of the Merger Agreement, on December 21, 2017, all of the Company s executive officers and directors and certain of the Company s stockholders entered into a tender and support agreement (the Tender and Support Agreement) with Parent and Purchaser, pursuant to which each such person or entity agreed, among other things, to tender his, her or its Shares pursuant to the Offer. As of the date of the Merger Agreement, these stockholders owned a number of Shares equal to approximately 6.4% of the outstanding shares of common stock of the Company. The Tender and Support Agreement terminates in the event the Merger Agreement is terminated. The summary of the Tender and Support Agreement contained in the Offer to Purchase in Section 13 under the heading Tender and Support Agreements is incorporated herein by reference. Such summary does not purport to be complete and is qualified in its entirety by reference to the Tender and Support Agreement, a copy of which is filed as Exhibit (e)(2) hereto and is incorporated herein by reference.

Arrangements with Current Executive Officers and Directors of the Company.

The Company s executive officers and the members of the Company Board may be deemed to have certain interests in the Offer and the Merger and related transactions that may be different from or in addition to those of the Company s stockholders generally. Those interests may create potential or actual conflicts of interests. The Company Board was aware of those interests and considered them, among other matters, in reaching its decision to approve the Merger Agreement and related transactions.

Consideration for Shares Tendered Pursuant to the Offer

If the directors and executive officers of the Company who own Shares tender their Shares for purchase pursuant to the Offer, they will receive the same Offer Price on the same terms and conditions as the other stockholders of the Company.

As of January 5, 2018, the directors and executive officers of the Company and their affiliates beneficially owned in the aggregate 4,379,749 Shares, which for purposes of this subsection excludes any Shares issuable upon exercise or settlement of Company Stock Options and Company RSUs held by such individuals. If the directors and executive officers and their affiliates were to tender all of such Shares pursuant to the Offer and those Shares were accepted for purchase and purchased by Purchaser, the directors and executive officers and their affiliates would receive an aggregate of $118,253,223 in cash, without interest, less any required withholding taxes. For a description of the treatment of Company Stock Options and Company RSUs held by the directors and executive officers of the Company, see below under the heading Effect of the Merger on Stock Awards.

The following table sets forth, as of January 5, 2018, the cash consideration that each executive officer and director and his or her affiliates would be entitled to receive in respect of outstanding Shares beneficially owned by him, her or it (excluding shares underlying Company Stock Options and Company RSUs), assuming such individual or his or her

affiliate were to tender all of his, her or its outstanding Shares pursuant to the Offer and those Shares were accepted for purchase and purchased by Purchaser.

Name	Number of Shares	Consideration Payable in Respect of Shares
Executive Officers		
Jonathan E. Lim, M.D.	3,431,237(1)	$ 92,643,399(1)
Zachary Hornby	92,781	2,505,087
Jacob Chacko, M.D.	16,438	443,826
Christian V. Kuhlen, M.D.	2,185	58,995
William McCarthy	2,365	63,855
Pratik Multani, M.D.		

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Valerie Harding Start, Ph.D.	3,434	92,718
Non-Employee Directors		
James Bristol, Ph.D.	21,845(2)	589,815(2)
Alexander Casdin	806,464(3)	21,774,528(3)
Heinrich Dreismann, Ph.D.		
James Freddo, M.D.	3,000	81,000
Steven Hoerter		

(1) Includes 3,350,000 Shares held by City Hill Venture Partners I, LLC, with respect to which Dr. Lim has sole voting and investment control. Dr. Lim is the Manager of City Hill Ventures, LLC, which is the Manager of City Hill Venture Partners I, LLC, and as such he and City Hill Ventures, LLC have the power to vote or dispose of the securities held of record by City Hill Venture Partners I, LLC and may be deemed to beneficially own those securities. Dr. Lim disclaims beneficial ownership of the securities held of record by City Hill Venture Partners I, LLC except to the extent of his pecuniary interest therein.
(2) Shares are held by The Bristol Living Trust, of which Dr. Bristol has sole voting and investment control. Dr. Bristol is the sole trustee of The Bristol Living Trust.
(3) Includes 706,464 Shares held by Reneo Capital SPV I LP. Mr. Casdin is the Managing Member of Reneo GP, LLC, which is the General Partner of Reneo Capital SPV I LP. Mr. Casdin disclaims beneficial ownership of the shares held by Reneo Capital SPV I LP except to the extent of his pecuniary interest therein.

Merger Agreement

Effect of the Merger on Stock Awards

Stock Options. As of January 5, 2018, Company directors and executive officers held options to purchase 2,624,864 Shares granted under the Company s Amended and Restated 2011 Equity Incentive Award Plan, the Company s Amended and Restated 2014 Equity Incentive Award Plan, the Company s Employment Inducement Incentive Award Plan, the Company s 2015 Employment Inducement Incentive Award Plan or the Company s 2017 Employment Inducement Incentive Award Plan (collectively, the Company Stock Plans).

Pursuant to the Merger Agreement, effective as of immediately prior to the Effective Time, each Company Stock Option will fully vest and automatically be canceled and terminated as of the Effective Time and the holder thereof will be entitled to receive an amount in cash, without interest and less the amount of any tax withholding, equal to the product of (A) the number of shares of common stock of the Company underlying such Company Stock Option multiplied by (B) the excess, if any, of the Offer Price over the exercise price per share of such Company Stock Option (the Option Payment Amount). The Option Payment Amount will be paid, without interest, by the later of (1) five days following the closing date of the Merger (the Closing Date) and (2) the first payroll date after the Closing Date.

The table below sets forth information regarding the Company Stock Options held by each of the Company s executive officers and directors as of January 5, 2018.

Name	Number of Vested Company Stock Options	Consideration Payable in Respect of Vested	Number of Unvested Company Stock Options	Consideration Payable in Respect of Unvested	Total Consideration Payable in Respect of

	Held	Company Stock Options	Held	Company Stock Options	Company Stock Options
Executive Officers					
Jonathan E. Lim, M.D.	502,917	$ 10,530,958	117,083	$ 2,479,042	$ 13,010,000
Zachary Hornby	340,000	7,324,900	58,000	1,228,460	8,553,360
Jacob Chacko, M.D.	254,833	5,032,301	70,367	1,452,283	6,484,584
Christian V. Kuhlen, M.D.	66,250	1,411,750	118,750	2,531,250	3,943,000
William McCarthy	112,500	1,638,500	137,500	2,173,500	3,812,000

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Pratik Multani, M.D.	154,167	3,115,000	95,833	1,975,000	5,090,000
Valerie Harding Start, Ph.D.	129,167	1,729,333	120,833	1,846,667	3,576,000
Non-Employee Directors					
James Bristol, Ph.D.	39,000	751,950	20,000	373,000	1,124,950
Alexander Casdin	70,666	1,562,332	20,000	373,000	1,935,332
Heinrich Dreismann, Ph.D.	70,666	1,564,392	20,000	373,000	1,937,932
James Freddo, M.D.	50,666	1,022,183	20,000	373,000	1,395,183
Steven Hoerter	8,000	164,800	27,666	547,171	711,971

Restricted Stock Units. As of January 5, 2018, Company executive officers held an aggregate of 356,281 Company RSUs granted under the Company Stock Plans. Pursuant to the Merger Agreement, at the Effective Time, each outstanding Company RSU held by the executive officers will fully vest and automatically be canceled and terminated as of the Effective Time and the holder thereof will be entitled to receive an amount in cash, without interest and less the amount of any tax withholding, equal to the product of (A) the number of shares of common stock of the Company underlying such Company RSU multiplied by (B) the Offer Price (the RSU Payment Amount). The RSU Payment Amount will be paid, without interest, by the later of (1) five days following the Closing Date and (2) the first payroll date after the Closing Date.

The table below sets forth information regarding the Company RSUs held by each of the Company s executive officers and directors as of January 5, 2018.

Name	Number of Company RSUs Held	Consideration Payable in Respect of Company RSUs
Executive Officers		
Jonathan E. Lim, M.D.	89,624	$ 2,419,848
Zachary Hornby	72,967	1,970,109
Jacob Chacko, M.D.	54,134	1,461,618
Christian V. Kuhlen, M.D.	19,834	535,518
William McCarthy	19,834	535,518
Pratik Multani, M.D.	74,134	2,001,618
Valerie Harding Start, Ph.D.	25,754	695,358
Non-Employee Directors		
James Bristol, Ph.D.		
Alexander Casdin		
Heinrich Dreismann, Ph.D.		
James Freddo, M.D.		
Steven Hoerter		

Continuing Employees

The Merger Agreement provides that, until December 31, 2018, Parent will provide each employee of the Company who continues to be employed by Parent, the Surviving Corporation or any subsidiary of Parent (each a Continuing Employee), which may include the Company s executive officers, with a base salary or hourly wage, annual target cash bonus opportunity and employee benefits which, in the aggregate, are substantially comparable to those provided to such employee immediately prior to the Effective Time (other than benefits pursuant to any equity compensation plan or defined benefit pension plan); however, Parent will be under no obligation to retain any employee or group of employees or any compensation or benefit plans of the Company.

The Merger Agreement further provides that Parent will provide, or cause its subsidiaries to provide, each Continuing Employee with full credit for purposes of eligibility to participate, vesting and accrual of severance benefits under any employee benefit plans of Parent or its subsidiaries for such Continuing Employee s service with the Company and any predecessor employer (but not for purposes of any sabbatical benefit provided by Parent or its subsidiaries or to the extent such service credit would result in a duplication of benefits for the same period of service).

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The Merger Agreement further provides that Parent will use commercially reasonable efforts (1) to waive for Continuing Employees any waiting period provision, pre-existing condition limitation, actively at work requirement, evidence of insurability requirements or any other restriction that would prevent immediate or full participation under the health and welfare plans of Parent or any subsidiary of Parent (to the extent such limitations or requirements would not have been applicable under the Company s welfare plans as in effect immediately prior to the Effective Time), and (2) give full credit under the welfare plans of Parent or its subsidiaries to each Continuing Employee for all co-payments and deductibles satisfied prior to the Effective Time in the same year as the Closing Date, and for any lifetime maximums, as if there had been a single, continuous employer.

Severance and Change in Control Severance Plan

The Company maintains the Ignyta, Inc. Severance and Change in Control Severance Plan, or the Severance Plan. Each of the Company s executive officers is a participant in the Severance Plan. The Severance Plan provides for specified severance benefits to participants whose employment terminates under the circumstances described in the Severance Plan, including, but not limited to, an involuntary termination other than for cause (as defined in the Severance Plan) or a resignation for good reason (as defined in the Severance Plan) within a specified period of time preceding or following a change in control of the Company (as defined in the Severance Plan).

Pursuant to the Severance Plan, if, at any time more than 60 days prior to a change in control and more than 12 months following a change in control, the Company terminates an executive officer s employment other than for cause (and other than due to death or disability), then the executive officer will be entitled to receive the following severance benefits, subject to his or her execution of a release of claims and compliance with certain restrictive covenants, including with respect to non-solicitation and non-disparagement:

- Continued payment of the executive s base salary for 12 months (in the case of Dr. Lim) or nine months (in the case of the other executive officers) following termination; and

- Company-paid COBRA coverage for 12 months (in the case of Dr. Lim) or nine months (in the case of the other executive officers) following termination.

Pursuant to the Severance Plan, if, at any time during the period commencing 60 days prior to a change in control and ending 12 months following such change in control, the Company terminates an executive officer s employment other than for cause (and other than due to death or disability) or the executive officer resigns for good reason, then the executive officer will be entitled to receive the following severance benefits, subject to his or her execution of a release of claims and compliance with certain restrictive covenants, including with respect to non-solicitation and non-disparagement:

- The following aggregate cash amount paid in installments over the following time periods:

  - In the case of Dr. Lim, twice the sum of his base salary and target annual cash bonus, paid in equal installments over the 24-month period following termination; or

In the case of the other executive officers, the sum of the executive officer s base salary plus the executive officer s target annual bonus, paid in equal installments over the 12-month period following termination.

Company-paid COBRA coverage for 24 months (in the case of Dr. Lim) or 12 months (in the case of the other executive officers) following termination.

100% accelerated vesting of the executive officer s Company equity awards that were outstanding on the date of the change in control.

With respect to the executive officers other than Dr. Lim, the severance benefits prescribed by the Severance Plan are subject to a Section 280G better-off cutback provision, which provides that, in the event that the benefits provided to the executive officer pursuant to the Severance Plan or otherwise constitute parachute payments with the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the Code), the executive officer s severance benefits under the Severance Plan will either be delivered in full or reduced to the extent necessary to avoid an excise tax under Section 4999 of the Code, whichever would result in the executive officer receiving the largest amount of severance benefits on an after-tax basis.

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The Severance Plan will automatically terminate on December 16, 2019 unless otherwise extended by its terms.

If the Offer is completed in accordance with the terms of the Merger Agreement, the consummation of the Offer will constitute a change in control under the terms of the Severance Plan. The table below describes the estimated potential payments to each of the Company s executive officers in the event of the executive officer s termination of employment other than for cause (and other than due to death or disability) or the executive officer s resignation for good reason occurs within the period beginning on the date that is 60 days prior to the Closing Date and ending 12 months following the Closing Date, except for the value of accelerated vesting of each such executive officer s Company Stock Options and Company RSUs, as those amounts are disclosed in the tables above. The amounts shown reflect only the additional payments or benefits that the individual would have received under the Severance Plan upon the occurrence of a termination of employment other than for cause (and other than due to death or disability) or a resignation for good reason; they do not include the value of payments or benefits that would have been earned absent such a qualifying termination.

For purposes of calculating the potential payments set forth in the table below, we have assumed that the initial expiration date of the Offer and the date of termination of employment other than for cause (and other than due to death or disability) or the resignation for good reason were January 5, 2018. The amounts shown in the table are estimates only and are based on assumptions regarding events that may or may not actually occur, including assumptions described in this Schedule 14D-9 and in the notes to the table below. Some of these assumptions are based on information currently available and, as a result, the actual amounts, if any, that may become payable to an executive officer may materially differ from the amounts set forth below.

Name	Cash Severance Payment(1)	COBRA Premiums(2)
Jonathan E. Lim, M.D.	$ 1,665,000	$ 59,736
Zachary Hornby	604,800	21,872
Jacob Chacko, M.D.	552,150	6,938
Christian V. Kuhlen, M.D.	483,300	9,517
William McCarthy	461,700	29,631
Pratik Multani, M.D.	583,200	21,872
Valerie Harding Start, Ph.D.	461,700	20,809

(1) The amount set forth represents a cash severance payment payable as follows: (i) in the case of Dr. Lim, twice the sum of his base salary and target annual cash bonus; and (ii) in the case of each other executive officer, the executive officer s base salary plus the executive officer s target annual bonus. Any amounts payable in connection with the termination of an executive s employment are subject to applicable withholdings and are payable in installments over 24 months (in the case of Dr. Lim) and 12 months (in the case of the other named executive officers). Payment of severance is also subject to the executive officer s execution of a release of claims and compliance with certain restrictive covenants, including with respect to non-solicitation and non-disparagement

(2) Consists of COBRA coverage for a period of 24 months (in the case of Dr. Lim) or 12 months (for the other executive officers) following the date of termination. The value is based upon the type of insurance coverage the Company carried for each executive officer as of January 5, 2018 and is valued at the premiums in effect on such date.

The foregoing description of the Severance Plan does not purport to be complete and is qualified in its entirety by reference to the Severance Plan, filed as Exhibit (e)(14) to this Schedule 14D-9, which is incorporated herein by reference.

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Tax Reimbursement Agreement with Jonathan E. Lim, M.D.

In connection with the signing of the Merger Agreement, the Company entered into an agreement with Dr. Lim (the Tax Reimbursement Agreement), which provides that, if the Merger is consummated and an excise tax is imposed on Dr. Lim under Section 4999 of the Internal Revenue Code (the Code) as a result of any compensation or benefits provided to him in connection with the Merger, he will be entitled to a tax gross-up payment in an amount equal to such excise tax (and any related taxes or penalties or interest on such excise taxes or any such tax-gross up payment).

The foregoing description of the Tax Reimbursement Agreement does not purport to be complete and is qualified in its entirety by reference to the Tax Reimbursement Agreement, filed as Exhibit (e)(17) to this Schedule 14D-9, which is incorporated herein by reference.

Grant of Company RSUs to Executive Officers; Acceleration of Vesting of Company RSUs; Payment of 2017 Executive Bonuses.

On December 22, 2017, Company RSUs were granted to the executive officers of the Company as part of the annual process of the Compensation Committee of the Company Board for determining 2017 annual stock award grants, 2017 annual bonus determinations and 2018 base salary adjustments for employees of the Company. On December 26, 2017, the Compensation Committee of the Company Board approved the accelerated vesting of certain Company RSUs held by Dr. Lim, Mr. Hornby, Dr. Kuhlen, Mr. McCarthy and Dr. Smart (including, in the case of Dr. Kuhlen and Mr. McCarthy, a portion of the Company RSUs granted on December 22, 2017) in anticipation of the Merger and to facilitate tax planning strategies for the Company and these individuals. As part of the same tax planning strategies, the Compensation Committee of the Company Board also approved the payout of each executive officer s annual cash incentive award for 2017 prior to year-end. The annual incentive award payments were paid out at 100% of target based on the Compensation Committee s determination of the Company s performance relative to the applicable performance metrics and each individual executive s individual performance. See Item 6 below where the grant of the Company RSUs and the accelerated vesting of these Company RSUs is described.

Director Compensation

The Company compensates its non-employee directors for their service on the Company Board, but does not pay director fees to directors who are employees of the Company. Non-employee members of the Company Board receive a combination of cash compensation, in the form of annual retainers, and equity incentive compensation, in the form of stock option awards, for their service on the Company Board.

Cash Compensation

Non-employee directors are eligible to receive the following cash compensation:

- each director receives an annual retainer of $40,000;

- the lead independent director of the Company Board, if any, receives an additional annual retainer of $20,000;

an additional annual retainer is paid to the non-employee director serving as (1) the chairman of the audit committee in an amount equal to $15,000, (2) the chairman of the compensation committee in an amount equal to $10,000, and (3) the chairman of the nominating and corporate governance committee in an amount equal to $7,500; and

audit, compensation and nominating and corporate governance committee members (other than the committee chairmen) receive an additional annual retainer equal to $7,500 for audit committee members, $5,000 for compensation committee members and $3,500 for nominating and corporate governance committee members.

Fees are paid to the non-employee directors in four equal quarterly installments. In addition, the Company provides reimbursement to the non-employee directors for their reasonable expenses incurred in attending meetings of the Company Board and committees of the Company Board.

For 2018, each non-employee director is entitled to receive the same amounts of cash compensation as described above.

Equity Compensation

Any non-employee director when first elected or appointed to the Company Board is granted a non-qualified option to purchase 40,000 shares of the Company s common stock on the date of his or her initial election or appointment. In addition, on the date of each annual meeting of the Company s stockholders, each non-employee director is eligible to receive a non-qualified option to purchase an additional 20,000 shares of the Company s common stock. Such options have an exercise price per share equal to the fair market value of the Company s common stock on the date of grant.

The initial options granted to non-employee directors described above will vest over three years, with one-third of the options vesting on the first anniversary of the date of grant and the remainder vesting in equal monthly installments over the two years thereafter, subject to the director s continuing service on the Company Board on

those dates. The annual options granted to non-employee directors described above will vest on the first to occur of (1) the first anniversary of the date of grant or (2) the next occurring annual meeting of its stockholders, subject to the director s continuing service on the Company Board on such date. In addition, all of the options granted to the non-employee directors will vest in full immediately prior to the occurrence of a change in control. The term of each option granted to non-employee directors is ten years.

Please see the section above entitled Effect of the Merger on Stock Awards for more information on the treatment of equity held by directors in the Merger.

Executive Officer and Director Arrangements Following the Merger

While, as of the date of this Schedule 14D-9, none of the Company s current directors or executive officers have entered into any employment, incentive, equity or other agreement, arrangement or understanding with Parent or its affiliates regarding continued service with Parent or its affiliates after the Effective Time, it is possible that Parent or its affiliates may enter into service, employment or other arrangements with the Company s directors or executive officers in the future.

Director and Officer Indemnification and Insurance

Section 102(b)(7) of the DGCL allows a corporation, by a provision of its certificate of incorporation, to eliminate or limit the personal liability of directors of a corporation to the corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director (i) for any breach of the director s duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit.

The Company has included in its second amended and restated certificate of incorporation (as amended, the Charter) and its amended and restated bylaws (the Bylaws) provisions to limit or eliminate the personal liability of its directors to the fullest extent permitted under Delaware law, as it now exists or may in the future be amended.

Subsection (a) of Section 145 of the DGCL, empowers a corporation to indemnify any person who was or is a party or who is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person s conduct was unlawful.

Subsection (b) of Section 145 of the DGCL empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person acted in any of the capacities set forth above, against expenses (including attorneys fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to

the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Section 145 of the DGCL further provides that to the extent a director or officer of a corporation has been successful on the merits or otherwise in the defense of any action, suit or proceeding referred to in subsections (a) and (b) of Section 145, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses

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(including attorneys fees) actually and reasonably incurred by such person in connection therewith; that indemnification provided for by Section 145 shall not be deemed exclusive of any other rights to which the indemnified party may be entitled; and that the indemnification provided for by Section 145 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of such person s heirs, executors and administrators. Section 145 also empowers the corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify such person against such liabilities under Section 145.

The Company has included in its Charter and its Bylaws provisions that permit the Company to provide the foregoing indemnification to the fullest extent permitted under Delaware law. The Bylaws of the Company also permit it to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in this capacity, regardless of whether the Bylaws would permit indemnification. In addition, the Company may advance expenses incurred in connection with any such proceeding upon a receipt of an undertaking by or on behalf of such person to repay all amounts advanced if it shall be ultimately determined that the person is not entitled to be indemnified by the Company. The Company has also obtained directors and officers liability insurance.

Pursuant to authorization by the Company Board, the Company has entered into separate indemnification agreements (Indemnification Agreements) with its directors and executive officers, in addition to the indemnification provided for in the Charter and Bylaws. These Indemnification Agreements, among other things, provide for indemnification by the Company of its directors and executive officers for expenses, judgments, fines and settlement amounts incurred by such person in any action or proceeding arising out of such person s services as a director or executive officer or at the Company s request. These indemnification agreements also may require the Company to advance any expenses incurred by the directors or officers as a result of any proceeding against them as to which they could be indemnified. This summary of the Indemnification Agreements does not purport to be complete and is qualified in its entirety by reference to the Indemnification Agreements, the form of which is filed as Exhibit (e)(13) hereto, and is incorporated herein by reference.

The Merger Agreement provides for certain indemnification, exculpation and insurance rights in favor of the Company s current and former directors, officers and employees, who are referred to as indemnitees. Specifically, Parent and Purchaser have agreed that all rights to indemnification, exculpation and advancement of expenses in favor of indemnitees as provided in the Charter or Bylaws or under any agreement filed as an exhibit to specified SEC filings of the Company or listed on the confidential disclosure letter provided by the Company to Parent and Purchaser with respect to all acts or omissions occurring prior to or at the Effective Time will survive the closing of the Offer and the Merger and will continue in full force and effect in accordance with their respective terms for a period not less than six years.

From and after the Effective Time, Parent has agreed to cause to be maintained in effect for a period of six years after the Effective Time, in respect of acts or omissions occurring prior to or at the Effective Time, the Company s current directors and officers liability insurance covering each person currently covered by the Company s directors and officers liability insurance policy for acts or omissions occurring prior to the Effective Time; provided that Parent may (i) substitute therefor policies of an insurance company the material terms of which, including coverage and amount, are no less favorable in any material respect to such directors and officers than the Company s existing policies as of the date of the Merger Agreement or (ii) request that the Company obtain such extended reporting period coverage under its existing insurance programs (to be effective as of the Effective Time); and provided further that in no event shall Parent or the Company be required to pay annual premiums for such insurance policies in excess of 300% of the

amount of the annual premiums paid by the Company in fiscal year 2017 for such purpose, it being understood that Parent shall nevertheless be obligated to provide as much coverage as may be obtained for such 300% amount.

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In lieu of the foregoing, Parent or the Surviving Corporation may purchase a six-year tail prepaid policy on the directors and officers liability insurance policies on terms and conditions no less advantageous than the directors and officers liability insurance policies in effect on the date of the Merger Agreement.

Item 4. ***The Solicitation or Recommendation.***

Recommendation of the Company Board.

At a meeting of the Company Board held on December 21, 2017, the Company Board unanimously: (i) determined that the Offer, the Merger Agreement, the Merger and the transactions contemplated thereby are advisable and fair to and in the best interests of the Company and its stockholders, (ii) approved the Merger Agreement and the transactions contemplated thereby and declared that the Merger Agreement, the Offer, the Merger and the transactions contemplated by the Merger Agreement are advisable and fair to and in the best interests of the Company and its stockholders (iii) resolved to recommend that the Company s stockholders accept the Offer and tender all of their Shares pursuant to the Offer.

Accordingly, and for the other reasons described in more detail below, the Company Board hereby recommends that the Company s stockholders accept the Offer and tender all of their Shares pursuant to the Offer.

A copy of the letter to the Company s stockholders communicating the Company Board s recommendation is filed as Exhibit (a)(13) to this Schedule 14D-9 and is incorporated herein by reference. A copy of the press release issued by the Company and Parent, dated December 21, 2017, announcing the Merger Agreement, the Offer and the Merger, is filed as Exhibit (a)(8) to this Schedule 14D-9 and is incorporated herein by reference.

Background and Reasons for the Company Board s Recommendation.

Background of the Offer

Parent is an indirect subsidiary of Roche Holding Ltd, a Swiss joint-stock company. For the purposes of this Background of the Offer only, references to Roche shall mean Roche Holding Ltd, a Swiss joint-stock company.

The Company Board and management continually evaluate the Company s business and financial plans. As part of this evaluation, the Company Board and management also periodically consider strategic alternatives to maximize value to the Company s stockholders. In particular, the Company Board and management have considered a number of potential licensing relationships and other strategic transactions as the Company s lead product candidate, entrectinib, has advanced through clinical trials. Entrectinib, formerly called RXDX-101, is an investigational, central nervous system-active, potent, and selective tyrosine kinase inhibitor being developed for tumors that harbor NTRK fusions or ROS1 fusions, which is in a Phase 2 clinical study in molecularly defined patient populations for the treatment of solid tumors. If successful, this clinical trial will support dual NDA submissions in TRK tissue agnostic and ROS1 non-small cell lung cancer indications in 2018, with anticipated commercial launch in 2019.

From January 2016 through December 2017, at the direction of the Company Board, the Company initiated discussions with, and sought proposals from, twenty-five pharmaceutical companies (including Roche, Party A, and Party B discussed below) regarding possible licensing opportunities with the Company related to the global development and commercialization of entrectinib. The purpose of this process was to cultivate relationships with potential licensees and convey information regarding the Company s principal value-driving asset so that the Company could move quickly in pursuing licensing relationships or other strategic transactions necessary to fund the

development and commercialization of entrectinib. The Company entered into formal confidentiality agreements with seventeen of these companies to facilitate detailed discussions concerning entrectinib and potential transaction terms. Twelve of these companies entered into a formal due diligence process, including receiving access to a virtual data room established by the Company for potential licensees to evaluate entrectinib. Additionally, six companies submitted non-binding term sheets for regional or global licensing arrangements for entrectinib. As part of these discussions, several included the possibility of an acquisition of the Company. However, except as described below, none of these discussions advanced beyond a preliminary stage.

Between March 2016 and December 2017, the Company Board held over a dozen meetings, with members of management and representatives of J.P. Morgan Securities LLC (J.P. Morgan) and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated (BofA Merrill Lynch), financial advisors to the Company (each engaged by the Company as described below), and Latham & Watkins LLP (Latham & Watkins), regular corporate counsel to the Company, participating, to discuss potential strategic alternatives for the Company and the capital needs required to pursue the Company s business and financial plans as a standalone company. The Company Board regularly discussed the potential risks and benefits of continuing to pursue its business and financial plans as a standalone company.

On May 17, 2016, the Company and Parent entered into a confidentiality agreement to facilitate discussions related to the licensing of entrectinib and Roche was given access to the Company s virtual data room related to entrectinib for due diligence purposes. The parties amended the confidentiality agreement on February 15, 2017 to expand the definition of information considered Parent s confidential information. Between June 2016 and September 2016, Roche conducted extensive due diligence on entrectinib with respect to a potential licensing transaction. During this period, several in-person meetings between Company management and the management of Roche occurred. In September 2016, Roche informed the Company that it would no longer seek to license rights to entrectinib from the Company. However, between September 2016 and December 2017, Company management had periodic meetings with counterparts at Roche to maintain a potential dialogue for future collaboration opportunities.

On May 9, 2017, in light of the status of its licensing process and its continuing capital needs, the Company completed a public offering of 14.375 million shares of the Company s common stock at an offering price of $6.15 per share, raising approximately $88.4 million. J.P. Morgan was a joint book-running manager for the transaction.

On June 3, 2017, Mr. Hornby met with the management of a biopharmaceutical company (Party A) to discuss the possibility of a licensing arrangement with the Company related to entrectinib. Later that month, the Company and Party A entered into a confidentiality agreement, and Party A was given access to the Company s virtual data room related to entrectinib. On June 15, 2017, Company management met with the management of Party A to further discuss the possibility of a licensing arrangement.

On October 6, 2017, the management of Party A contacted Mr. Hornby to communicate that Party A was interested in pursuing a licensing transaction with the Company related to entrectinib.

On October 17, 2017, the Company announced interim clinical data from the Company s STARTRK-2 trial of entrectinib. The same day, the Company also announced that the European Medicines Agency had granted Priority Medicines designation (PRIME) to entrectinib in the treatment of NTRK fusion-positive, locally advanced or metastatic solid tumors in adult and pediatric patients who have either progressed following prior therapies or who have no acceptable standard therapy. The PRIME initiative gave the Company the possibility of accelerating assessment of the Marketing Authorisation Application for entrectinib, and engaging in early discussion with the European Medicines Agency and health technology assessments regarding reimbursement pathways.

On October 24, 2017, in light of the status of its licensing process and its continuing capital needs, the Company completed an additional public offering of 10,000,000 shares of the Company s common stock at an offering price of $16.00 per share, raising approximately $160.0 million. Again, J.P. Morgan served as a joint book-running manager on the transaction.

On October 27, 2017, the management of Party A met at the Company s facilities to continue its due diligence. On October 28, 2017, Dr. Lim had a call with a corporate development executive at Party A and an outright acquisition of the company was discussed as a possible option.

On November 8, 2017, a corporate development executive at Party A contacted Dr. Lim and informed him that Party A remained interested in pursuing a partnership or possible acquisition of the Company and would be submitting a non-binding term sheet prior to the Company s regularly scheduled in-person Board meeting to be held on December 7, 2017.

Based on the collective interest expressed in exploring strategic options for the Company, Dr. Lim gave notice to the Company Board to convene a special meeting on November 13, 2017. Representatives of Latham & Watkins participated, as did members of the Company s management. At the meeting, Dr. Lim and Mr. Hornby updated the

Company Board on the status of the strategic and licensing discussions. Dr. Lim, Mr. Hornby and Dr. Chacko discussed with the Company Board strategic opportunities and future financing options available to the Company, including a review of the potential constraints on future acquisition opportunities for the Company if the Company were to out-license rights for entrectinib. Specifically, the Company Board and management discussed that entering into a licensing arrangement whereby the Company grants an exclusive license to entrectinib (even if geographically or otherwise restricted) could discourage companies from seeking to acquire the Company because they would not have sole control of entrectinib after that acquisition. The Company Board and management also discussed that the Company had not received interest in licensing entrectinib on terms that the Company Board and management found to be acceptable. The Company Board also discussed the significant capital required to bring a drug candidate through trials to market and that continuing to raise capital as a standalone company would be dilutive to existing investors. After the discussion, the Company Board determined it would be in the best interests of stockholders to fully explore all strategic options, including the possibility of an outright acquisition of the Company. The Company Board decided to engage BofA Merrill Lynch as a financial advisor to the Company, in light of its familiarity with the pharmaceutical industry, its qualifications and reputation in the investment community, the Company s prior positive experience with BofA Merrill Lynch as an advisor to the Company, BofA Merrill Lynch s experience with transactions similar to those being considered by the Company and BofA Merrill Lynch s familiarity with the Company s business, to advise the Company Board concerning strategic opportunities and, at the direction of the Company Board, to solicit interest from potential acquirers in order to further inform the Company Board s decision-making with respect to licensing opportunities and understand the possibility of a sale of the Company. The Company also

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engaged Latham & Watkins to act as its legal advisor in connection with the Company s consideration of any proposals to acquire the Company and other potential strategic transactions. The Company Board and management believed Latham & Watkins would be a valuable advisor to the Company s consideration of strategic alternatives based on Latham & Watkins history with the Company, expertise advising companies in the life sciences industry and its expertise in mergers and acquisitions. After discussion among the Company Board, management and the Company s advisors, the Company Board directed BofA Merrill Lynch to contact a select group of companies who had familiarity with entrectinib through the Company s earlier licensing discussions, as well as other companies who were not engaged in licensing discussions with the Company but who had the strategic interest and/or capabilities to fully develop and commercialize entrectinib globally, to see if they would have an interest in acquiring the Company.

Between November 14, 2017, and November 27, 2017, at the direction of the Company Board, BofA Merrill Lynch initiated contact with eleven parties (including Party A and Party B, the details of which are described below) to gauge their interest in participating in a strategic process to acquire the Company. At the direction of the Company Board BofA Merrill Lynch did not suggest a definitive timeline for the anticipated strategic process to these parties at this time, but guided parties to express an indication of interest, without requiring statements of value, prior to the Company Board s next scheduled meeting on December 7, 2017, and that initial indications of value were likely to be requested by early January 2018.

On November 15, 2017, BofA Merrill Lynch contacted Party A regarding its interest in participating in the Company s strategic process, including the preliminary anticipated timing of the acquisition process in early January.

On November 15, 2017, the management of a pharmaceutical company (Party B) contacted Mr. Hornby to communicate that Party B was interested in a licensing arrangement with the Company. Mr. Hornby informed Party B that the Company had received indications that other parties may be interested in participating in a process to acquire the Company.

On November 16, 2017, at Party A s request, Dr. Lim spoke with a corporate development executive at Party A to discuss the strategic process. Dr. Lim reiterated the strategic process considerations that BofA Merrill Lynch had conveyed to Party A on November 15, 2017.

On November 17, 2017, Party B submitted a non-binding term sheet related to a license to develop and commercialize entrectinib in all markets outside the United States.

On November 20, 2017, Mr. Hornby and Party B discussed the Company s strategic process and Party B agreed to discuss the strategic process with BofA Merrill Lynch. Later that day, BofA Merrill Lynch discussed with Party B the strategic process being conducted by the Company.

Also on November 20, 2017, Roche contacted Mr. Hornby on an unsolicited basis and indicated it had an interest in entrectinib and that Roche would like to meet at the upcoming J.P. Morgan Healthcare Conference in January 2018. Mr. Hornby informed Roche that the Company was moving forward with a strategic process with BofA Merrill Lynch as its financial advisor. Mr. Hornby put Roche in touch with BofA Merrill Lynch to further discuss the Company s strategic process.

On November 21, 2017, Party A requested access to an enterprise-wide virtual data room containing additional information about the Company for purposes of evaluating a strategic process. Party A entered into a new confidentiality agreement governing access to the enterprise-wide virtual data room established for the strategic process. This confidentially agreement included a standstill provision with a customary fall away provision providing that the standstill obligations would terminate in certain circumstances, including upon the Company entering into a

binding agreement related to a change in control of the Company.

On November 22, 2017, BofA Merrill Lynch contacted Roche to discuss the Company s strategic process.

On November 27, 2017, BofA Merrill Lynch met with the Head of Mergers and Acquisitions at Roche (at a meeting the parties had scheduled prior to Roche expressing interest in the Company s strategic process) and discussed the Company and its strategic process.

On November 30, 2017 and again on December 1, 2017, Roche contacted the Company to convey that the leadership in its oncology department supported participating in the Company s strategic process and that Roche intended to move forward with its consideration of acquiring the Company.

On December 1, 2017, Parent entered into a confidentiality agreement with the Company (effective as of November 28, 2017). This confidentiality agreement included a standstill provision with a customary fall away provision providing that the standstill obligations would terminate in certain circumstances, including upon the Company entering into a binding agreement related to a change in control of the Company. The Company granted Roche access to the enterprise-wide virtual data room.

On December 5, 2017, Dr. Lim and Mr. Hornby met with the Chief Executive Officer (CEO) and a corporate development executive at Party A to discuss the possibility of Party A acquiring the Company. The parties discussed the Company s strategic process and timing. The management of Party A indicated that Party A intended to submit an offer to acquire the Company.

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On December 6, 2017, Party A submitted a non-binding indication of interest (the Initial Party A Proposal) to acquire all of the Company s outstanding capital stock for $23.00 per share, which represented a premium of 47% to the Company s closing share price from the prior trading day of $15.65 per share. Party A indicated that the Initial Party A Proposal would be subject to satisfactory completion of due diligence and the successful negotiation of a definitive agreement. The Initial Party A Proposal included a December 21, 2017 deadline to sign a definitive acquisition agreement and Party A requested an initial response to the Initial Party A Proposal by no later than December 11, 2017.

On December 7, 2017, the Company Board held a regularly scheduled in-person meeting. Representatives of BofA Merrill Lynch and Latham & Watkins participated, as did members of the Company s management. Management updated the Company Board on the status of strategic discussions, including: (i) two global licensing proposals from pharmaceutical companies; (ii) one licensing proposal for the European Union market from a pharmaceutical company; (iii) one licensing proposal for all markets outside the United States from Party B; and (iv) the Initial Party A Proposal. The Company Board discussed the Initial Party A Proposal and its other strategic alternatives, including that Roche was conducting due diligence and confirmed interest in the Company s strategic process. Representatives of Latham & Watkins reviewed with the Company Board its fiduciary duties when considering strategic transactions. The Company Board determined to engage J.P. Morgan as an additional financial advisor to the Company in light of its familiarity with the pharmaceutical industry, its qualifications and reputation, the Company s prior positive experience with J.P. Morgan as an underwriter in the Company s public stock offerings, J.P. Morgan s experience with transactions similar to those being considered by the Company and J.P. Morgan s familiarity with the Company s business. Following discussion, the Company Board determined that the Initial Party A Proposal provided a sufficient basis for further negotiation and due diligence, but instructed management to attempt to negotiate with Party A for a higher price per share and explore other terms of the proposal. The Company Board further instructed management to respond to the Initial Party A Proposal and contemporaneously engage with other potential acquirers. The Company Board noted that the other potential acquirers were generally already well-acquainted with the Company, and with entrectinib in particular, as a result of the earlier broad licensing process conducted by the Company, and that an accelerated timeframe should be sufficient to gauge acquisition interest given the level of exposure that these potential acquirers already had with entrectinib and the Company. The Company Board directed management and its advisors to engage with Party A to improve its offer, as well as engage with other potential acquirers to encourage additional competitive offers for the Company.

On December 8, 2017, BofA Merrill Lynch informed Party A that the Company was reluctant to accelerate its strategic process unless Party A submitted a revised proposal to the Company that more fully valued the Company. Additionally, legal counsel to Party A submitted diligence requests to Latham & Watkins to assist with Party A s evaluation of the Company and over the following days, additional materials were made available in the virtual data room.

Between December 8, 2017 and December 9, 2017, the Company informed five pharmaceutical companies, including companies that had previously submitted licensing proposals for entrectinib, that the Company s process had been revised to focus on the sale of the Company and that timing would likely accelerate; however, these companies declined to participate in the Company s sale process.

On December 9, 2017, BofA Merrill Lynch contacted Roche and informed Roche that the Company s process had been revised to focus on the sale of the Company.

On December 10, 2017, the Company Board held a telephonic meeting to discuss the status of the strategic process. Representatives of BofA Merrill Lynch, J.P. Morgan and Latham & Watkins participated, as did members of the Company s management. Representatives of the Company s financial advisors discussed the status of the strategic

process, including the ongoing discussions with the various active parties in the process, including Party A and that Roche was continuing with its due diligence. Latham & Watkins discussed their interactions with Party A s legal counsel. After discussion about the Initial Party A Proposal, the potential to negotiate for an enhanced proposal and further due diligence to be completed by Party A, the Company Board directed management and its financial advisors to continue dialogue with Party A while concurrently seeking to cultivate interest from competing acquirers.

Additionally, on December 11, 2017, Party A entered into a new confidentiality agreement with the Company and, as a result, the Company granted Party A access to the enterprise-wide virtual data room to aid in its review of the possibility of an acquisition of the Company. This confidentiality agreement included a standstill provision with a customary fall away provision providing that the standstill obligations would terminate in certain circumstances, including upon the Company entering into a binding agreement related to a change in control of the Company.

In the morning on December 12, 2017, the Company Board held a telephonic meeting to discuss the Company s strategic process. Representatives of BofA Merrill Lynch, J.P. Morgan and Latham & Watkins participated, as did members of the Company s management. The Company s financial advisors reviewed the overall process, including the status of all sixteen companies that had been contacted. The Company Board directed its financial advisors to continue to pursue the Company s strategic process. Dr. Chacko also presented the Company preliminary financial projections, including projected entrectinib sales forecasts, projected operating expenses and other assumptions. Representatives from BofA Merrill Lynch and J.P. Morgan also discussed the management

projections with respect to RXDX-106, and Dr. Lim informed the Company Board that management would continue working to refine the projections and would provide an updated presentation at the Company Board s next meeting. For a detailed discussion of the projections discussed, please see below under the heading Certain Projections.

In the afternoon on December 12, 2017, Party A submitted a revised written indication of interest (the Revised Party A Proposal) to acquire all outstanding capital stock of the Company for $23.75 per share in cash. Party A indicated that the Revised Party A Proposal would be subject to satisfactory completion of due diligence and the successful negotiation of a definitive agreement, and outlined key provisions Party A wanted to include in the agreement. Among the specified terms were a two-step tender offer structure, deal protection measures including a termination fee equal to 4% and an expense reimbursement equal to 1%, respectively, of the aggregate equity value of the transaction, specific restrictions on the Company Board s ability to accept a superior proposal from another party, financing assistance covenants and entry into tender support agreements from all directors and officers of the Company. The Revised Party A Proposal represented a premium of approximately 50% to the Company s closing share price from the prior trading day of $15.80 per share.

Additionally, on December 12, 2017, the financial advisor to Party B contacted BofA Merrill Lynch on behalf of Party B to inquire about the sale process. BofA Merrill Lynch, J. P. Morgan and the financial advisor to Party B discussed the Company s sale process, including due diligence requirements, the terms of a confidentiality agreement and the anticipated timing of the transaction. The next day, Party B entered into a revised confidentiality agreement with the Company and was granted access to the enterprise-wide virtual data room. This confidentiality agreement included a standstill provision with a customary fall away provision providing that the standstill obligations would terminate in certain circumstances, including upon the Company entering into a binding agreement related to a change in control of the Company.

In the morning on December 13, 2017, Roche communicated to BofA Merrill Lynch that Roche continued to review the strategic opportunity to acquire the Company and that, should Roche decide to submit an offer, it would need until the week of January 15, 2018 to submit its bid.

In the afternoon on December 13, 2017, the Company Board held a telephonic meeting to discuss the Company s strategic process. Representatives of BofA Merrill Lynch, J.P. Morgan and Latham & Watkins participated, as did members of the Company s management. The Company s financial advisors provided a process update. Representatives of Latham & Watkins reviewed with the Company Board its fiduciary duties when considering strategic transactions. Representatives of the Company s financial advisors discussed with the Company Board preliminary financial analyses, including key assumptions underlying the analyses. The Company Board discussed with its financial advisors the advisability of accelerating its process in response to the Revised Party A Proposal. The Company Board determined that the price per share represented in the Revised Party A Proposal was not sufficient to accelerate the Company s sale process to attempt to sign a merger agreement by December 21, 2017. The Company Board determined, however, that the Revised Party A Proposal provided a sufficient basis for further negotiation and due diligence, and instructed management to attempt to negotiate with Party A for a higher price per share and more favorable terms. The Company Board also directed management and its financial advisors to continue the dialogue with other companies that had expressed an interest and inform them that the timing of the process may accelerate.

After the Company Board s meeting on December 13, 2017, Dr. Lim called the CEO of Party A to respond to Party A s Revised Party A Proposal. Dr. Lim stated that the Company Board had determined that the price per share represented in the Revised Party A Proposal was not sufficient for the Company to accelerate its sale process to accommodate Party A s desired timeframe. During this call, Dr. Lim and the CEO of Party A discussed the factors that the Company Board would consider in evaluating the Revised Party A Proposal, including the price per share offered, the premium above trading price, whether the Company would consider accelerating its sale process, and that the Company had

received interest from other parties on track to meet the Company s original timeline.

Later in the afternoon on December 13, 2017, the CEO of Party A called Dr. Lim and verbally communicated a revised indication of interest (the Final Party A Proposal) to acquire all outstanding capital stock of the Company for $25.00 per share in cash, which represented a premium of 61% to the Company s closing share price from the prior trading day of $15.55 per share. The Final Party A Proposal reiterated a deadline to sign a definitive agreement by Thursday, December 21, 2017.

In the evening on December 13, 2017, the Company Board held a telephonic meeting to discuss the Final Party A Proposal. Representatives of BofA Merrill Lynch, J.P. Morgan and Latham & Watkins participated, as did members of the Company s management. Dr. Lim updated the Company Board regarding his discussion with the CEO of Party A, as well as the Final Party A Proposal. Representatives from the Company s financial advisors discussed the Final Party A Proposal and discussed preliminary financial analyses. The Company Board discussed the Final Party A Proposal, including the merits of proceeding to meet Party A s accelerated timeline. Representatives from Latham & Watkins discussed the Company Board s fiduciary duties when considering strategic transactions, including the Company s ability to move forward with negotiations of a definitive acquisition agreement at the value and on the timeline in the Final Party A Proposal while informing other potential acquirers of the required timetable for participating in the Company s sale process. Representatives from BofA Merrill Lynch and J.P. Morgan then reviewed with the

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Company Board the status of discussions with other potential acquirers. The Company Board instructed management and Latham & Watkins to begin negotiating transaction documents with Party A, including a termination fee and other transactional protections that would not discourage other interested potential acquirers from making superior proposals and would preserve the ability of the Company to evaluate and accept superior proposals. The Company Board also directed the financial advisors to reach out to select other potential acquirers, including Roche and Party B to alert them of the need to move on an accelerated timeline if they were going to participate in the Company s sale process.

After the Company Board telephonic meeting, Dr. Lim communicated to the CEO of Party A that the Company was willing to work toward meeting Party A s December 21, 2017 timeline to sign a definitive acquisition agreement at the value indicated in the Final Party A Proposal, provided that the parties could reach mutually agreeable terms.

Also in the evening on December 13, 2017, Latham & Watkins provided to legal counsel to Party A a draft of a merger agreement that had been prepared for the Company s strategic process which provided for a single step merger transaction, transactional protections and other terms as directed by the Company Board, referred to herein as the Company s auction draft of the merger agreement.

In the evening on December 13, 2017, BofA Merrill Lynch contacted Roche and informed Roche of the accelerated timeframe for the Company s sale process due to an alternative proposal from another bidder.

In the morning on December 14, 2017, the Head of Partnering at Roche contacted Dr. Lim and they discussed the accelerated timeframe for the Company s sale process. The Head of Partnering at Roche informed Dr. Lim of Roche s strong interest in acquiring the Company and communicated that the Head of Partnering at Roche would be meeting with the CEO of Roche on December 18, 2017 and submitting a bid by December 19, 2017 or December 20, 2017 to acquire the Company. In the meantime, the Company continued to actively respond to Roche s diligence requests.

On December 14, 2017, Roche received the Company s auction draft of the merger agreement that had been prepared for the Company s sale process.

On December 14, 2017, Party B and its financial advisor began conducting diligence on the Company s operations.

In the morning on December 15, 2017, the Company Board held a telephonic meeting to discuss the Company s strategic process. Representatives of BofA Merrill Lynch, J.P. Morgan and Latham & Watkins participated, as did members of the Company s management. The Company Board discussed the status of discussions with the interested parties. Latham & Watkins and the financial advisors updated the Company Board on the status of discussions with Party A and their advisors, including issues raised in preliminary discussions regarding the terms of the draft merger agreement. The financial advisors discussed Roche s profile, including the company s financial resources, strategic focus and ability to complete a transaction. The financial advisors noted that Roche had expressed serious interest in participating in the Company s sale process, but that Roche had concerns about its ability to meet an accelerated timeline. The financial advisors then discussed their interactions with Party B, and Mr. Hornby discussed the due diligence that was currently underway by each of Roche, Party A and Party B. The Company Board discussed the potential advantages and disadvantages of conducting a broader market check. The Company Board noted that the Company s broad licensing process had exposed the Company to multiple parties that had conducted due diligence and its belief that if any party had an interest in acquiring the Company, the party would have already contacted the Company or its representatives. The Company Board decided against reaching out to any additional potential acquirers beyond those that had affirmatively expressed interest in a sale of the Company, concluding that, in light of the work that had been done to date to assess interest in the Company, as well as the risks of press leaks and potential loss of momentum in the process, the downside of expanding to a broader market check far outweighed the potential

advantages. The Company Board directed management, the financial advisors and Latham & Watkins to continue to pursue negotiations with each of the potential acquirers discussed at the meeting and to re-affirm with all parties the accelerated timeline for a potential transaction.

On December 16, 2017, legal counsel to Party A provided its own draft of a form of merger agreement with terms differing considerably from the auction draft previously circulated by Latham & Watkins, including changing the transaction structure to a tender offer to accelerate the time to close the transaction, and more robust deal protection measures favoring Party A, including a termination fee equal to 4% of the aggregate equity value of the transaction. The draft also contained financing terms, which increased the uncertainty regarding completing the transaction.

On December 16, 2017, Roche s Head of Partnering contacted Dr. Lim to discuss the Company s sale process. During the call, Roche s Head of Partnering indicated that Roche was interested in acquiring all of the outstanding stock of the Company for $1.7 billion which she believed represented a share price offer between $25.00 and $27.00 per share. Dr. Lim indicated that the Company had received a compelling offer that the Company Board would review and make a decision on by December 21, 2017 and indicated that Roche would need to accelerate its timing to be competitive and that a bid at the higher end of Roche s valuation range would be necessary.

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On the morning of December 17, 2017, Roche s Head of Partnering indicated that Roche s senior management had approved a verbal indication of interest (the Roche Proposal) to acquire all outstanding capital stock of the Company for $27.00 per share in cash, with a targeted deal announcement on or before December 30, 2017. The Roche Proposal represented a premium of 77% to the Company s closing share price from the prior trading day of $15.25 per share. Roche s Head of Partnering indicated an intention for the organization to work as quickly as possible to a deal announcement, but said a signing date of December 21, 2017 was unlikely.

Later in the morning on December 17, 2017, the Company Board held a telephonic meeting to discuss the Company s sale process. Representatives of BofA Merrill Lynch, J.P. Morgan and Latham & Watkins participated, as did members of the Company s management. Latham & Watkins provided an update on the status of discussions with Party A, including a review of the issues raised by Party A s draft merger agreement, including significant issues relating to timing, deal certainty and the ability of the Board to consider alternative proposals. The Company Board provided input and directed management, the financial advisors and Latham & Watkins to continue to pursue negotiations with Party A. Dr. Lim provided an update on interactions with Roche and the Roche Proposal, including Roche s inability to meet a signing deadline of December 21, 2017. The Company Board, management and the Company s advisors then discussed how to accelerate the timeline for Roche to enter into a definitive acquisition agreement to meet the timing set in the Final Party A Proposal. They also discussed the risk to the offer presented by Party A if the December 21, 2017 signing deadline requested by Party A was not met. The Company Board directed Dr. Lim to reengage with Roche and indicate that the price proposed in the Roche Proposal was likely acceptable at $27.00 per share, provided that Roche could move to the execution of a binding definitive agreement by Friday, December 22, 2017 on mutually agreeable terms.

On December 17, 2017, after the meeting of the Company s Board, Dr. Lim called Roche and relayed the positive feedback on the offer price and the strong encouragement that in order to succeed in the process, Roche would need to sign a definitive agreement regarding the transaction no later than December 22, 2017. Roche continued to indicate that signing a definitive agreement by December 22, 2017 was unlikely but that it would endeavor to provide as much certainty as it could and plan to sign an agreement shortly after December 25, 2017. The Head of Partnering at Roche indicated that Roche would send a draft of an acquisition agreement on December 20, 2017.

On December 18, 2017, the CEO of Roche contacted Dr. Lim telephonically, and indicated that good progress was being made with due diligence, but that it was unlikely that Roche would be prepared to sign a definitive acquisition agreement and announce the transaction by December 22, 2017. Dr. Lim indicated that the Company expected another party to have a fully documented offer in front of the Company Board by December 21, 2017, and that Roche would need to meet that timing if they were going to be successful in the process. The parties agreed to discuss timing of the transaction again over the following days.

Also in the morning on December 18, 2017, Latham & Watkins participated in a telephonic meeting with Party A s legal counsel regarding the draft merger agreement. The parties discussed (i) deal protection terms, including the appropriateness of a go-shop provision, the no-shop terms and the size of the proposed break fee, (ii) revisions to representations and warranties, the timing and scheduling burden, and the lack of deal certainty created by the bring down standards, (iii) the extent of changes and the challenges of resolving all open issues while still meeting Party A s timeline, and (iv) the accelerated timeline of the transaction and the need for concessions on items included in the merger agreement.

Also in the morning on December 18, 2017, Latham & Watkins delivered to Roche a draft of the disclosure letter to the merger agreement.

Later in the morning on December 18, 2017, the Company Board held a telephonic meeting to discuss the progress of the Company s strategic process. Latham & Watkins provided an update on the status of discussions with Party A, including a review of the outstanding issues under the draft merger agreement provided by their counsel, including significant issues relating to timing, deal certainty and the ability of the Company Board to consider alternative proposals. Dr. Lim updated the Company Board on his conversations with Roche regarding certainty and timing of the transaction. The Company Board provided input and instructed management and the advisors to continue to engage with Roche, Party A, and Party B, including making sure all parties were aware of the accelerated timeline for the transaction.

Later on December 18, 2017, Roche s Head of Partnering and Dr. Lim discussed ways in which Roche s process could potentially be accelerated, including streamlining the legal review, creating daily updates for Dr. Lim to speak with Roche s CEO, and allowing a broader working group of Roche and Company representatives and advisors to communicate directly regarding the merger agreement, the status of due diligence, and the approval process for both companies.

Early on December 19, 2017, Latham & Watkins sent Roche and Sidley Austin LLP (Sidley Austin), legal counsel to Roche, a draft of the merger agreement reflecting changes that the Company had negotiated with Party A, to accelerate Roche s and Sidley Austin s review.

On December 19, 2017, the CEO of Roche informed Dr. Lim that Roche was still unlikely to meet the Company s desired December 22, 2017 timeline. Dr. Lim warned Roche that if they could not meet the December 22, 2017 deadline, the Company Board may accept an alternative proposal.

Later in the afternoon on December 19, 2017, the Company Board held a telephonic meeting to discuss the Company s strategic process. Representatives of BofA Merrill Lynch, J.P. Morgan and Latham & Watkins participated, as did members of the Company s management. The Company s financial advisors provided an overview of the status of discussions with the parties in the process and management reviewed diligence activity by Roche, Party A, and Party B. Dr. Lim also provided an overview of recent discussions with Roche regarding its ability to meet the accelerated timing of the process. Dr. Lim also reviewed the progress made by Latham & Watkins with respect to definitive documentation for a potential transaction with either Roche or Party A. The Company s management then updated the Company Board with the progress to date by Party B. The Company s advisors indicated that requests for and review of due diligence materials by Party B had been moving at a slower pace than the due diligence being conducted by Roche and Party A. Latham & Watkins described interactions with Party A s legal counsel. Latham & Watkins also discussed the key open issues in the negotiation of the draft merger agreement for Party A, including a termination fee equal to 4% of the aggregate equity value of the transaction, deal protection terms that could hinder the ability of the Company to consider superior proposals, and provisions requiring the Company to cooperate with Party A on expanding a financing facility in order to complete the transaction. The Company Board discussed the status of the negotiation of value with Party A and its belief that the Final Party A Proposal reflected the highest price Party A could pay. Dr. Lim then provided an update to the Company Board with respect to interactions with Roche. Among other things, Dr. Lim noted the active engagement of their senior executives and that significant resources had been dedicated to completing diligence. Roche had indicated that it was expecting to provide a proposed draft acquisition agreement based upon the merger agreement form provided by Latham & Watkins, by Wednesday, December 20, 2017. A discussion then ensued among the Company Board, Company management, and the Company s financial and legal advisors regarding how to obtain the best potential transaction for the Company s stockholders given the level of interest being shown by both Roche and Party A. The Company Board instructed management and its advisors to continue to progress the negotiations with Party A and Roche and to encourage Roche to submit a fully documented bid by December 22, 2017.

Later on December 19, 2017, Party A contacted Dr. Lim to discuss a number of matters related to the draft merger agreement and communicated that it would send across a revised merger agreement reflecting the final terms Party A was willing to accept to complete an acquisition of the Company.

Also on December 19, 2017, the Company entered into separate engagement letters with each of BofA Merrill Lynch and J.P. Morgan.

On December 20, 2017, the CEO of Roche contacted Dr. Lim to tell him that Roche s due diligence would be completed that evening, Roche s lawyers would be sending the Company a markup of the merger agreement, and that Roche had the ability to sign a merger agreement by the evening of Thursday, December 21, 2017, matching the timeline set forth in the Final Party A Proposal.

In the morning on December 20, 2017, Latham & Watkins delivered to legal counsel for Party A and Sidley Austin updates to the disclosure letters to the merger agreements, which included a description of the routine year-end compensation matters for the Company s employees, including the executive officers, which included annual equity awards, 2017 annual bonuses and 2018 base salary increases, and a description of the proposed tax reimbursement arrangements to be provided for the executive officers of the Company.

On December 20, 2017, Sidley Austin and Latham & Watkins exchanged drafts of a merger agreement. The Sidley Austin draft reflected a two-step tender offer structure as had been agreed between the lawyers, and accepted most of the key terms contained in the auction draft. That same day and through December 21, 2017, Latham & Watkins, with input from the Company, negotiated satisfactory resolution of all of the open issues in the merger agreement with Sidley Austin, including employee compensation matters. As part of this resolution, the parties agreed (i) that the Company Termination Fee would be equal to $58 million, or approximately 3% of the aggregate equity value of the transaction, (ii) that the Company would have an appropriate fiduciary out and (iii) to an appropriate level of time and effort that would be required of Roche to obtain antitrust approval. Latham & Watkins and Sidley Austin also exchanged and discussed drafts of tender and support agreements to be executed concurrently with the signing of a merger agreement.

Also on December 20, 2017, the CEO and a corporate development executive at Party A contacted Dr. Lim to discuss the draft merger agreement and communicated that they would send across a revised merger agreement reflecting Party A s final terms it was willing to accept to complete an acquisition of the Company. Legal counsel for Party A sent a revised draft of a merger agreement to Latham & Watkins, and legal counsel for both parties engaged in negotiations of the terms of the agreement.

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In the afternoon on December 20, 2017, the Company Board held a special meeting. Representatives of BofA Merrill Lynch, J.P. Morgan and Latham & Watkins participated, as did members of the Company s management. Dr. Lim discussed the status of discussions with Party A and Roche and the on-going due diligence review. Latham & Watkins reviewed with the Company Board its fiduciary duties with respect to the proposed sale of the Company and reviewed the strategic process to date. Latham & Watkins reviewed key terms of the draft merger agreements and tender and support agreements, including various deal protection measures, and summarized the remaining open issues under each draft merger agreement. Latham & Watkins noted that compared with the draft merger agreement negotiated with Roche, the draft merger agreement negotiated with Party A required more comprehensive representations and warranties, would not exclude adverse regulatory and clinical developments in determining whether there had been a material adverse effect, and contained significantly more restrictive deal protection terms. Party A also continued to require debt financing to complete the transaction. Representatives of Latham & Watkins also provided the Company Board with a review of antitrust considerations related to the proposed transaction. Representatives of the Company s financial advisers discussed with the Company Board their confidence that other potential buyers would have time to make a competing offer under the twenty business day timing of a tender offer (even without a delay in the timing of the launch of a tender offer) and would not be deterred by a 3% break-up fee. The Company Board then discussed whether the Company s financial advisors should affirmatively pursue other potential buyers in light of the current offers. The representatives of the Company s financial advisors noted that no other party had expressed interest in participating in the Company s sale process, other than Party B which had not made significant progress in completing due diligence, despite earlier discussions. The Company Board then discussed strategic alternatives, including the state of the Company and its current business plans, as well as the pros and cons of each of the proposed transactions relative to other strategic alternatives. The Company Board instructed management and Latham & Watkins to seek to finalize transaction documents on satisfactory terms with Party A and Roche.

Later on December 20, 2017, the CEO of Roche communicated to Dr. Lim the full support from Roche s Board. Later that evening, Roche submitted a written proposal to acquire the Company at $27.00 per share.

On December 21, 2017, Dr. Lim had a call with the CEO of Party A regarding the key remaining issues of the merger agreement, including the representations and warranties and material adverse effect definition. The CEO of Party A conveyed that Party A was not prepared to make any further compromises. Later that morning, Latham & Watkins sent a draft of a revised merger agreement to legal counsel for Party A reflecting the Company s position on the remaining open issues.

Later in the morning on December 21, 2017, the CEO of Roche and Dr. Lim discussed and resolved several final due diligence issues and open issues under the merger agreement.

On December 21, 2017, the Company Board held two special meetings to discuss the proposed sale of the Company. Representatives of BofA Merrill Lynch, J.P. Morgan and Latham & Watkins participated at each meeting, as did members of the Company s management.

At the first meeting, Latham & Watkins reviewed with the Company Board its fiduciary duties with respect to the proposed sale of the Company and reviewed the strategic process to date. Latham & Watkins reviewed key terms of the draft merger agreements and tender and support agreements, including various deal protection measures, and summarized the remaining open issues under each draft merger agreement. The Company Board instructed management and Latham & Watkins to seek to finalize transaction documents on satisfactory terms with Party A and Roche.

At the second meeting,

representatives of Latham & Watkins again reviewed with the Company Board its fiduciary duties when considering the proposed transaction;

Latham & Watkins reviewed with the Company Board the outcome of the negotiations with Roche and the revised terms and conditions of the proposed Merger Agreement;

management and representatives of the financial advisors reviewed with the Company Board the financial projections case for the Company prepared by Company management reflecting management s view of the impact of the then pending Tax Cuts & Jobs Act that had recently been passed by both the U.S. Senate and the U.S. House of Representatives (although had not yet been signed into law) (the Pending Tax Law Case) and discussed with the Company Board that the financial advisors performed their financial analyses using both the Pending Tax Law Case and Company s management financial projection case reflecting U.S. tax law as then in effect; and

representatives of each of BofA Merrill Lynch and J.P. Morgan reviewed with the Company Board their financial analysis of the $27.00 per share cash consideration that would be received by holders of Common Stock under the proposed transaction offered by Roche and each financial advisor delivered to the Company Board an oral opinion, subsequently

confirmed by delivery of a written opinion dated as of December 21, 2017, to the effect that, as of that date and subject to the various assumptions made, procedures followed, matters considered, and qualifications and limitations on the review undertaken by it as set forth in its written opinion, the $27.00 per Share cash consideration to be received by holders of Common Stock (other than as specified in such opinion) in the Offer and the Merger, taken together, was fair, from a financial point of view, to such holders. For a detailed discussion of the opinions of BofA Merrill Lynch and J.P. Morgan, please see below under the heading Opinions of the Company Financial Advisors.

Dr. Lim also informed the Company Board that, based upon, among other things, the Company s management s views of the Company s prospects on a standalone basis, its consideration of all the alternatives available to the Company and the information and advice provided by BofA Merrill Lynch, J.P. Morgan and Latham & Watkins, it was the Company s management s recommendation that the Company Board approve the transaction as proposed by Roche. The Company Board considered various reasons to approve the merger, and certain countervailing factors. For a detailed description of the various reasons considered by the Company Board, please see below under the heading Reasons for the Recommendation of the Company Board.

After discussions with its financial and legal advisors and members of the Company s management, and in light of the reasons considered, the Company Board unanimously: (i) determined that the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, are advisable and fair to, and in the best interests of, the Company and its stockholders, (ii) approved the execution, delivery and performance by the Company of the Merger Agreement and the consummation of the transactions contemplated thereby, including the Offer and the Merger and (iii) resolved to recommend that the stockholders of the Company tender their Shares to Purchaser pursuant to the Offer.

At the recommendation of the compensation committee of the Company Board, the Company Board also approved certain compensatory matters, including the routine year-end compensation matters for the Company s employees, including the executive officers, which included annual equity awards, 2017 annual bonuses and 2018 base salary increases, and an agreement with Dr. Lim to provide for the payment or reimbursement of excise taxes (and any related taxes or penalties or interest on such excise taxes or any such tax-gross up payment) imposed on any compensation or benefits provided to him in connection with the Merger.

On December 21, 2017, Parent, Purchaser and the Company executed and delivered the Merger Agreement and Roche, Purchaser and certain directors and stockholders and an officer of the Company executed and delivered the Tender and Support Agreement. Prior to the open of markets on December 22, 2017, the Company and Roche issued a joint press release announcing the execution of the Merger Agreement.

On January 10, 2018, Purchaser commenced the Offer.

Reasons for the Recommendation of the Company Board

In evaluating the Merger Agreement and the transactions contemplated thereby, including the Offer and the Merger, and recommending that the Company s stockholders accept the Offer and tender all of their Shares pursuant to the Offer, the Company Board consulted with the Company s senior management and the Company s financial advisors, BofA Merrill Lynch and J.P. Morgan, and considered and analyzed a wide and complex range of factors discussed below. The Company Board also consulted with Latham & Watkins regarding the Company Board s fiduciary duties, legal due diligence matters and the terms of the Merger Agreement and related agreements. Based on these consultations, considerations and analyses, and the factors discussed below, the Company Board concluded that entering into the Merger Agreement with Parent and Purchaser would yield the highest value reasonably available for the Company s stockholders and is fair to, and in the best interests of, the Company s stockholders.

The Company Board believed the following material factors and benefits supported its unanimous determination and recommendation:

The Company s Operating and Financial Condition; Prospects of the Company. The Company Board considered the current and historical financial condition, results of operations and business of the Company as well as the Company s prospects and risks if the Company were to remain an independent company, including the significant capital required to bring a drug candidate through trials to market and that continuing to raise capital as a standalone company would be dilutive to existing investors, and the potential impact on the trading price of the Common Stock (which is not feasible to quantify numerically). The Company Board evaluated the Company s current product development pipeline, and general business and financial plans, including the risks and uncertainties associated with continued clinical development of the Company s entrectinib product candidate as well as other product candidates under development. The Company Board also evaluated the potential to continue to carry out the Company s development and regulatory strategy alone, or together with a strategic partner. The Company Board also

considered the general risk of market conditions that could reduce the Company s stock price. Among the potential risks identified by the Company Board were the competitive nature of the pharmaceutical industry, and specifically, competition with respect to oncology indications, the Company s financial resources relative to its competitors, the Company s ability to successfully complete clinical development, obtain regulatory approval, manufacture, distribute, commercialize and make profitable entrectinib or any other product candidate, the Company s ability to maintain patent coverage for its product candidates, the potential impact on its business of government healthcare reform, and general risks and market conditions that could reduce the market price of the Shares.

Premium to Market Price. The Company Board considered the relationship of the Offer Price to the current and historical market prices of the Shares. The Offer Price to be paid in cash for each Share would provide stockholders with the opportunity to receive a significant premium over the current and historical market price of the Shares. The Company Board reviewed historical market prices, volatility and trading information with respect to the Shares, including the fact that the Offer Price represented a premium of approximately 74% over the closing price per share of the Shares on the Nasdaq Global Market on December 21, 2017, the last trading day prior to the announcement of the Merger Agreement, and a premium of approximately 71% and 89% to the trailing 30-trading-day and 90-trading-day volume weighted average prices per Share, respectively, prior to the execution date of the Merger Agreement. The Offer Price also represents a premium of 60% over the 52-week high closing price per Share, and a premium of 46% over the all-time high closing price per Share.

Certainty of Value. The Company Board considered that the consideration to be received by the Company s stockholders in the Offer and the Merger will consist entirely of cash, which provides liquidity and certainty of value to stockholders. The Company Board believed this certainty of value was compelling compared to the long-term value creation potential of the Company s business taking into account the risks of remaining independent and pursuing the Company s current business and financial plans.

Potential Strategic Alternatives. The Company Board considered possible alternatives to the acquisition by Parent (including the possibility of continuing to operate the Company as an independent entity and the desirability and perceived risks of each of those alternatives), potential benefits and risks to the Company s stockholders of these alternatives and the timing and likelihood of effecting such alternatives, as well as the Company Board s assessment that none of these alternatives was reasonably likely to present superior opportunities for the Company to create greater value for the Company s stockholders, taking into account risks of execution as well as business, competitive, industry and market risks. The Company Board also considered the outcome of the Company s licensing process, the initial interest expressed from potential licensing partners, the view that a licensing arrangement with respect to entrectinib could discourage companies from seeking to acquire the Company and the fact that the Company had not received interest in licensing entrectinib on terms that the Company Board and management found to be acceptable. The Company Board also considered Parent s superior proposal of $27.00 per Share relative to a proposal made by Party A to acquire the Company as a price of $25.00 per Share which was submitted by Party A on December 13, 2017 (which was increased by Party A from $23.00 per Share and $23.75 per Share relative to proposals made by Party A on December 6, 2017 and December 12, 2017, respectively).

Full and Fair Value. The Company Board believed that the Offer Price of $27.00 per Share represents full and fair value for the Shares, taking into account the Company Board s familiarity with the business strategy, assets, prospects, and projected results for the 2018 to 2032 fiscal years, and the relative certainty of the consideration in cash for the Offer as compared to forecasted financial results.

Highest Value Reasonably Obtainable. The Company Board believed that the Offer Price of $27.00 per Share represented the highest value reasonably obtainable for the Shares, based on the progress and outcome of its negotiations with Parent, a number of changes in the terms and conditions of the Merger Agreement from the version initially proposed by Parent that were favorable to the Company the fact that a number of other strategic parties that had been contacted with respect to the acquisition of the Company had not expressed the desire or ability to propose a higher valuation. Further, the Company Board determined that the proposal from Parent was superior to the proposal from Party A both in terms of purchase price per Share and on key contractual terms such as deal protection (including the break-up fee and the Company s ability to terminate the Merger Agreement to consider a superior proposal), the absence of any financing assistance provisions and representations and warranties (including the exclusion of adverse regulatory and clinical developments in determining whether there had been a material adverse effect on the Company). The Company Board believed, based on these negotiations, that the Offer Price was the highest price per Share that Parent was willing to pay and that the Merger Agreement contained the most favorable terms to the Company to which Parent was willing to agree.

Speed and Likelihood of Completion. The Company Board considered the anticipated timing of the consummation of the transactions contemplated by the Merger Agreement, including the structure of the transaction as a cash tender offer for all outstanding Shares, with the anticipated result of allowing

stockholders to receive the Offer Price in a relatively short time frame, followed by the Merger in which stockholders who do not validly exercise appraisal rights will receive the same consideration received by those stockholders who tender their Shares in the Offer. The Company Board noted that Parent would require no additional financing and, instead, would fund the purchase price from existing cash resources. The Company Board also believed the transaction was unlikely to be delayed by antitrust review. The Company Board considered that the potential for closing in a relatively short time frame could also reduce the amount of time in which the Company s business would be subject to the potential uncertainty of closing and related disruption.

Business Reputation of Parent. The Company Board considered the business reputation, management and financial resources of Parent with respect to the transaction, as well as likely continuation of Parent as an independent entity which ensured higher certainty of closing. The Company Board believed that these factors supported the conclusion that a transaction with Parent and Purchaser could be completed relatively quickly and in an orderly manner.

Opinions of the Company s Financial Advisors. The Company Board considered the respective opinions of BofA Merrill Lynch and J.P. Morgan, rendered verbally to the Company Board on December 21, 2017, each of which was subsequently confirmed by delivery of a written opinion dated such date, to the effect that, as of such date and subject to the various assumptions made, procedures followed, matters considered, and qualifications and limitations on the review undertaken by each of BofA Merrill Lynch and J.P. Morgan as set forth in its written opinion, the $27.00 per Share cash consideration to be received by holders of Common Stock (other than as specified in such opinion) in the Offer and the Merger, taken together, was fair, from a financial point of view, to such holders, as more fully described under the caption Opinions of the Company s Financial Advisors.

The Merger Agreement. For the reasons noted below, the Company Board believed that the provisions of the Merger Agreement were advisable and fair to and in the best interests of the Company and its stockholders. In particular:

No Financing Condition. The Company Board considered the representation of Parent and Purchaser that Parent and Purchaser would have sufficient cash resources to pay the amounts required to be paid under the Merger Agreement and that the Offer and the Merger are not subject to a financing condition.

Change in Recommendation/Termination Right to Accept Superior Proposals. In the event the Company receives a superior acquisition proposal from a third party, the Company Board may withdraw or change its recommendation or declaration of advisability of the Merger Agreement, the Offer, or the Merger, and terminate the Merger Agreement, if the Company is not in breach of its non-solicitation obligations under the Merger Agreement and the Company Board determines in good faith, after consultation with outside legal counsel, that the failure to do so would reasonably be expected to be inconsistent with the fiduciary duties under applicable law of the Company Board to the Company s stockholders. In order for the Company Board to withdraw its recommendation in connection with such a superior proposal, the Company Board must first

provide Parent and Purchaser with a right to make, and to negotiate in good faith with Parent one or more, counter-proposals to such superior proposal. In order for the Company Board to terminate the Merger Agreement to enter into an agreement with respect to such a superior proposal, it must concurrently pay Parent a termination fee of $58 million (approximately 3% of the equity value of the transaction). The Company Board concluded that such provisions were adequate to allow it to consider an alternative offer in a manner consistent with its fiduciary obligations to the Company and its stockholders.

Change in Recommendation/Termination Right Following Intervening Events. The Company Board considered its ability to change its recommendation or declaration of advisability of the Merger Agreement, the Offer, or the Merger in response to certain unknown intervening events, if the Company is not in breach of its non-solicitation obligations under the Merger Agreement and the Company Board determines in good faith, after consultation with outside legal counsel, that the failure to do so would reasonably be expected to be inconsistent with the fiduciary duties of the Company Board to the Company s stockholders under applicable law. In order for the Company Board to withdraw its recommendation in response to an intervening event, the Company Board must first provide Parent and Purchaser with notice and a right to meet with the Company to negotiate changes to the Merger Agreement so that such change in recommendation is no longer necessary.

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Termination Fee. The Company Board was of the view that the $58 million termination fee payable by the Company to Parent if the Merger Agreement is terminated for certain reasons provided in the Merger Agreement was reasonable, and would not likely deter competing bids.

Extension of Offer Period. The Company Board considered that, under certain circumstances set forth in the Merger Agreement, Purchaser is required to extend the Offer beyond the initial expiration date of the Offer or, if applicable, subsequent expiration dates, if the conditions to the consummation of the Offer are not satisfied or waived as of such date.

Outside Date. The Company Board considered the fact that the outside closing date under the Merger Agreement on which either party, subject to certain exceptions, can terminate the Merger Agreement, allows for sufficient time to consummate the transactions contemplated by the Merger Agreement, but also prevents the Offer from being extended for an unreasonable amount of time.

Conditions to the Consummation of the Offer and the Merger; Likelihood of Closing. The Company Board considered the reasonable likelihood of the consummation of the transactions contemplated by the Merger Agreement in light of the conditions to Purchaser s obligations to accept for payment and pay for Shares validly tendered pursuant to the Offer and to complete the Merger under the Merger Agreement, including the fact that the parties elected to have the Merger Agreement be governed by Section 251(h) of the DGCL to enable consummation of the Merger promptly following the consummation of the Offer.

Enforcement. The Company Board considered the Company s ability to obtain specific enforcement of Parent s and Purchaser s obligations under the Merger Agreement, thereby ensuring that the Company has an appropriate remedy in the event Parent and Purchaser were to decline to comply with their obligations under the Merger Agreement.

Material Adverse Effect. The Company Board considered the provision in the Merger Agreement that various changes, conditions, events, circumstances, effects, occurrences or developments related to the Company or its business are specifically excluded from the determination of whether a material adverse effect has occurred (including, in particular, the exclusion of adverse regulatory and clinical developments) that otherwise would permit Parent and Purchaser to elect not to consummate the Offer.

Appraisal Rights. The Company Board considered the fact that the stockholders that do not tender their Shares in the Offer and who properly exercise their appraisal rights under Delaware law will be entitled to such appraisal rights in connection with the Merger.

The Company Board also considered a variety of uncertainties and risks and other potentially negative factors in its deliberations concerning the Offer, the Merger and the other transactions contemplated by the Merger Agreement, including, but not limited to, the following:

No Stockholder Participation in Future Growth or Earnings. The nature of the Offer and the Merger as a cash transaction means that the stockholders will not participate in future earnings or growth of the Company and will not benefit from any appreciation in value of the combined company.

Risk Associated with Failure to Complete the Offer and Consummate the Merger. The possibility that the transactions contemplated by the Merger Agreement, including the Offer and the Merger, might not be consummated, and the fact that if the Offer and the Merger are not consummated, (i) the Company s directors, senior management and other employees will have expended extensive time and effort and will have experienced significant distractions from their work during the pendency of the transaction, (ii) the Company will have incurred significant transaction costs, (iii) the Company s continuing business relationships with consultants, licensors, business partners and employees may be adversely affected, (iv) the trading price of the Shares could be adversely affected and (v) the market s perceptions of the Company s prospects could be adversely affected.

Interim Restrictions on Business Pending the Completion of the Offer and the Merger. Restrictions on the conduct of the Company s business prior to the Effective Time due to pre-closing covenants in the Merger Agreement whereby the Company agreed that it will carry on its business in the ordinary course of business consistent with past practice and, subject to specified exceptions, will not take a number of actions related to the conduct of its business without the prior written consent of Parent, which may have a material adverse effect on the Company s ability to respond to changing market and business conditions in a timely manner or at all.

No Solicitation and Termination Fee. Subject to certain exceptions, the Merger Agreement precludes the Company from soliciting alternative acquisition proposals, and requires the Company to pay to Parent a termination fee in certain circumstances as described above.

Effects of Transaction Announcement. The effect of the public announcement of the Merger Agreement, including effects on the Company s stock price, and the Company s ability to attract and retain key management and scientific and research personnel, during the pendency of the transactions contemplated by the Merger Agreement, as well as the likelihood of litigation in connection with the Merger.

Timing Risks. The amount of time it could take to complete the Offer and the Merger, including the risk that Parent and Purchaser may not receive the necessary regulatory approvals or clearances to complete the Offer or the Merger, or that governmental authorities could attempt to condition their approvals or clearances of the Offer or the Merger on one or more of the parties compliance with certain burdensome terms or conditions which may cause one or more of the Offer conditions not to be satisfied.

Taxable Consideration. The gains from the consideration to be received by the stockholders in the Offer and the Merger will generally be taxable to the stockholders for federal income tax purposes.

Potential Conflicts of Interest. The possibility that the Company s officers and directors may have interests in the transactions contemplated by the Merger Agreement that are different from, or in addition to, those of the Company s other stockholders.

The foregoing discussion of the information and factors considered by the Company Board is intended to be illustrative and not exhaustive, but includes the material reasons and factors considered by the Company Board in reaching its conclusions and recommendation in relation to the Offer, the Merger, the Merger Agreement and the transactions proposed thereby. In view of the wide variety of reasons and factors considered and the complexity of these matters, the Company Board did not find it practical to, and did not, quantify or otherwise assign relative weights to the specified factors considered in reaching its determinations or the reasons for such determinations. Individual directors may have given differing weights to different factors or may have had different reasons for their ultimate determination. In addition, the Company Board did not reach any specific conclusion with respect to any of the factors or reasons considered. Instead, the Company Board conducted an overall analysis of the factors and reasons described above and determined in its business judgment that, in the aggregate, the potential benefits of the Offer and the Merger to the stockholders of the Company outweighed the risks or potential negative consequences.

Opinions of the Company s Financial Advisors

Opinion of BofA Merrill Lynch

The Company retained BofA Merrill Lynch to act as the Company s financial advisor in connection with the Offer and the Merger (collectively, the Transaction). BofA Merrill Lynch is an internationally recognized investment banking firm which is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. The Company selected BofA Merrill Lynch to act as the Company s financial advisor in connection with the Transaction on the basis of BofA Merrill Lynch s experience in transactions similar to the Transaction, its reputation in the investment community and its familiarity with the Company and its

business.

On December 21, 2017, at a meeting of the Company Board held to evaluate the Transaction, BofA Merrill Lynch delivered to the Company Board an oral opinion, which was confirmed by delivery of a written opinion dated December 21, 2017, to the effect that, as of that date and based on and subject to various assumptions and limitations described in the opinion, the Offer Price to be received by holders of Shares (other than, to the extent applicable, Parent and its affiliates) in the Transaction was fair, from a financial point of view, to such holders.

The full text of BofA Merrill Lynch s written opinion, dated December 21, 2017, to the Company Board, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex I to this Schedule 14D-9 and is incorporated by reference herein in its entirety. The following summary of BofA Merrill Lynch s opinion is qualified in its entirety by reference to the full text of the opinion. BofA Merrill Lynch delivered its opinion to the Company

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Board for the benefit and use of the Company Board (in its capacity as such) in connection with and for purposes of its evaluation of the Transaction, from a financial point of view. BofA Merrill Lynch s opinion does not address any other aspect or implications of the Transaction, and no opinion or view was expressed as to the relative merits of the Transaction in comparison to other strategies or transactions that might be available to the Company or in which the Company might engage or as to the underlying business decision of the Company to proceed with or effect the Transaction. BofA Merrill Lynch also expressed no opinion or recommendation as to whether any stockholder should tender their shares of Common Stock in the Offer or as to how any stockholder should vote or act in connection with the Transaction or any other matter.

In connection with rendering its opinion, BofA Merrill Lynch, among other things:

- reviewed certain publicly available business and financial information relating to the Company;

- reviewed certain internal financial and operating information with respect to the business, operations and prospects of the Company furnished to or discussed with BofA Merrill Lynch by the management of the Company, including certain financial forecasts relating to the Company, including with respect to rates of growth of the Company s unlevered free cash flow after the forecast period, prepared by the management of the Company and containing two different cases, one which reflected U.S. tax law as in effect as of the date of BofA Merrill Lynch s opinion (the Current Tax Law Case) and one which reflected U.S. tax law assuming the then pending Tax Cuts & Jobs Act, as passed by both the U.S. Senate and the U.S. House of Representatives as of the date of BofA Merrill Lynch s opinion, would be signed into law (the Pending Tax Law Case , and together with the Current Tax Law Case, collectively, the Company Forecasts and referred to as the Company Projections in the section of this Schedule 14D-9 entitled *Certain Projections*);

- reviewed and discussed with members of the management of the Company their estimates of the amount and utilization of certain net operating losses (collectively, NOLs);

- discussed with members of the management of the Company their assessments as to the product candidates of the Company, including the likelihood of technical, clinical and regulatory success of such product candidates;

- discussed the past and current business, operations, financial condition and prospects of the Company with members of management of the Company;

- reviewed the trading history of Common Stock and a comparison of that trading history with the trading histories of other companies BofA Merrill Lynch deemed relevant;

- compared certain financial and stock market information of the Company with similar information of other companies BofA Merrill Lynch deemed relevant;

compared certain financial terms of the Transaction to financial terms, to the extent publicly available, of other transactions BofA Merrill Lynch deemed relevant;

considered the results of BofA Merrill Lynch efforts on behalf of the Company to solicit, at the direction of the Company, indications of interest and definitive proposals from third parties with respect to a possible acquisition of the Company;

reviewed a draft, dated December 21, 2017, of the Merger Agreement (the Draft Agreement); and

performed such other analyses and studies and considered such other information and factors as BofA Merrill Lynch deemed appropriate.

In arriving at its opinion, BofA Merrill Lynch assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with BofA Merrill Lynch and relied upon the assurances of the management of the Company that it was not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to the Company Forecasts and the NOLs, BofA Merrill Lynch was advised by the Company, and assumed, at the direction of the Company Board, that they were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of the Company as to the future financial performance of the Company under the two tax scenarios

reflected in the Company Forecasts and as to the other matters covered thereby. BofA Merrill Lynch relied, at the direction of the Company, on the assessments of the management of the Company as to the ability of the Company to utilize the NOLs and was advised by the Company, and assumed, at the direction of the Company, that such NOLs would be utilized in the amounts and at the times projected. BofA Merrill Lynch also relied, at the direction of the Company, on the assessments as to the product candidates of the Company, including the likelihood of technical, clinical and regulatory success of such product candidates. BofA Merrill Lynch did not make and was not provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of the Company or any other entity, nor did BofA Merrill Lynch make any physical inspection of the properties or assets of the Company or any other entity. BofA Merrill Lynch did not evaluate the solvency or fair value of the Company or any other entity under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. BofA Merrill Lynch assumed, at the direction of the Company, that the Transaction would be consummated in accordance with its terms and in compliance with all applicable laws, relevant documents and other requirements, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the Transaction, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, would be imposed that would have an adverse effect on the Company or the contemplated benefits of the Transaction. BofA Merrill Lynch also assumed, at the direction of the Company, that the final executed Merger Agreement would not differ in any material respect from the Draft Agreement reviewed by BofA Merrill Lynch.

BofA Merrill Lynch expressed no view or opinion as to any terms or other aspects or implications of the Transaction (other than the Offer Price to the extent expressly specified in its opinion), including, without limitation, the form or structure of the Transaction or any arrangements, agreements or understandings entered into in connection with or related to the Transaction or otherwise. BofA Merrill Lynch s opinion was limited to the fairness, from a financial point of view, of the Offer Price to be received by holders of Common Stock (other than, to the extent applicable, Parent and its affiliates) and no opinion or view was expressed with respect to any consideration received in connection with the Transaction by the holders of any class of securities, creditors or other constituencies of any party. In addition, no opinion or view was expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the Transaction, or class of such persons, relative to the Offer Price or otherwise. Furthermore, no opinion or view was expressed as to the relative merits of the Transaction in comparison to other strategies or transactions that might be available to the Company or in which the Company might engage or as to the underlying business decision of the Company to proceed with or effect the Transaction. In addition, BofA Merrill Lynch did not express any view or opinion with respect to, and relied with the consent of the Company upon the assessments of the Company and its representatives regarding, legal, regulatory, accounting, tax and similar matters relating to the Company and the Transaction as to which BofA Merrill Lynch understood that the Company obtained such advice as it deemed necessary from qualified professionals. In addition, BofA Merrill Lynch expressed no opinion or recommendation as to whether any stockholder should tender their shares of Common Stock in the Offer or as to how any stockholder should vote or act in connection with the Transaction or any other matter.

BofA Merrill Lynch s opinion was necessarily based on financial, economic, monetary, market, tax (other than as noted in this section above) and other conditions and circumstances as in effect on, and the information made available to BofA Merrill Lynch as of, the date of its opinion. It should be understood that subsequent developments may affect BofA Merrill Lynch s opinion, and BofA Merrill Lynch does not have any obligation to update, revise or reaffirm its opinion. The issuance of BofA Merrill Lynch s opinion was approved by a fairness opinion review committee of BofA Merrill Lynch. Except as described in this summary, the Company imposed no other instructions or limitations on the investigations made or procedures followed by BofA Merrill Lynch in rendering its opinion.

The discussion set forth below in the section entitled *Company Financial Analyses* represents a brief summary of the material financial analyses presented by BofA Merrill Lynch to the Company Board in connection with BofA Merrill Lynch s opinion, dated December 21, 2017. **The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses performed by BofA Merrill Lynch, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses performed by BofA Merrill Lynch. Considering the data set forth in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by BofA Merrill Lynch**.

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Company Financial Analyses

Selected Publicly Traded Companies Analyses.

BofA Merrill Lynch reviewed, based on publicly available financial and stock market information, the enterprise values of the following selected publicly traded oncology companies with a lead product in late stage clinical development and nearing commercial stage, or at early commercial stage, that, in the professional judgment of BofA Merrill Lynch, have businesses that for the purposes of this analysis may be considered similar to those of the Company, as a multiple of Wall Street analyst consensus estimates of calendar years 2021 and 2022 probability-of-success adjusted, or PoS Adjusted, net revenues for the applicable company:

Juno Therapeutics, Inc.

TESARO, Inc.

Puma Biotechnology, Inc.

Clovis Oncology, Inc.

Loxo Oncology, Inc.

Agios Pharmaceuticals, Inc.

Immunomedics, Inc.

Array BioPharma Inc.

Epizyme, Inc.

Karyopharm Therapeutics Inc.

BofA Merrill Lynch reviewed the enterprise values for each of the selected companies, calculated by multiplying the closing share price of each applicable company as of December 20, 2017, by the number of fully-diluted shares outstanding of the applicable company (determined on a treasury stock method basis based on information in its public filings), and adding to (or subtracting from, as applicable) the result the amount of the applicable company s net debt (or net cash) (defined as debt, preferred stock and minority interest less cash, cash equivalents and marketable securities) based on information in its public filings, as a multiple of Wall Street analyst consensus estimates of calendar years 2021 and 2022 PoS Adjusted net revenues for the applicable company (except with respect to

Immunomedics, Inc., where PoS Adjusted net revenue for calendar year 2021 was calculated as the average of estimated PoS Adjusted net revenues for fiscal years ending June 30, 2021 and June 30, 2022, and PoS Adjusted net revenue for calendar year 2022 was calculated as the average of estimated PoS Adjusted net revenues for fiscal years ending June 30, 2022 and June 30, 2023). Those estimates for the selected companies were obtained by BofA Merrill Lynch from FactSet (a data source containing historical and estimated financial data).

The results of this analysis were as follows:

	Enterprise Values/PoS Adjusted Net Revenue	
	2021E	**2022E**