# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30 , 201 5**

**OR**

**☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Commission File Number: 001-35092**

# EXACT SCIENCES CORPORATION

(Exact name of registrant as specified in its charter)

| **DELAWARE** | **02-0478229** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification Number) |
| **441 Charmany Drive, Madison WI** | **53719** |
| (Address of principal executive offices) | (Zip Code) |

**(608) 284-5700** (Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer ☒ | Accelerated filer ☐ |
| Non-accelerated filer ☐ (Do not check if a smaller reporting company) | Smaller reporting company ☐ |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 28, 2015 , the registrant had 96,338 , 000 s hares of common stock outstanding.

**EXACT SCIENCES CORPORATION**

**IN DEX**

Part I — Financial Informatio n

**EXACT SCIENCES CORPORATION**
**Condensed Consolidated Balance Sheets**
**(Amounts in thousands, except share data - unaudited)**

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 31,522 | $ 58,131 |
| Marketable securities | 311,987 | 224,625 |
| Accounts receivable, net | 4,209 | 1,376 |
| Inventory, net | 6,032 | 4,017 |
| Prepaid expenses and other current assets | 5,602 | 3,528 |
| Total current assets | 359,352 | 291,677 |
| Property and Equipment, at cost: | | |
| Laboratory equipment | 11,929 | 10,381 |
| Computer equipment and computer software | 12,662 | 7,577 |
| Assets under construction | 7,066 | 1,552 |
| Leasehold improvements | 6,454 | 5,937 |
| Buildings | 4,777 | — |
| Furniture and fixtures | 1,038 | 939 |
| | 43,926 | 26,386 |
| Less—Accumulated depreciation | (11,851) | (6,439) |
| Net property and equipment | 32,075 | 19,947 |
| Other long-term assets | 2,562 | 1,200 |
| Total assets | $ 393,989 | $ 312,824 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current Liabilities: | | |
| Accounts payable | $ 1,503 | $ 2,647 |
| Accrued liabilities | 20,929 | 13,960 |
| Debt and capital lease obligation, current portion | 221 | 360 |
| Other short-term liabilities | 861 | 554 |
| Total current liabilities | 23,514 | 17,521 |
| Long-term debt | 3,535 | 1,000 |
| Long-term accrued interest | — | 106 |
| Other long-term liabilities | 4,455 | 3,599 |
| Lease incentive obligation, less current portion | 1,199 | 1,614 |
| Total liabilities | 32,703 | 23,840 |
| | | |
| Commitments and contingencies | | |
| | | |
| Stockholders' Equity: | | |
| Preferred stock, $0.01 par value Authorized—5,000,000 shares issued and outstanding—no shares at September 30, 2015 and December 31, 2014 | — | — |
| Common stock, $0.01 par value Authorized—200,000,000 shares issued and outstanding—96,311,415 and 88,626,042 shares at September 30, 2015 and December 31, 2014 | 964 | 887 |
| Additional paid-in capital | 898,786 | 709,019 |
| Accumulated other comprehensive income (loss) | 155 | (115) |
| Accumulated deficit | (538,619) | (420,807) |
| Total stockholders' equity | 361,286 | 288,984 |
| Total liabilities and stockholders' equity | $ 393,989 | $ 312,824 |

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

**EXACT SCIENCES CORPORATION**
**Condensed Consolidated Statements of Operations**
**(Amounts in thousands, except per share data - unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Laboratory service revenue | $ 12,632 | $ — | $ 25,017 | $ — |
| License fees | — | — | — | 294 |
| Total revenue | 12,632 | — | 25,017 | 294 |
| Cost of sales | 7,528 | 924 | 16,834 | 924 |
| Gross margin | 5,104 | (924) | 8,183 | (630) |
| Operating expenses: | | | | |
| Research and development | 9,863 | 9,073 | 24,549 | 23,677 |
| General and administrative | 15,432 | 8,994 | 42,086 | 19,810 |
| Sales and marketing | 23,079 | 13,217 | 60,196 | 23,839 |
| Total operating expenses | 48,374 | 31,284 | 126,831 | 67,326 |
| Loss from operations | (43,270) | (32,208) | (118,648) | (67,956) |
| Other income (expense) | | | | |
| Investment income | 365 | 160 | 780 | 392 |
| Interest income (expense) | (40) | (12) | 56 | (40) |
| Total other income | 325 | 148 | 836 | 352 |
| Net loss | $ (42,945) | $ (32,060) | $ (117,812) | $ (67,604) |
| Net loss per share—basic and diluted | $ (0.45) | $ (0.39) | $ (1.30) | $ (0.86) |
| Weighted average common shares outstanding—basic and diluted | 94,444 | 82,941 | 90,696 | 78,702 |

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

**EXACT SCIENCES CORPORATION**
**Condensed Consolidated Statements of Comprehensive Loss**
**(Amounts in thousands - unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Net loss | $ (42,945) | $ (32,060) | $ (117,812) | $ (67,604) |
| Other comprehensive loss, net of tax: | | | | |
| Unrealized gain (loss) on available-for-sale investments | 75 | (95) | 211 | (131) |
| Foreign currency translation gain | 91 | — | 59 | — |
| Comprehensive loss | $ (42,779) | $ (32,155) | $ (117,542) | $ (67,735) |

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

**EXACT SCIENCES CORPORATION**
**Condensed Consolidated Statements of Cash Flows**
**(Amounts in thousands, except share data - unaudited)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2015 | 2014 |
| Cash flows from operating activities: | | |
| Net loss | $ (117,812) | $ (67,604) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization of fixed assets | 5,412 | 2,264 |
| Stock-based compensation | 13,148 | 8,643 |
| Amortization of deferred license fees | — | (294) |
| Amortization of other liabilities | (399) | — |
| Amortization of deferred financing costs | 33 | — |
| Forgiveness of long-term debt | (1,000) | — |
| Amortization of premium on short-term investments | 1,020 | 628 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (2,833) | — |
| Inventory, net | (2,015) | (2,719) |
| Prepaid expenses and other current assets | (1,907) | (178) |
| Accounts payable | (1,144) | 3,874 |
| Accrued liabilities | 7,805 | 5,778 |
| Lease incentive obligation | (415) | (405) |
| Accrued interest | (106) | 16 |
| Net cash used in operating activities | (100,213) | (49,997) |
| Cash flows from investing activities: | | |
| Purchases of marketable securities | (197,997) | (141,355) |
| Maturities of marketable securities | 109,826 | 77,689 |
| Purchases of property and equipment | (17,540) | (9,522) |
| Net cash used in investing activities | (105,711) | (73,188) |
| Cash flows from financing activities: | | |
| Proceeds from exercise of common stock options | 961 | 424 |
| Proceeds from sale of common stock, net of issuance costs | 174,140 | 137,664 |
| Payments on capital lease obligations | (360) | (262) |
| Proceeds from mortgage payable | 3,756 | — |
| Proceeds in connection with the Company's employee stock purchase plan | 759 | 337 |
| Net cash provided by financing activities | 179,256 | 138,163 |
| | | |
| Effects of exchange rate on cash and cash equivalents | 59 | — |
| | | |
| Net (decrease) increase in cash and cash equivalents | (26,609) | 14,978 |
| Cash and cash equivalents, beginning of period | 58,131 | 12,851 |
| Cash and cash equivalents, end of period | $ 31,522 | $ 27,829 |
| Supplemental disclosure of non-cash investing and financing activities: | | |
| Unrealized gain on available-for-sale investments | $ 211 | $ (131) |
| Issuance of 21,826 and 32,669 shares of common stock to fund the Company’s 401(k) matching contribution for 2014 and 2013, respectively | $ 835 | $ 456 |

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

**EXACT SCIENCES CORPORATION**
**Notes to Condensed Consolidated Financial Statements**
**(Unaudited)**
**( Amounts i n thousands, except share and per share data, unless otherwise noted or instances where expressed in millions )**

## (1) ORGANIZATION AND BASIS OF PRESENTATION

### Organization

Exact Sciences Corporati on (together with its subsidiaries , "Exact", "we", "us" or the "Company") was incorporated in February 1995. Exact is a molecula r diagnostics company focused on the early detection and prevention of some of the deadliest forms of cancer. The Company has developed an accurate, non-invasive, patient-friendly screening test for the early detection of colorectal cancer and pre-cancer, and is currently working on the development of tests for lung cancer, pancreatic cancer and esophageal cancer.

### Basis of Presentation

The accompanying condensed consolidated financial statements, which include the accounts of Exact Sciences Corporation and thos e of its wholly-owned subsidiaries , Exact Sciences Laboratories, LLC, Exact Sciences Finance Corporation, Exact Sciences Europe LTD, Beijing Exact Sciences Medical Technology Company Limited, and variable interest entities are unaudited and have been prepared on a basis substantially consistent with the Company's audited financial statements and notes as of and for the year ended December 31, 2014 included in the Company's Annual Report on Form 10-K (the "201 4 Form 10-K"). These condensed financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") and follow the requirements of the Securities and Exchange Commission ("SEC") for interim reporting. In the opinion of management, all adjustments (consisting only of adjustments of a normal and recurring nature) considered necessary for a fair presentation of the results of operations have been included. The results of the Company's operations for any interim period are not necessarily indicative of the results of the Company's operations for any other interim period or for a full fiscal year. The statements should be read in conjunction with the audited financial statements and related notes included in the 201 4 Form 10-K. Management has evaluated subsequent events for disclosure or recognition in the accompanying financial statements up to the filing of this report.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company's wholly-owned subsidiaries, Exact Sciences Laboratories, LLC, Exact Sciences Finance Corporation, Exact Sciences Europe LTD, Beijing Exact Sciences Medical Technology Company Limited, and variable interest entities. All significant intercompany transactions and balances have been eliminated in consolidation.

References to "Exact", "we", "us", "our", or the "Company" refer to Exact Sciences Corporation and its wholly owned subsidiaries.

### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Company considers cash on hand, demand deposits in bank, money market funds, and all highly liquid investments with an original maturity of 90 days or less to be cash and cash equivalents. The Company had no restricted cash at September 30, 2015 and December 31, 2014.

**Marketable Securities**

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date. Debt securities carried at amortized cost are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Marketable equity securities and debt securities not classified as held-to-maturity are classified as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive loss. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts to maturity computed under the straight-line method, which approximates the effective interest method. Such amortization is included in investment income. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in investment income.

At September 30, 2015 and December 31, 2014, the Company's investments were comprised of fixed income investments and all were deemed available-for-sale. The objectives of the Company's investment strategy are to provide liquidity and safety of principal while striving to achieve the highest rate of return consistent with these two objectives. The Company's investment policy limits investments to certain types of instruments issued by institutions with investment grade credit ratings and places restrictions on maturities and concentration by type and issuer. Investments in which the Company has the ability and intent, if necessary, to liquidate in order to support its current operations (including those with a contractual term greater than one year from the date of purchase) are classified as current. All of the Company's investments are considered current. There were no realized losses for the nine months ended September 30, 2015 and 2014 . Realized gains were $7.7 thousand and $11.1 thousand for the nine months ended September 30, 2015 and 2014, respectively.

We periodically review our investments in unrealized loss positions for other-than-temporary impairments. This evaluation includes, but is not limited to, significant quantitative and qualitative assessments and estimates regarding credit ratings, collateralized support, the length of time and significance of a security's loss position, our intent not to sell the security, and whether it is more likely than not that we will have to sell the security before recovery of its cost basis. For the nine months ended September 30, 2015, no investments were identified with other-than-temporary declines in value.

Available-for-sale securities at September 30, 2015 consisted of the following:

| | September 30, 2015 | | | |
|---|---|---|---|---|
| (In thousands) | Amortized Cost | Gains in Accumulated Other Comprehensive Income | Losses in Accumulated Other Comprehensive Income | Estimated Fair Value |
| Corporate bonds | $ 209,953 | $ 113 | $ (39) | $ 210,027 |
| U.S. government agency securities | 7,056 | 7 | (1) | 7,062 |
| Asset backed securities | 89,306 | 45 | (30) | 89,321 |
| Certificates of deposit | 1,999 | — | — | 1,999 |
| Commercial paper | 3,577 | 1 | — | 3,578 |
| Total available-for-sale securities | $ 311,891 | $ 166 | $ (70) | $ 311,987 |

Available-for-sale securities at December 31, 2014 consisted of the following:

| | December 31, 2014 | | | |
|---|---|---|---|---|
| (In thousands) | Amortized Cost | Gains in Accumulated Other Comprehensive Income | Losses in Accumulated Other Comprehensive Income | Estimated Fair Value |
| Corporate bonds | $ 141,239 | $ 21 | $ (136) | $ 141,124 |
| U.S. government agency securities | 18,687 | 8 | (7) | 18,688 |
| Asset backed securities | 60,821 | 17 | (18) | 60,820 |
| Commercial paper | 3,993 | — | — | 3,993 |
| Total available-for-sale securities | $ 224,740 | $ 46 | $ (161) | $ 224,625 |

**Changes in Accumulated Other Comprehensive Income (Loss)**

The amounts recognized in accumulated other comprehensive income (loss) (AOCI) for the nine months ended September 30, 2015 were as follows (in thousands):

| | Cumulative Translation Adjustment | Unrealized Gain (Loss) on Securities | Accumulated Other Comprehensive Income (Loss) |
|---|---|---|---|
| Balance at December 31, 2014 | $ — | $ (115) | $ (115) |
| Other comprehensive (loss) income before reclassifications | 59 | 224 | 283 |
| Amounts reclassified from accumulated other comprehensive loss | — | (13) | (13) |
| Net current period change in accumulated other comprehensive income (loss) | 59 | 211 | 270 |
| Balance at September 30, 2015 | $ 59 | $ 96 | $ 155 |

The amounts recognized in AOCI for the nine months ended September 30, 2014 were as follows (in thousands):

| | Cumulative Translation Adjustment | Unrealized Gain (Loss) on Securities | Accumulated Other Comprehensive Income (Loss) |
|---|---|---|---|
| Balance at December 31, 2013 | $ — | $ 125 | $ 125 |
| Other comprehensive loss before reclassifications | — | (106) | (106) |
| Amounts reclassified from accumulated other comprehensive loss | — | (25) | (25) |
| Net current period change in accumulated other comprehensive loss | — | (131) | (131) |
| Balance at September 30, 2014 | $ — | $ (6) | $ (6) |

Amounts reclassified from AOCI for the nine months ended September 30, 2015 were as follows (in thousands):

| | | Nine Months Ended September 30, | |
|---|---|---|---|
| Details about AOCI Components | Affected Line Item in the Statement of Operations | 2015 | 2014 |
| Change in value of available-for-sale investments | | | |
| Sales and maturities of available-for-sale investments | Investment income | $ (13) | $ (25) |
| **Total reclassifications** | | $ (13) | $ (25) |

**Property and Equipment**

Property and equipment are stated at cost and depreciated using the straight-line method over the assets' estimated useful lives. Maintenance and repairs are expensed when incurred; additions and improvements are capitalized. The estimated useful lives of fixed assets are as follows:

| Asset Classification | Estimated Useful Life |
|---|---|
| Laboratory equipment | 3 - 5 years |
| Computer equipment and computer software | 3 years |
| Leasehold improvements | Lesser of the remaining lease term or useful life |
| Furniture and fixtures | 3 years |
| Buildings | 30 years |

At September 30, 2015, the Company had $7.1 million of assets under construction which consisted of $4.6 million re lated to building and leasehold improvements , $1.6 million of capitalized costs related to software projects and $0.9 million of costs related to machinery and equipment. Depreciation will begin on these assets once they are placed into service. At September 30, 2015, the Company has incurred $2.2 million in building improvement costs, of which, $0.1 million has been paid through financing at the period end and an additional $1.3 million will be financed in October 2015. The Company expects to incur minimal costs to complete the leasehold improvements, machinery and equipment, and the software projects, and these projects are expected to be completed in 2015.

**Software Capitalization Policy**

Software development costs related to internal use software are incurred in three stages of development: the preliminary project stage, the application development stage, and the post-implementation stage. Costs incurred during the preliminary project and post-implementation stages are expensed as incurred. Costs in the application development stage that meet the criteria for capitalization are capitalized and amortized , when the software is ready for its intended use, using the straight-line basis over the estimated economic useful life of the software.

**Net Loss Per Share**

Basic net loss per common share was determined by dividing net loss applicable to common stockholders by the weighted average common shares outstanding during the period. Basic and diluted net loss per share are the same because all outstanding common stock equivalents have been excluded, as they are anti-dilutive due to the Company's losses.

The following potentially issuable common shares were not included in the computation of diluted net loss per share because they would have an anti-dilutive effect due to net losses for each period:

| | September 30, | |
|---|---|---|
| | 2015 | 2014 |
| Shares issuable upon exercise of stock options | 5,091 | 6,207 |
| Shares issuable upon exercise of outstanding warrants(1) | — | 75 |
| Shares issuable upon the release of restricted stock awards | 2,383 | 1,577 |
| Shares issuable upon the vesting of restricted stock awards related to licensing agreement | — | 24 |
| | 7,474 | 7,883 |

(1) At September 30, 2014, represents warrants to purchase 75,000 shares of common stock issued under a consulting agreement.

**Revenue Recognition**

**Laboratory Service Revenue.** The Company's r evenues are generated by the Cologuard® test. Revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed and determinable, and collectability is reasonably assured. The Company assesses whether the fee is fixed or determinable and if the collectability is reasonably assured based on the nature of the fee charged for the laboratory services delivered and whether there are existing contractual arrangements with customers, third-party

commercial payors (insurance carriers and health plans) or coverage of the test by Centers for Medicare & Medicaid Services (CMS). In addition, when evaluating collectability, the Company considers factors such as collection experience for the healthcare industry, the financial standing of customers or third-party commercial payors, and whether it has sufficient collection history to reliably estimate a payor's individual payment patterns.

A portion of laboratory service revenues earned by the Company will be initially recognized on a cash basis because the above criteria will not have been met at the time the test results are delivered. The Company generally bills third-party payors upon generation and delivery of a test result to the ordering physician following completion of a test. Patients may have out-of-pocket costs for amounts not covered by their insurance carrier and the Company bills the patient directly for these amounts in the form of co-pays and deductibles in accordance with their insurance carrier and health plans. Some third-party payors may not fully cover the Cologuard test under their reimbursement policies. Consequently, in such cases, the Company pursues reimbursement on a case-by-case basis directly from the patient.

For laboratory services performed, where the collectability is not reasonably assured, the Company will continue to recognize revenues upon cash collection until it can reliably estimate the amount that will be ultimately collected for the Cologuard test. In order to begin to record revenue on an accrual basis in these scenarios, the Company expects to use at least several months of payment history, review the number of tests paid against the number of tests billed, and consider the payor's outstanding balance for unpaid tests to determine whether payments are being made for a consistently high percentage of tests billed and at appropriate amounts given the contracted or historical payment amount. With regard to Cologuard tests covered by Medicare, the national coverage determination for Cologuard was released by CMS on October 9, 2014 and for these tests, revenue is recognized on an accrual basis once the services have been performed as the price is fixed or determinable, and collectability is reasonably assured.

The Company recognized approximately $ 12.6 million and $25.0 million in laboratory service revenue for the three and nine months ended September 30, 2015.

***License fees.*** License fees for the licensing of product rights are recorded as deferred revenue upon receipt of cash and recognized as revenue on a straight-line basis over the license period. As more fully described in the 2014 Form 10-K, in connection with the Company’s January 2009 strategic transaction with Genzyme Corporation, the Company deferred the initial $16.65 million in cash received at closing and amortized that up-front payment on a straight-line basis into revenue over the initial five-year collaboration period which ended in January 2014. In addition, in 2010 the Company received holdback amounts of $1.85 million, which were deferred at the time of receipt and were amortized on a straight-line basis into revenue over the then remaining term of the collaboration period.

In addition, the Company deferred $1.53 million premium related to common stock purchased by Genzyme and amortized that amount on a straight-line basis into revenue over the initial five-year collaboration period which ended in January 2014.

The Company did not recognize revenue in connection with the amortization of the up-front payments from Genzyme during the three and nine months ended September 30, 2015. The Company recognized approximately $0.3 million in license fee revenue in connection with the amortization of the up-front payments from Genzyme during the nine months ended September 30, 2014. There was no license fee revenue recognized during the three months ended September 30, 2014.

**Inventory**

Inventory is stated at the lower of cost or market value (net realizable value). The Company determines the cost of inventory using the first-in, first out method (FIFO). The Company estimates the recoverability of inventory by reference to internal estimates of future demands and product life cycles, including expiration. The Company periodically analyzes its inventory levels to identify inventory that may expire prior to expected sale or has a cost basis in excess of its estimated realizable value, and records a charge to cost of sales for such inventory as appropriate. In addition, the Company's products are subject to strict quality control and monitoring which the Company performs throughout the manufacturing process. If certain batches or units of product no longer meet quality specifications or become obsolete due to expiration, the Company records a charge to cost of sales to write down such unmarketable inventory to its estimated realizable value.

Direct and indirect manufacturing costs incurred during process validation and for other research and development activities, which are not permitted to be sold, have been expensed to research and development.

Inventory consist of the following (amount in thousands):

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Raw materials | $ 1,746 | $ 1,019 |
| Semi-finished and finished goods | 4,286 | 2,998 |
| Total inventory | $ 6,032 | $ 4,017 |

**Foreign Currency Translation**

For the Company's international subsidiaries, the local currency is the functional currency. Assets and liabilities of these subsidiaries are translated into United States dollars at the period-end exchange rate or historical rates as appropriate. Consolidated statements of operations amounts are translated at average exchange rates for the period. The cumulative translation adjustments resulting from changes in exchange rates are included in the consolidated balance sheet as a component of accumulated other comprehensive income in total Exact Sciences Corporation's shareholders' equity. Transaction gains and losses are included in the consolidated statement of operations in 2015.

**Reclassifications**

Certain prior period amounts have been reclassified to conform to the current period presentation in the consolidated financial statements and accompanying notes to the consolidated financial statements.

**(3) MAYO LICENSE AGREEMENT**

**Overview**

As more fully described in the 2014 Form 10-K, in June 2009 the Company entered into a license agreement (the "MAYO Agreement") with MAYO Foundation for Medical Education and Research ("MAYO"). Pursuant to the MAYO Agreement, the Company granted MAYO two common stock purchase warrants with an exercise price of $1.90 per share covering 1,000,000 and 250,000 shares of common stock, respectively. The MAYO Agreement required the Company to make payments to MAYO for up-front fees, fees upon the achievement of certain milestones, and certain other payments. In addition to the license to intellectual property owned by MAYO, MAYO agreed to make available personnel to provide the Company product development and research and development assistance. The Company agreed to make royalty payments to MAYO on potential future net sales of any products developed from the licensed technology. The Company sought rights to the MAYO intellectual property for the specific purpose of developing a non-invasive, stool-based DNA screening test for colorectal cancer. At the time the MAYO A greement was executed, the Company's sole focus was the development of such a test. Accordingly, the Company recognized the initial payments and expenses related to the warrants at the time of the transaction and the amounts were expensed to research and development as there were no anticipated alternative future uses associated with the intellectual property.

**Warrants**

The warrants granted to MAYO were valued based on a Black-Scholes pricing model at the date of the grant. The warrants were granted with an exercise price of $1.90 per share of common stock. The grant to purchase 1,000,000 shares was immediately exercisable and the grant to purchase 250,000 shares vested and became exercisable over a four year period.

MAYO exercised the warrant to purchase 1,000,000 shares through several partial exercises. As of September 2011, the warrant covering 1,000,000 shares was fully exercised.

MAYO exercised the warrant to purchase 250,000 shares through partial exercises, the last of which occurred in June 2014. In June 2014, MAYO exercised the remaining shares of this warrant by utilizing the cashless exercise provision contained in the warrant. As a result of this exercise for a gross amount of 80,000 shares, in lieu of paying a cash exercise price, MAYO forfeited its right with respect to 10,587 shares leaving it with a net amount of 69,413 shares. Following this exercise, all of MAYO's warrants to purchase the Company's common stock were fully exercised.

**Royalty Payments**

Under the MAYO Agreement, the Company agreed to make royalty payments to MAYO based on a percentage of net sales of products developed from the licensed technology starting in the third year of the agreement. Starting in 2012, minimum royalty payments were $10,000 per year. For each year from 2015 through 2033 (the year the last patent expires), the minimum royalty payments are $25,000 per year.

**Other Payments**

Other payments under the MAYO Agreement include an upfront payment of $80,000, a milestone payment of $250,000 on the commencement of patient enrollment in a human cancer screening clinical trial, and a $500,000 payment upon FDA approval of the Company's Cologuard test. The upfront payment of $80,000 was made in the third quarter of 2009 and expensed to research and development in the second quarter of 2009. The Company began enrollment in human cancer screening clinical trial in June 2011 and the milestone payment of $250,000 was made and expensed to research and development in June 2011. The Company received FDA approval for its Cologuard test in August 2014, and the milestone payment of $500,000 was made and expensed to research and development in August 2014.

In addition, the Company pays MAYO for research and development efforts. During the three and nine months ended September 30, 2015, the Company made payments of $0.9 million and $2.4 million, respectively. At September 30, 2015 the Company recorded an estimated liability in the amount of $0.4 million for MAYO's research and development efforts. During the three months ended September 30, 2014, the Company did not make research and development payments to MAYO. During the nine months ended September 30, 2014, the Company made research and development payments to MAYO of $0.7 million. At September 30, 2014 the Company recorded an estimated liability in the amount of $1.6 million for research and development efforts.

**May 2012 Amendment**

In May 2012 the Company expanded the relationship with MAYO through an amendment to the MAYO Agreement. As part of the amendment, MAYO expanded the Company's license to include all gastrointestinal cancers and diseases, and new cancer screening applications of stool- and blood-based testing.

As part of the amendment, the Company agreed to make restricted stock grants to MAYO upon the achievement of certain milestones with respect to commercial launch of the Company's second and third licensed products. Additionally, the Company agreed to make milestone payments once certain sales levels are reached on licensed products. It is uncertain as to when or if these milestones will be met; therefore, the milestone payments have not been recorded as a liability. The Company evaluates the status of the milestone payments at each reporting date to determine if a liability should be recorded for the milestone payment.

**February 2015 Amendment**

In February 2015 the Company amended and restated the MAYO Agreement to extend the Company's arrangement with MAYO for an additional five years and to broaden the Company's and MAYO's collaboration efforts to develop screening, surveillance and diagnostic tests and tools for use in connection with gastrointestinal cancers, precancers, diseases and conditions. Under the amended and restated agreement (the "Restated MAYO Agreement"), MAYO agreed to continue to make personnel available during the additional five year period to provide the Company product development and research and development assistance. The Restated MAYO Agreement defines "gastrointestinal" to include certain airway organs (including the pharynx, larynx, trachea, bronchi and lungs) and

certain head and neck organs (including nasal passages, mouth and throat). The Restated MAYO Agreement also reflects an expanded list of patent rights that MAYO licenses to the Company.

Pursuant to the Restated MAYO Agreement, the Company agreed to pay MAYO an additional $5.0 million, payable in five annual $1.0 million installments, the first of which was due February 10, 2015. The first $1.0 million payment was made to MAYO in February 2015 and was capitalized to pre-paid assets and will be amortized to research and development expenses straight-line over the initial 12 month research period. Additionally, the Company will make milestone payments once certain sales levels are reached on licensed products. It is uncertain as to when or if these milestones will be met; therefore, the milestone payments have not been recorded as a liability. The Company evaluates the status of the milestone payments at each reporting date to determine if a liability should be recorded for the milestone payment.

**(4) MD ANDERSON LICENSE AGREEMENT**

**Overview**

On April 10, 2015, the Company entered into a Joint Development and License Agreement ("MD Anderson Agreement") with the University of Texas M.D. Anderson Cancer Center ("MD Anderson") to jointly develop, clinically validate and obtain FDA approval and CMS coverage and reimbursement for in-vitro diagnostic and screening tools for the early detection of lung cancer (the "IVD Assays"). Under the MD Anderson Agreement, MD Anderson assigned certain patent rights to the Company and granted the Company an exclusive license to certain intellectual property rights for the purpose of developing, manufacturing and marketing IVD Assays. In addition, MD Anderson agreed to make personnel available to provide the Company product development and research and development assistance. Pursuant to the MD Anderson Agreement, the Company is obligated to reimburse IVD Assay development expenses incurred by the staff at MD Anderson, up to a maximum of $1.0 million per year for the first two years of the MD Anderson Agreement. At September 30, 2015 the Company recorded an estimated liability in the amount of $0.5 million for IVD Assay development efforts. During the three and nine months ended September 30, 2015, the Company made payments for IVD Assay development costs to MD Anderson of $0.3 million. Beginning on April 30, 2015 and continuing through December 31, 2016, the Company is required to pay a quarterly fee of $0.3 million for the use of samples already collected prior to the effective date of the agreement which will be utilized in the continued research and development of IVD Assays. Further, the Company has agreed to pay MD Anderson a low single digit royalty on the Company's net sales of licensed products covered by specified patent rights. As of September 30, 2015 there have been no commercial sales of such product.

**(5) STOCK-BASED COMPENSATION**

**Stock-Based Compensation Plans**

The Company's stock-based compensation plans include the 2010 Omnibus Long-Term Incentive Plan (As Amended and Restated Effective April 28, 2015), the 2010 Employee Stock Purchase Plan, the 2015 Inducement Grant Plan and the 2000 Stock Option and Incentive Plan (collectively, the "Stock Plans").

**Stock-Based Compensation Expense**

The Company recorded $4.9 million and $13.1 million in stock-based compensation expense during the three and nine months ended September 30, 2015 in connection with the amortization of restricted stock and restricted stock unit awards, stock purchase rights granted under the Company's employee stock purchase plan and stock options granted to employees, non-employee consultants and non-employee directors. The Company recorded $4.1 million and $8.6 million in stock-based compensation expense during the three and nine months ended September 30, 2014 , respectively, in connection with the amortization of restricted stock and restricted stock unit awards, stock purchase rights granted under the Company's employee stock purchase plan and stock options granted to employees, non-employee consultants and non-employee directors.

**Determining Fair Value**

***Valuation and Recognition*** – The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model based on the assumptions in the table below. The estimated fair value of employee stock options is recognized to expense using the straight-line method over the vesting period.

***Expected Term*** – Expected term is based on the Company's historical life data and is determined using the average of the vesting period and the contractual life of the stock options granted.

***Expected Volatility*** - Expected volatility is based on the Company's historical stock volatility data over the expected term of the awards.

***Risk-Free Interest Rate*** - The Company bases the risk-free interest rate used in the Black-Scholes valuation model on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent expected term.

***Forfeitures*** - The Company records stock-based compensation expense only for those awards that are expected to vest. A forfeiture rate is estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. The Company's forfeiture rate used in the nine months ended September 30, 2015 and 2014 was 4.99%.

The fair value of each restricted stock and restricted stock unit award is determined on the date of grant using the closing stock price on that day.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| **Option Plan Shares** | | | | |
| Risk-free interest rates | (1) | 2.01% | 1.5% - 1.92% | 1.96% - 2.01% |
| Expected term (in years) | (1) | 6 | 6.25 - 6.6 | 6 |
| Expected volatility | (1) | 77.6% | 67.1% - 73.2% | 77.6% - 80.8% |
| Dividend yield | (1) | 0% | 0 % | 0% |
| Weighted average fair value per share of options granted during the period | (1) | $ 11.37 | $ 15.81 | $ 10.05 |
| **ESPP Shares** | | | | |
| Risk-free interest rates | (2) | (2) | 0.25% - 0.6% | 0.1% - 0.41% |
| Expected term (in years) | (2) | (2) | 0.5 - 2 | 0.5 - 2 |
| Expected volatility | (2) | (2) | 51.2% - 57.4% | 42.5% - 49.5% |
| Dividend yield | (2) | (2) | 0 % | 0% |
| Weighted average fair value per share of stock purchase rights granted during the period | (2) | (2) | $ 7.48 | $ 3.76 |

(1) The Company did not grant options under its 2010 Option Plan during the period indicated.
(2) The Company did not issue stock purchase rights under its 2010 Employee Stock Purchase Plan during the respective period.

**Stock Option and Restricted Stock Activity**

A summary of stock option activity under the Stock Plans during the nine months ended September 30, 2015 is as follows:

| Options | Shares | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value(1) |
|---|---|---|---|---|
| *(Aggregate intrinsic value in thousands)* | | | | |
| Outstanding, December 31, 2014 | 4,934,317 | $ 3.63 | 5.2 | |
| Granted | 340,978 | 23.51 | | |
| Exercised | (141,615) | 7.79 | | |
| Forfeited | (42,236) | 16.78 | | |
| Outstanding, September 30, 2015 | 5,091,444 | $ 4.77 | 6.0 | $ 69,314 |
| Exercisable, September 30, 2015 | 4,354,302 | $ 2.63 | 4.1 | $ 66,868 |
| Vested and expected to vest, September 30, 2015 | 5,054,661 | $ 4.77 | 5.2 | $ 67,495 |

(1) The aggregate intrinsic value of options outstanding, exercisable and vested and expected to vest is calculated as the difference between the exercise price of the underlying options and the market price of the Company's common stock for options that had exercise prices that were lower than the $17.99 market price of the Company's common stock at September 30, 2015. The total intrinsic value of options exercised during the nine months ended September 30, 2015 and 2014 was $2.0 million and $1.4 million, respectively.

As of September 30, 2015, there was $39.5 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under all Stock Plans. Total unrecognized compensation cost will be adjusted for future changes in forfeitures. The Company expects to recognize that cost over a weighted average period of 2.9 years.

A summary of restricted stock activity under the Stock Plans during the nine months ended September 30, 2015 is as follows:

| | Restricted Shares | Weighted Average Grant Date Fair Value |
|---|---|---|
| Outstanding, January 1, 2015 | 1,541,114 | $ 13.86 |
| Granted | 1,424,114 | 23.93 |
| Released | (478,249) | 13.16 |
| Forfeited | (104,397) | 16.01 |
| Outstanding, September 30, 2015 | 2,382,582 | $ 19.93 |

**(6) FAIR VALUE MEASUREMENTS**

The FASB has issued authoritative guidance which requires that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under the standard, fair value measurements are separately disclosed by level within the fair value hierarchy. The fair value hierarchy establishes and prioritizes the inputs used to measure fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three levels of the fair value hierarchy established are as follows:

**Level 1** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

**Level 2** Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

**Level 3** Unobservable inputs that reflect the Company's assumptions about the assumptions that market participants would use in pricing the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available.

Fixed-income securities and mutual funds are valued using a third party pricing agency. The valuation is based on observable inputs including pricing for similar assets and other observable market factors. There has been no material change from period to period. The estimated fair value of the Company's long-term debt based on a market approach was approximately $3.5 million and $1.0 million as of September 30, 2015 and December 31, 2014, respectively, and represent Level 2 measurements. When determining the estimated fair value of the Company's long-term debt, the Company used market-based risk measurements, such as credit risk.

The following table presents the Company's fair value measurements as of September 30, 2015 along with the level within the fair value hierarchy in which the fair value measurements in their entirety fall. Amounts in the table are in thousands.

| | | Fair Value Measurement at September 30, 2015 Using: | | |
|---|---|---|---|---|
| Description | Fair Value at September 30, 2015 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Cash and cash equivalents | | | | |
| Cash and money market | $ 31,522 | $ 31,522 | $ — | $ — |
| Available-for-Sale | | | | |
| Marketable securities | | | | |
| Corporate bonds | 210,027 | — | 210,027 | — |
| Asset backed securities | 89,321 | — | 89,321 | — |
| U.S. government agency securities | 7,062 | — | 7,062 | — |
| Commercial paper | 3,578 | — | 3,578 | — |
| Certificates of deposit | 1,999 | — | 1,999 | — |
| Total | $ 343,509 | $ 31,522 | $ 311,987 | $ — |

The following table presents the Company's fair value measurements as of December 31, 2014 along with the level within the fair value hierarchy in which the fair value measurements in their entirety fall. Amounts in the table are in thousands.

| | | Fair Value Measurement at December 31, 2014 Using: | | |
|---|---|---|---|---|
| Description | Fair Value at December 31, 2014 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Cash and cash equivalents | | | | |
| Cash and money market | $ 53,569 | $ 53,569 | $ — | $ — |
| Corporate bonds | 4,562 | — | 4,562 | — |
| Available-for-Sale | | | | |
| Marketable securities | | | | |
| Corporate bonds | 141,124 | — | 141,124 | — |
| U.S. government agency securities | 18,688 | — | 18,688 | — |
| Asset backed securities | 60,820 | — | 60,820 | — |
| Commercial paper | 3,993 | — | 3,993 | — |
| Total | $ 282,756 | $ 53,569 | $ 229,187 | $ — |

The following table summarizes gross unrealized losses and fair values of our investments in an unrealized loss position as of September 30, 2015, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

| | September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 months or greater | | Total | |
| (In thousands) | Fair Value | Gross Unrealized Loss | Fair Value | Gross Unrealized Loss | Fair Value | Gross Unrealized Loss |
| Marketable Securities | | | | | | |
| Corporate bonds | $ 84,960 | $ (39) | $ — | $ — | $ 84,960 | $ (39) |
| U.S. government agency securities | 2,499 | (1) | — | — | 2,499 | (1) |
| Asset backed securities | 30,431 | (30) | 4,736 | (3) | 35,167 | (33) |
| Total | $ 117,890 | $ (70) | $ 4,736 | $ (3) | $ 122,626 | $ (73) |

The following summarizes contractual underlying maturities of the Company's available-for-sale investments in debt securities at September 30, 2015 (in thousands):

| | Due one year or less | | Due after one year through two years | |
|---|---|---|---|---|
| Description | Cost | Fair Value | Cost | Fair Value |
| Marketable Securities | | | | |
| U.S. government agency securities | $ 2,499 | $ 2,499 | $ 4,557 | $ 4,563 |
| Corporate bonds | 122,579 | 122,601 | 87,374 | 87,426 |
| Commercial paper | 3,577 | 3,578 | — | — |
| Certificates of deposit | 1,999 | 1,999 | — | — |
| Asset backed securities | 1,654 | 1,654 | 87,652 | 87,667 |
| Total | $ 132,308 | $ 132,331 | $ 179,583 | $ 179,656 |

**(7) NEW MARKET TAX CREDIT**

During the fourth quarter of 2014, the Company received approximately $2.4 million in net proceeds from financing agreements related to working capital and capital improvements at one of its Madison, Wisconsin

facilities. This financing arrangement was structured with an unrelated third party financial institution (the "Investor"), an investment fund, and its majority owned community development entity in connection with the Company's participation in transactions qualified under the federal New Markets Tax Credit ("NMTC") program, pursuant to Section 45D of the Internal Revenue Code of 1986, as amended. Through its participation in this program, the Company has secured low interest financing and the potential for future debt forgiveness related to the Madison, Wisconsin facility. Upon closing of this transaction, the Company provided an aggregate of approximately $5.1 million to the Investor, in the form of a loan receivable, with a term of seven years, bearing an interest rate of 2.74% per annum. This $5.1 million in proceeds plus capital from the Investor was used to make an aggregate $7.5 million loan to a subsidiary of the Company. This financing arrangement is not secured by any assets of the Company. On December 1, 2021, the Company would receive a repayment of its approximately $ 5.1 million loan. The $5.1 million is eliminated in the consolidation of the financial statements. This transaction also includes a put/call feature that becomes enforceable at the end of the seven -year compliance period. The Investor may exercise its put option or the Company can exercise the call, both of which will serve to trigger forgiveness of the net debt. The value attributable to the put/call is nominal. The $ 2.4 million was recorded in Other Long-Term Liabilities on the consolidated balance sheets. The benefit of this net $2.4 million contribution will be recognized as a decrease in expenses, included in cost of sales, as the Company amortizes the contribution liability over the seven -year compliance period as it is being earned through our on-going compliance with the conditions of the NMTC program. The Company has recorded $0.1 million and $0.3 million as a decrease of expenses for the three and nine months ended September 30, 2015. At September 30, 2015, the remaining balance is $2.1 million. The Company incurred approximately $0.2 million of debt issuance costs related to the above transactions, which are being amortized over the life of the agreements.

The Investor is subject to 100% recapture of the NMTC it receives for a period of seven years as provided in the Internal Revenue Code and applicable U.S. Treasury regulations. The Company is required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangement. Noncompliance with applicable requirements could result in the Investor's projected tax benefits not being realized and, therefore, require the Company to indemnify the Investor for any loss or recapture of NMTC related to the financing until such time as the recapture provisions have expired under the applicable statute of limitations. The Company does not anticipate any credit recapture will be required in connection with this financing arrangement.

The Investor and its majority owned community development entity are considered Variable Interest Entities (VIEs) and the Company is the primary beneficiary of the VIEs. This conclusion was reached based on the following:

- The ongoing activities of the VIEs—collecting and remitting interest and fees and NMTC compliance—were all considered in the initial design and are not expected to significantly affect performance throughout the life of the VIE;
- Contractual arrangements obligate the Company to comply with NMTC rules and regulations and provide various other guarantees to the Investor and community development entity;
- The Investor lacks a material interest in the underling economics of the project; and
- The Company is obligated to absorb losses of the VIEs.

Because the Company is the primary beneficiary of the VIEs, they have been included in the consolidated financial statements. There are no other assets, liabilities or transactions in these VIEs outside of the financing transactions executed as part of the NMTC arrangement. The $ 5.1 million loan is eliminated in consolidation of the financial statements.

Also in December 2014, in connection with the NMTC transaction, the Company entered into a land purchase option agreement with the owner of certain real property (land) adjacent to certain of the Company's current Madison, Wisconsin facilities. The option is renewable annually in exchange for a fee. If the Company exercises its land purchase option, it will pay a fixed amount for the land. That fixed amount approximates the then-current fair value of the land. If the Company decides not to exercise its option, then on December 31, 2021 (which is after the seven year compliance period of the NMTC program) the Company must pay $1.2 million to the community development entity. As discussed below, the community development entity is a variable interest entity consolidated into the Company. The community development entity would then distribute this money to its members. The majority member of the community development entity is also the owner of the land subject to the land purchase option. The Company has recorded the obligation and the land purchase option asset for $1.2 million to reflect the Company's assessment that it is probable that

at least $1.2 million will be paid in the future based on resolution of the land purchase option. The asset is included in Other Long-Term Assets and the liability is included in Other Long-Term Liabilities on the consolidated balance sheet.

**(8) LONG-TERM DEBT**

**Building Purchase Mortgage**

During June 2015, the Company entered into a credit agreement with an unrelated third party financial institution to finance the purchase of the facility and contemplated improvements located at 501 Charmany Drive in Madison, WI for $5.1 million. Of the $ 5.1 million in funds available pursuant to the credit agreement, $3.7 million was directly applied towards the purchase price of the building in June 2015 and the remaining $1.4 million is a construction loan available to finance future improvements. The credit agreement is secured by the acquired building.

Borrowings under the credit agreement bear interest at 4.15% per annum which is calculated on the outstanding principal balance. The Company made interest only payments on the outstanding principal balance for the period between July 12, 2015 and September 12, 2015 which is the period the Company anticipates completing all building related improvements. Beginning on October 12, 2015 and continuing through the maturity date, May 12, 2019, the Company is required to make monthly principal and interest payments of $31.2 thousand. The final principal and interest payment due on June 12, 2019 is $4.4 million.

As of September 30, 201 5, the building improvements were nearly complete and the Company had drawn $0.1 million of the total available construction funds. The Company expects the financial institution to fund the remaining $1.3 million in October 201 5. The financial institution did not fund the $ 1.3 million on or prior to September 30, 2015, as such the liability is included in our financial statements under other current liabilities. There is an outstanding principal balance of $3.8 million, and the current portion is $0.2 million. Additionally, the Company has recorded $70.4 thousand in deferred financing costs which are being amortized through June 12, 2019. For the three and nine months ended September 30, 2015, the Company has recorded $5.7 thousand in amortization of deferred financing costs.

**Wisconsin Department of Commerce Loan**

During November 2009, the Company entered into a loan agreement with the Wisconsin Department of Commerce pursuant to which the Wisconsin Department of Commerce agreed to lend up to $1.0 million to the Company subject to the Company's satisfaction of certain conditions. The Company received the $1.0 million in December 2009. The terms of the loan are such that portions of the loan become forgivable if the Company meets certain job creation requirements at a specified wage rate. After the Company creates 100 full time positions, the principal shall be reduced at the rate of $5,405 for each new position created thereafter during the measurement period. The loan bears an interest rate of 2% , which is subject to an increase to 4% if the Company does not meet certain job creation requirements. Both principal and interest payments under the loan agreement are deferred for five years. The loan's terms also contain a milestone that if the Company has created 185 new full -time positions as of June 30, 2015, the full amount of principal shall be forgiven. The Company met this job creation milestone and the $1.0 million benefit associated with the loan forgiveness has been recorded as an offset to the operating expenses during the nine months ended September 30, 2015.

**(9) WISCONSIN ECONOMIC DEVELOPMENT TAX CREDITS**

During the first quarter of 2015, the Company entered into an agreement with the Wisconsin Economic Development Corporation ("WEDC") to earn $9.0 million in refundable tax credits if the Company expends $26.3 million in capital investments and establishes and maintains 758 full-time positions in the state of Wisconsin over a seven year period. The tax credits earned should first be applied against the tax liability otherwise due and if there is no such liability present, the claim for tax credits will be reimbursed in cash to the Company. The maximum amount of the refundable tax credit to be earned for each year is fixed, and the Company earns the credits by meeting certain capital investment and job creation thresholds over the seven year period. Should the Company earn and receive the job creation tax credits but not maintain those full-time positions through the end of the agreement, the Company may be required to pay those credits back to the WEDC.

The Company will record the earned tax credits as job creation and capital investments occur. The amount of tax credits earned will be recorded as a liability and amortized as a reduction of operating expenses over the expected period of benefit. The tax credits earned from capital inv estment will be recognized as an offset to depreciation expense over

the expected life of the acquired capital assets. The tax credits earned related to job creation will be recognized as an offset to operational expenses over the life of the agreement as the Company is required to maintain the minimum level of full-time positions through the seven year period.

As of September 30, 2015 the Company has earned $1.6 million of tax credits. $0.2 million is classified as a current asset and $1.4 million is classified as a long term asset, reflecting when collection of the refundable tax credits is expected to occur.

During the three and nine month periods ending September 30, 2015, the Company has amortized $72.6 thousand and $112.8 thousand of the credits earned as a reduction of operating expenses, respectively. At September 30, 2015, the Company also has a $0.3 million current liability and a $1.1 million long term liability, reflecting when the expected benefit of the tax credit amortization will reduce future operating expenses.

**(10) EQUITY**

On July 24, 2015 the Company completed an underwritten public offering of 7.0 million shares of common stock at a price of $25.50 per share to the public. The Company received approximately $174.1 million of net proceeds from the offering, after deducting $4.4 million for the underwriting discount and commissions and other stock issuance costs paid by the Company.

**(11) RECENT ACCOUNTING PRONOUNCEMENTS**

In July 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-11, *"Simplifying the Measurement of Inventory (Topic 330)."* The new guidance requires most inventory to be measured at the lower of cost and net realizable value, thereby simplifying the previous guidance under which an entity must measure inventory at the lower of cost or market. Market is defined as replacement cost, net realizable value ("NRV"), or NRV less a normal profit margin. The Accounting Standards Update will not apply to inventory that is measured using either the last-in, first-out method or the retail inventory method. The standard will be effective prospectively for the first interim period within annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company does not expect to early adopt this guidance and is currently assessing the provisions of the guidance and has not determined the impact of the adoption of this guidance on its consolidated financial statements.

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-05, " *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement",* which provides guidance that requires management to evaluate each cloud computing arrangement in order to determine whether it includes a software license that must be accounted for separately from hosted services. The new guidance clarifies that if a cloud computing arrangement includes a software license, the Company should account for the software license consistent with its accounting for other software licenses. If the arrangement does not include a software license, the Company should account for the arrangement as a service contract. The standard is effective for the Company's financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not previously been issued. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-03, " *Simplifying the Presentation of Debt Issuance Costs",* which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. This guidance simplifies presentation of debt issuance costs but does not address presentation or subsequent measurement of debt issue costs related to line of credit arrangements. In August 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-15 *"Interest-Imputation of Interest (Subtopic 835-30) Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements"* which indicates the SEC staff would not object to an entity deferring and presenting debt issuance costs related to line-of-credit arrangements as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. Accounting Standards Update No. 2015-03 will be effective for the first interim period within annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

In August 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-14, *"Revenue from Contracts with Customers: Deferral of the Effective Date"* to defer for one year the effective date of the new revenue standard and allow early adoption as of the original effective date which is for annual reports beginning after December 15, 2016. The Company is currently evaluating the impact of this amendment on its financial position and results of operations .

**Item 2. Management's Discussion and Analysi s of Financial Condition and Results of Operations**

The following discussion of the financial condition and results of operations of Exact Sciences Corporation (together with its subsidiaries, "Exact," "we," "us", "our" or the "Company") should be read in conjunction with the condensed financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the audited financial statements and notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2014, which has been filed with the SEC (the "2014 Form 10-K").

**Forward-Looking Statements**

*This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, that are intended to be covered by the "safe harbor" created by those sections. Forward-looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, can generally be identified by the use of forward-looking terms such as "believe," "expect," "may," "will," "should," "could," "seek," "intend," "plan," "estimate," "anticipate" or other comparable terms. All statements other than statements of historical facts included in this Quarterly Report on Form 10-Q regarding our strategies, prospects, financial condition, operations, costs, plans and objectives are forward-looking statements. Examples of forward-looking statements include, among others, statements we make regarding expected future operating results, anticipated results of our sales and marketing efforts, expectations concerning payor reimbursement and the anticipated results of our product development efforts. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements. Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: our ability to successfully and profitably market our products; the acceptance of our products by patients and health care providers; the willingness of health insurance companies and other payors to reimburse us for our performance of the Cologuard test; the amount and nature of competition from other cancer screening products and procedures; our ability to maintain regulatory approvals and comply with applicable regulations; our success establishing and maintaining collaborative and licensing arrangements; recommendations and/or guidelines issued by the U.S. Preventive Services Task Force, the American Cancer Society, or other organizations regarding cancer screening or our products and services; our ability to successfully develop new products; and the other risks and uncertainties described in the Risk Factors and in Management's Discussion and Analysis of Financial Condition and Results of Operations sections of our most recent Annual Report on Form 10‑K and our subsequently filed Quarterly Reports on Form 10-Q. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.*

**Overview**

We are a molecular diagnostics company currently focused on the early detection and prevention of some of the deadliest forms of cancer. Exact has developed an accurate, non-invasive, patient-friendly screening test, Cologuard®, for the early detection of colorectal cancer and pre-cancer, and is currently working on the development of tests for lung cancer, pancreatic cancer and esophageal cancer.

**Cologuard**

Colorectal cancer is the second leading cause of cancer deaths in the United States and the leading cause of cancer deaths among non-smokers. Each year there are:

- 137,000 new cases in the U.S.
- 50,000 deaths in the U.S.

- 1,200,000 new cases worldwide
- 600,000 deaths worldwide

Colorectal cancer treatment represents a significant growing healthcare cost. Annually, $14 billion is spent in the U.S. on colorectal cancer treatment and the projected annual treatment costs are expected to be $20 billion in 2020. The incidence of colorectal cancer in Medicare patients is expected to rapidly rise from 106,000 cases in 2010 to more than 180,000 cases in 2030.

It is widely accepted that colorectal cancer is among the most preventable, yet least prevented cancers. Colorectal cancer can take up to 10-15 years to progress from a pre-cancerous lesion to metastatic cancer and death. Patients who are diagnosed early in the progression of the disease—with pre-cancerous lesions or polyps, or early-stage cancer—are more likely to have a complete recovery and to be treated less expensively. Accordingly, the American Cancer Society (ACS) recommends that all people age 50 and older undergo regular colorectal cancer screening. Of the more than 80 million people in the U.S. for whom routine colorectal cancer screening is recommended, nearly 47 percent have not been screened according to current guidelines. Poor compliance has meant that nearly two-thirds of colorectal cancer diagnoses are made in the disease's late stages. The five-year survival rates for stages 3 and 4 are 67 percent and 12 percent, respectively. We believe the large underserved population of unscreened and inadequately screened patients represents a significant opportunity for a patient-friendly screening test.

Our Cologuard test is a non-invasive stool-based DNA (sDNA) screening test designed to detect DNA markers, which in published studies have been shown to be associated with colorectal cancer. In addition to DNA markers, our test includes a protein marker to detect blood in the stool, utilizing an antibody-based fecal immunochemical test (FIT).

On August 11, 2014 the U.S. Food and Drug Administration (FDA) approved Cologuard for use as the first and only sDNA non-invasive colorectal cancer screening test. Our submission to the FDA for Cologuard included the results of our pivotal DeeP-C clinical trial that had over 10,000 patients enrolled at 90 enrollment sites in the U.S. and Canada. The results of our DeeP-C clinical trial for Cologuard were published in the New England Journal of Medicine in April 2014. The peer-reviewed study, "Multi-target Stool DNA Testing for Colorectal-Cancer Screening," highlighted the performance of Cologuard in the trial population:

- Cancer Sensitivity: 92%
- High-Grade Dysplasia Sensitivity: 69%
- Specificity: 87%

Professional colorectal cancer screening guidelines in the U.S., including those of the ACS, the American College of Gastroenterology, and the American Gastroenterological Association, recommend regular screening by a variety of methods. Historically, these recommendations consisted of colonoscopy, flexible sigmoidoscopy and fecal occult blood testing (FOBT) as well as combinations of some of these methods. On March 4, 2008, the ACS and the U.S. Multi-Society Task Force on Colorectal Cancer included sDNA screening technology in updated national colorectal cancer screening guidelines as a screening option for the detection of colorectal cancer in average risk, asymptomatic individuals age 50 and older. The U.S. Multi-Society Task Force on Colorectal Cancer is a consortium of several organizations that includes representatives of the American College of Gastroenterology, American Gastroenterological Association, American Society for Gastrointestinal Endoscopy and the American College of Physicians/Society of Internal Medicine. In November 2014 the ACS updated the colorectal cancer screening guidelines to specifically include Cologuard as a recommended sDNA screening test.

The competitive advantages of sDNA-based screening provide a significant market opportunity. Assuming a 30-percent test adoption rate and a three-year screening interval, we estimate the potential U.S. market for sDNA screening to be more than $2 billion and we estimate the potential global market opportunity to be greater than $3 billion.

On October 9, 2014, the CMS issued a final National Coverage Detrmination (NCD) for Cologuard. As outlined in the NCD, Medicare Part B will cover Cologuard once every three years for beneficiaries who meet all of the following criteria:

- Age 50 to 85 years,
- Asymptomatic (no signs or symptoms of colorectal disease including but not limited to lower gastrointestinal pain, blood in stool, positive guaiac fecal occult blood test or fecal immunochemical test), and
- At average risk for developing colorectal cancer (no personal history of adenomatous polyps, colorectal cancer, or inflammatory bowel disease, including Crohn's Disease and ulcerative colitis; no family history of colorectal cancers or adenomatous polyps, familial adenomatous polyposis, or hereditary non-polyposis colorectal cancer).

In the 2015 Clinical Laboratory Fee Schedule, CMS established reimbursement for Cologuard (HCPCS code G0464) at $492.72. Cologuard has been assigned a new American Medical Association CPT code (81528), and CMS has issued a preliminary determination that, effective January 1, 2016, code 81528 will be reimbursed on the same basis as the G0464 code, which it is replacing. The preliminary CMS determination regarding 2016 reimbursement rates is presently subject to public comment, and is expected to be finalized in November, 2015. Payments from CMS are subject to sequestration. U nder the Protecting Access to Medicare Act of 2014 ("PAMA"), the basis for Cologuard's CMS reimbursement rate is expected to change, beginning in January, 2017. Under PAMA, the CMS reimbursement rate for Cologuard is expected to be calculated based on the weighted median of private payor rates during the prior calendar year (for the initial rates calculated under PAMA, taking effect January 1, 2017, the calculation is expected to be based on the weighted median of private payor rates during the period July 1 through December 31, 2015). Medicare covers 43% of patients in the screening population for Cologuard.

We also believe it will be necessary to secure favorable coverage and reimbursement from commercial payors to achieve commercial success. We believe that third-party payors' reimbursement of Cologuard will depend on a number of factors, including payors' determination that it is: sensitive for colorectal cancer; not experimental or investigational; approved or recommended by major guidelines organizations; reliable, safe and effective; medically necessary; appropriate for the specific patient; and cost-effective.

In October 2015, the US Preventive Services Task Force (USPSTF) issued a draft recommendation statement for colorectal cancer screening, which recommends an "A" grade for colorectal cancer screening starting at age 50 and continuing until age 75. Screening for individuals age 75 through 85 is graded a "C." The draft recommends certain screening tests and includes Cologuard as an alternative screening test, along with CT colonography. This approach, if adopted in the final recommendation statement, would represent a change from the 2008 USPSTF recommendations, which assigned specific grades for different tests, including an "I" rating for stool-based DNA. The draft statement is currently open for public comment, and USPSTF is expected to issue final recommendations during the first half of 2016. If the final USPSTF colorectal cancer screening recommendations continue to designate Cologuard as an "alternative" test, or otherwise fail to designate Cologuard as either a "recommended" test or as having an "A" or "B" grade, market acceptance of Cologuard could be adversely aff ected. For example, without a clear USPSTF "recommendation" or "A" or "B" grade, private health insurance plans may take the position that they are not required to cover Cologuard under the screening mandate provisions of the Patient Protection and Affordable Care Act (which will require most private insurance plans to cover screening tests that receive an "A" or "B" grade from USPSTF without charging the patient any co-pay or deductible) and may decline to provide coverage. Also, the lack of a clear USPSTF endorsement may result in Cologuard not being credited under certain quality measures such as the National Committee for Quality Assurance (NCQA), Healthcare Effectiveness Data and Information Set (HEDIS) and the CMS Star ratings. If physicians do not earn quality credit for prescribing Cologuard, they may be less inclined to do so, which could adversely affect our business.

A critical part of the value proposition of Cologuard is our compliance program, which involves active engagement with patients. This activity is focused on having patients complete Cologuard tests that have been ordered for them by their physicians and supporting physicians in their efforts to have their patients screened.

Our sales and marketing strategy includes three main elements with a focus on physicians, patients, and payors.

We are engaging physicians with several strategies. We have a 260 person sales team, including approximately 210 in a direct field sales force, actively engaging with physicians and their staffs to emphasize the need for colorectal cancer screening, educate them on the value of Cologuard, and enroll them in our physician ordering system to enable them to prescribe the test. We are focused on specific physicians based on specialty and propensity to prescribe colorectal cancer screening tests. We are also focused on physician groups and larger regional and national health systems. We have entered into a co-promotion agreement with Ironwood Pharmaceuticals under which its 160 c linical sales specialists promote Cologuard in a second position to physicians across the United States. Further, to build awareness, we have launched a medical education program that includes on-line training and peer-to-peer presentations.

After the launch of Cologuard, we initiated a significant public relations effort to engage patients. We have conducted targeted direct-to-patient advertising campaigns through social media, print and other channels.

One of the key components to engaging with payors was securing coverage from CMS, which we did in October of 2014. Additionally, we are providing cost effectiveness data to payors to make the case for Cologuard reimbursement. We are focusing our efforts on large national and regional insurers, insurers in states that require health insurers to cover colorectal cancer screening consistent with the ACS guidelines and health plans that have affiliated health systems.

As part of our commercialization strategy, we also established a state of the art, highly automated lab facility that is certified pursuant to applicable CLIA regulations to process Cologuard tests and provide patient results. Our commercial lab operation is housed in a 32,000 square foot facility in Madison, Wisconsin. At our lab, we have the capacity to process approximately one million tests per year.

**Product Pipeline**

We also are focused on developing our pipeline for future products. We are continuing to collaborate with MAYO on future products related to early detection of gastrointestinal (GI) cancers specifically in the areas of esophageal and pancreatic cancers. GI cancers account for 145,000 or 25% of all U.S. cancer deaths annually and represent a significant market opportunity for future products. In February 2015, we amended and restated our license agreement with MAYO to extend our working relationship for an additional five years and broaden our collaboration efforts to develop screening, surveillance and diagnostic tests and tools for use in connection with gastrointestinal cancers, pre-cancers, diseases and conditions.

In April 2015, we entered into a joint development and license agreement with The University of Texas MD Anderson Cancer Center to establish a collaboration aimed at developing in vitro diagnostic and screening tools for the early detection of lung cancer . The American Cancer Society estimates that lung cancer will be diagnosed in 221,200 Americans and cause 158,040 deaths in the United States this year and that, world-wide, lung cancer will be diagnosed in 1,825,000 people and cause 1,590,000 deaths. Currently, more than half of lung cancer cases are diagnosed at an advanced stage, after symptoms appear, when the five-year survival rate is in the low single digits. If detected at an early stage, lung cancer's five-year survival rate can be as high as 80 percent.

Additionally, we will continue to explore opportunities for expanding the indications of Cologuard such as for patients between the ages of 40-49 or for high risk patients.

**2015 Priorities**

Our top priorities for 2015 include growing revenue for Cologuard, continuing to provide world class service as order volume grows, and developing our product pipeline for future products.

We plan to grow Cologuard revenue through the continued effor ts of our sales force work ing with physicians and systems to adopt Cologuard for colorectal cancer screening. In addition, we are working with payors to secure favorable reimbursement for Cologuard which will be a key component to growing revenue for 2015.

Another key priority for 2015 is to achieve and maintain at least a 70% compliance rate for patients who are prescribed Cologuard and to whom we ship a Cologuard test kit. As of September 30, 2015, our patient compliance rate for Cologuard was approximately 73%. The patient compliance rate is derived from the number of valid test results reported divided by the number of collection kits shipped to patients 60 or more days prior to September 30, 2015.

We also are focused on developing our pipeline for future products as outlined in the Product Pipeline section above.

**Financial Overview**

We have generated limiting operating revenues since inception and, as of September 30, 2015, we had an accumulated deficit of approximately $538.6 million. We expect to continue to incur losses for the next several years, and it is possible we may never achieve profitability.

**Laboratory service revenue.** Total laboratory service revenue was $12.6 million and $25.0 million for the three and nine months ended September 30, 2015 , respectively . Our laboratory service revenue is generated by performance of the Cologuard test. Cologuard became available to be marketed and sold upon FDA approval on August 11, 2014.

**License fee revenue.** There was no license fee revenue for the three and nine months ended September 30, 2015 and $0.3 million for the nine months ended September 30, 2014. There was no license fee revenue for the three months ended September 30, 2014. License fee revenue is composed of the amortization of up-front technology license fee payments associated with our collaboration, license and purchase agreement with Genzyme. The previously unamortized Genzyme up-front payment and holdback amounts were amortized on a straight-line basis over the initial Genzyme collaboration period, which ended in January 2014 therefore leading to a decline in revenue when compared to the prior year. Due to completion of the collaboration period in January 2014, we do not expect to recognize further significant revenues under this agreement.

**Our Cost Structure.** Our selling, general and administrative expenses consist primarily of non-research personnel salaries, office expenses, professional fees, sales and marketing expenses incurred in support of our commercialization efforts and non-cash stock-based compensation.

Cost of sales includes costs related to inventory production and usage and the cost of laboratory services to process tests and provide results to physicians. Gross margin as a percentage of laboratory service revenue is also affected by our current revenue recognition policy, which may result in costs being incurred in one period that relate to revenues recognized in a later period.

We expect that gross margin for our laboratory services will continue to fluctuate and be affected by the adoption rates of the Cologuard test, our revenue recognition policy, the levels of reimbursement, and payment patterns of third-party payors and patients.

**Critical Accounting Policies and Estimates**

Management’s discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported revenues and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition, tax positions and stock-based compensation. We base our estimates on historical experience and on various other factors that are believed to be appropriate under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in Note 2 of our financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014, we believe that the following accounting policies and judgments are most critical to aid in fully understanding and evaluating our reported financial results.

**Revenue Recognition.**

**Laboratory service revenue.** Our revenues are generated primarily by our laboratory's performance of the Cologuard test. Revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the price is fixed or determinable, and collectability is reasonably assured. We assess whether the fee is fixed or determinable based on the nature of the fee charged for the laboratory services delivered and whether there are existing contractual arrangements with customers, third-party commercial payors (insurance carriers and health plans) or coverage of the test by CMS. When evaluating collectability, we consider factors such as collection experience for the healthcare industry, the financial standing of customers or third-party commercial payors, and whether we have sufficient collection history to reliably estimate a payor's individual payment patterns.

A portion of laboratory service revenues earned by us will initially be recognized on a cash basis because the above criteria will not have been met at the time the test results are delivered. We generally bill third-party payors upon generation and delivery of a test result to the ordering physician following completion of a test. Patients may have out-of-pocket costs for amounts not covered by their insurance carrier and we bill the patient directly for these amounts in the form of co-pays and deductibles in accordance with their insurance carrier and health plans. Some third-party payors may not cover the Cologuard test as ordered by the physician under their reimbursement policies. Consequently, we pursue reimbursement on a case-by-case basis directly from the patient.

For laboratory services performed, where the collectability is not reasonably assured, we will continue to recognize revenues upon cash collection until we can reliably estimate the amount that would be ultimately collected for the Cologuard test. In order to begin to record revenue on an accrual basis in these scenarios, we expect to use at least several months of payment history, review the number of tests paid against the number of tests billed, and consider the payor's outstanding balance for unpaid tests to determine whether payments are being made for a consistently high percentage of tests billed and at appropriate amounts given the contracted or historical payment amount. Our Cologuard test became available upon FDA approval on August 11, 2014. The national coverage decision was released by CMS on October 9, 2014 and for these tests, revenue is recognized on an accrual basis once the services have been performed as the price is fixed or determinable, and collectability is reasonably assured.

**License fees.** License fees for the licensing of product rights on initiation of strategic agreements are recorded as deferred revenue upon receipt of cash and recognized as revenue on a straight-line basis over the license period.

As more fully described in our 2014 Form 10-K, in connection with our January 2009 strategic transaction with Genzyme Corporation, we deferred the initial $16.65 million in cash received at closing and amortized that up-front payment on a straight-line basis into revenue over the initial five-year collaboration period which ended in January 2014. In addition, in 2010 we received holdback amounts of $1.85 million, which were deferred at the time of receipt and were amortized on a straight-line basis into revenue over the then remaining term of the collaboration period.

In addition, we deferred a $1.53 million premium related to common stock purchased by Genzyme and amortized that amount on a straight-line basis into revenue over the initial five-year collaboration period which ended in January 2014.

**Inventory.** Inventory is stated at the lower of cost or market value (net realizable value). We determine the cost of inventory using the first-in, first out method (FIFO). We estimate the recoverability of inventory by reference to internal estimates of future demands and product life cycles, including expiration. We periodically analyze our inventory levels to identify inventory that may expire prior to expected sale or has a cost basis in excess of its estimated realizable value, and record a charge to cost of sales for such inventory as appropriate. In addition, our products are subject to strict quality control and monitoring which we perform throughout the manufacturing process. If certain batches or units of product no longer meet quality specifications or become obsolete due to expiration, we record a charge to cost of sales to write down such unmarketable inventory to its estimated realizable value.

Direct and indirect manufacturing costs incurred during process validation and for other research and development activities, which are not permitted to be sold, have been expensed to research and development.

**Stock-Based Compensation.** In accordance with GAAP, all stock-based payments, including grants of employee stock options, restricted stock and restricted stock units and shares purchased under an employee stock purchase plan (ESPP) (if certain parameters are not met), are recognized in the financial statements based on their fair values. The following assumptions are used in determining fair value for stock options, restricted stock and ESPP shares:

- ***Valuation and Recognition*** — The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model. The estimated fair value of employee stock options is recognized to expense using the straight-line method over the vesting period.
- ***Expected Term*** - Expected term is based on the Company's historical life data and is determined using the average of the vesting period and the contractual life of the stock options granted.
- ***Expected Volatility*** - Expected volatility is based on the Company's historical stock volatility data over the expected term of the awards.
- ***Risk-Free Interest Rate*** - The Company bases the risk-free interest rate used in the Black-Scholes valuation model on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent remaining expected term.
- ***Forfeitures*** - The Company records stock-based compensation expense only for those awards that are expected to vest. A forfeiture rate is estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. The Company's forfeiture rate used in the nine months ended September 30, 2015 and 2014 was 4.99%.

The fair value of each restricted stock award and restricted stock unit is determined on the date of grant using the closing stock price on that day. The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model based on the assumptions in Note 5 to our condensed financial statements.

**Results of Operations**

***Laboratory service revenue.*** Our laboratory service revenues are generated primarily by our performance of the Cologuard test. Our Cologuard test became available upon FDA approval on August 11, 2014. Total laboratory service revenue for the three and nine months ended September 30, 2015 was $12.6 million and $25.0 million, respectively.

***License fee revenue.*** There was no license fee revenue for the three and nine months ended September 30, 2015. Total license fee revenue was $0.3 million for the nine month periods ended September 30, 2014. There was no license fee revenue for the three months ended September 30, 2014. License fee revenue is composed of the amortization of up-front technology license fee payments associated with our collaboration, license and purchase agreement with Genzyme. The previously unamortized Genzyme up-front payment and holdback amounts were amortized on a straight-line basis over the initial Genzyme collaboration period, which ended in January 2014 therefore leading to a decline in revenue when compared to the prior year.

***Cost of Sales.*** Cost of sales includes costs related to inventory production and usage and the cost of laboratory services to process tests and provide results to physicians. Gross margin as a percentage of laboratory service revenue is also affected by our current revenue recognition policy, which may result in costs being incurred in one period that relate to revenues recognized in a later period. Cost of sales was $7.5 million and $16.8 million for the three and nine months ended September 30, 2015 compared to $0.9 million for the three and nine months ended September 30, 2014. The increase in cost of sales is related to the increase in production and testing services of our Cologuard test, which obtained FDA approval during the third quarter of 2014.

| | Three Months Ended September 30, | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| Direct production costs | $ 2.4 | $ 0.2 | $ 2.2 |
| Indirect production costs | 2.4 | — | 2.4 |
| Personnel expenses | 1.3 | 0.6 | 0.7 |
| Depreciation expense | 0.7 | — | 0.7 |
| Facility costs | 0.4 | — | 0.4 |
| Stock-based compensation | 0.2 | 0.1 | 0.1 |
| Other cost of sales | 0.1 | — | 0.1 |
| Total cost of sales expenses | $ 7.5 | $ 0.9 | $ 6.6 |

| | Nine Months Ended September 30, | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| Indirect production costs | $ 4.8 | $ — | $ 4.8 |
| Direct production costs | 4.3 | 0.2 | 4.1 |
| Personnel expenses | 4.1 | 0.6 | 3.5 |
| Depreciation expense | 2.0 | — | 2.0 |
| Facility costs | 0.9 | — | 0.9 |
| Stock-based compensation | 0.6 | 0.1 | 0.5 |
| Other cost of sales | 0.1 | — | 0.1 |
| Total cost of sales expenses | $ 16.8 | $ 0.9 | $ 15.9 |

***Research and development expenses*** . Research and development expenses increased to $9.9 million for the three months ended September 30, 2015 from $9.1 million for the three months ended September 30, 2014. Research and development expense increased to $24.5 million for the nine months ended September 30, 2015, from $23.7 million for the nine months ended September 30, 2014. The increase in research and development expenses was primarily due to an increase in research collaboration expenses, clinical trial expenses, and professional fees related to product pipeline development.

| | Three Months Ended September 30, | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| Personnel expenses | $ 2.5 | $ 2.1 | $ 0.4 |
| Clinical trial expenses | 2.1 | 0.9 | 1.2 |
| Research collaborations | 1.6 | 0.6 | 1.0 |
| Legal and professional fees | 1.0 | 0.7 | 0.3 |
| Other research and development | 0.9 | 1.2 | (0.3) |
| Stock-based compensation | 0.9 | 2.0 | (1.1) |
| Lab expenses | 0.9 | 1.6 | (0.7) |
| Total research and development expenses | $ 9.9 | $ 9.1 | $ 0.8 |

| | Nine Months Ended September 30, | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| Personnel expenses | $ 7.0 | $ 7.1 | $ (0.1) |
| Legal and professional fees | 4.3 | 1.3 | 3.0 |
| Research collaborations | 3.4 | 1.6 | 1.8 |
| Clinical trial expenses | 3.3 | 3.6 | (0.3) |
| Stock-based compensation | 2.7 | 3.5 | (0.8) |
| Lab expenses | 1.9 | 3.5 | (1.6) |
| Other research and development | 1.1 | 2.5 | (1.4) |
| Facility costs | 0.8 | 0.6 | 0.2 |
| Total research and development expenses | $ 24.5 | $ 23.7 | $ 0.8 |

***General and administrative expenses*** . General and administrative expenses increased to $15.4 million for the three months ended September 30, 2015 compared to $9.0 million for the three months ended September 30, 2014. General and administrative expenses increased to $42.1 million for the nine months ended September 30, 2015, from $19.8 million for the nine months ended September 30, 2014. The increase in general and administrative expenses was primarily a result of increased legal and professional fees, increased personnel costs and stock-based compensation expense due to increased headcount, additional information technology costs, increased depreciation expense, and other general and administrative expenses to support the needs of our growing infrastructure and overall growth of the Company.

| | Three Months Ended September 30, | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| Personnel expenses | $ 5.1 | $ 1.9 | $ 3.2 |
| Legal and professional fees | 3.1 | 2.1 | 1.0 |
| Stock-based compensation | 3.0 | 1.6 | 1.4 |
| Information technology costs | 1.4 | 1.2 | 0.2 |
| Other general and administrative | 1.4 | 1.7 | (0.3) |
| Depreciation expense | 1.1 | 0.3 | 0.8 |
| Facility costs | 0.3 | 0.2 | 0.1 |
| Total general and administrative expenses | $ 15.4 | $ 9.0 | $ 6.4 |

| | Nine Months Ended September 30, | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| Personnel expenses | $ 13.4 | $ 4.5 | $ 8.9 |
| Legal and professional fees | 10.0 | 5.0 | 5.0 |
| Stock-based compensation | 7.0 | 4.1 | 2.9 |
| Information technology costs | 4.8 | 2.2 | 2.6 |
| Other general and administrative | 3.3 | 2.5 | 0.8 |
| Depreciation expense | 2.8 | 0.9 | 1.9 |
| Facility costs | 0.8 | 0.6 | 0.2 |
| Total general and administrative expenses | $ 42.1 | $ 19.8 | $ 22.3 |

***Sales and marketing expenses.*** Sales and marketing expenses increased to $23.1 million for the three months ended September 30, 2015, compared to $13.2 million for the three months ended September 30, 2014. Sales and marketing expenses increased to $60.2 million for the nine months ended September 30, 2015, compared to $23.8 million for the nine months ended September 30, 2014. The increase in sales and marketing expense was a result of hiring additional sales and marketing personnel and increasing our advertising and patient marketing efforts related to the commercialization of our Cologuard test.

| | Three Months Ended September 30, | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| Personnel expenses | $ 12.8 | $ 5.0 | $ 7.8 |
| Professional fees | 9.1 | 7.1 | 2.0 |
| Stock-based compensation | 0.8 | 0.3 | 0.5 |
| Other sales and marketing | 0.4 | 0.8 | (0.4) |
| Total sales and marketing expenses | $ 23.1 | $ 13.2 | $ 9.9 |

| | Nine Months Ended September 30, | | |
|---|---|---|---|
| | 2015 | 2014 | Change |
| Personnel expenses | $ 35.1 | $ 9.7 | $ 25.4 |
| Professional fees | 21.4 | 12.9 | 8.5 |
| Stock-based compensation | 2.7 | 1.0 | 1.7 |
| Other sales and marketing | 1.0 | 0.2 | 0.8 |
| Total sales and marketing expenses | $ 60.2 | $ 23.8 | $ 36.4 |

***Investment income*** . Investment income increased to $365.0 thousand for the three months ended September 30, 2015 compared to $160.0 thousand for the three months ended September 30, 2014. Investment income increased to $780.0 thousand for the nine months ended September 30, 2015 compared to $392.0 thousand for the nine months ended September 30, 2014. The increase in investment income was primarily due to an increase in the average investment balance for the three months ended September 30, 2015 when compared to the same period in 2014.

***Interest income and expense.*** Interest expense increased to $40.0 thousand for the three months ended September 30, 2015 from $12.0 thousand of interest expense for the three months ended September 30, 2014. This increase was primarily related to interest expense on our mortgage payable. Interest income increased to $56.0 thousand for the nine months ended September 30, 2015 from $40.0 thousand of interest expense for the nine months ended September 30, 2014. This change was primarily due to the forgiveness of the accrued interest expense previously recorded on the Wisconsin Department of Commerce loan.

***Liquidity and Capital Resources***

We have financed our operations since inception primarily through private and public offerings of our common stock. As of September 30, 2015, we had approximately $31.5 million in unrestricted cash and cash equivalents and approximately $312.0 million in marketable securities.

All of our investments in marketable securities are comprised of fixed income investments and all are deemed available-for-sale. The objectives of this portfolio are to provide liquidity and safety of principal while striving to achieve the highest rate of return, consistent with these two objectives. Our investment policy limits investments to certain types of instruments issued by institutions with investment grade credit ratings and places restrictions on maturities and concentration by type and issuer.

Net cash used in operating activities was $100.2 million for the nine months ended September 30, 2015 as compared to $50.0 million for the nine months ended September 30, 2014. The principal use of cash in operating activities for the nine months ended September 30, 2015 was to fund our net loss which increased from the nine months ended September 30, 2014 primarily due to increased sales and marketing efforts and general and administrative costs due to the commercial launch of Cologuard and to support the overall growth of the Company.

Net cash used in investing activities was $105.7 million for the nine months ended September 30, 2015 as compared to $73.2 million of cash used in investing activities for the nine months ended September 30, 2014. The increase in cash used by investing activities for the nine months ended September 30, 2015 compared to the same period in 2014 was primarily the result of the timing of purchases and maturities of marketable securities. Excluding the impact of purchases and maturities of marketable securities, net cash used in investing activities was $17.5 million which consisted of purchases of property and equipment for the nine months ended September 30, 2015 and $9.5 million for the same period in 2014. The increase in property and equipment purchases during the nine months ended September 30, 2015 was primarily the result of increased laboratory equipment purchases, computer equipment and software purchases, building purchases, and leasehold improvement purchases.

Net cash provided by financing activities was $179.3 million for the nine months ended September 30, 2015, as compared to net cash provided by financing activities of $138.2 million for the nine months ended September 30, 2014. The increase in cash provided by financing activities for the nine months ended September 30, 2015 was due to the receipt of $174.1 million of cash from our July 2015 common stock offering, $3.8 million of cash proceeds from mortgage payable, $961.0 thousand from stock option exercises and $759.0 thousand from proceeds in connection with the Company's employee stock purchase plan slightly offset by capital lease payments of $360.0 thousand compared to the receipt of $137.7 million of cash from our April 2014 common stock offering, the receipt of $337.0 thousand from proceeds in connection with the Company's employee stock purchase plan, $424.0 thousand from stock option exercises slightly offset by capital lease payments of $262.0 thousand for the same period in 2014.

We expect that cash and cash equivalents and marketable securities on hand at September 30, 2015, will be sufficient to fund our current operations for at least the next twelve months, based on current operating plans. However, since payments for our Cologuard test will be our only material revenue source and we have just begun to collect such payments and do not know the timing or amount of any such payments, it is possible that we may need to raise additional capital to fully fund our current strategic plan. If we are unable to obtain sufficient additional funds to enable us to fund our operations through the completion of such plan, our results of operations and financial condition would be materially adversely affected and we may be required to delay the implementation of our plan and otherwise scale back our operations. Even if we successfully raise sufficient funds to complete our plan, we cannot assure that our business will ever generate sufficient cash flow from operations to become profitable.

**Recent Accounting Pronouncements**

In July 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-11, *"Simplifying the Measurement of Inventory (Topic 330)."* The new guidance requires most inventory to be measured at the lower of cost and net realizable value, thereby simplifying the previous guidance under which an entity must measure inventory at the lower of cost or market. Market is defined as replacement cost, net realizable value ("NRV"), or NRV less a normal profit margin. The Accounting Standards Update will not apply to inventory that is measured using either the last-in, first-out method or the retail inventory method. The standard will be effective prospectively for the first interim period within annual reporting periods beginning after December 15, 2016. Early adoption is permitted. We do not expect to early adopt this guidance and are currently assessing the provisions of the guidance and have not determined the impact of the adoption of this guidance on our consolidated financial statements.

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-05, " *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement",* which provides guidance that requires management to evaluate each cloud computing arrangement in order to determine whether it includes a software license that must be accounted for separately from hosted services. The new guidance clarifies that if a cloud computing arrangement includes a software license, we should account for the soft ware license consistent with our accounting for other software licenses. If the arrangement does not include a software license, we should account for the arrangement as a service contract. The standard is effective for our financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not previously been issued. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-03, " *Simplifying the Presentation of Debt Issuance Costs " ,* which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. This guidance simplifies presentation of debt issuance costs

but does not address presentation or subsequent measurement of debt issue costs related to line of credit arrangements. In August 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-15 *"Interest-Imputation of Interest (Subtopic 835-30) Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements"* which indicates the SEC staff would not object to an entity deferring and presenting debt issuance costs related to line-of-credit arrangements as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. Accounting Standards Update No. 2015-03 will be effective for the first interim period within annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on our financial statements.

In August 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-14, *"Revenue from Contracts with Customers: Deferral of the Effective Date"* to defer for one year the effective date of the new revenue standard and allow early adoption as of the original effective date which is for annual reports beginning after December 15, 2016. We are currently evaluating the impact of this amendment on our financial position and results of operations .

**Off-Balance Sheet Arrangements**

As of September 30, 2015, we had no off-balance sheet arrangements.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Our exposure to market risk is principally confined to our cash, cash equivalents and marketable securities. We invest our cash, cash equivalents and marketable securities in securities of the U.S. government and its agencies and in investment-grade, highly liquid investments consisting of commercial paper, bank certificates of deposit, asset backed securities and corporate bonds, which, as of September 30 , 2015 were classified as available-for-sale. We place our cash equivalents and marketable securities with high-quality financial institutions, limit the amount of credit exposure to any one institution and have established investment guidelines relative to diversification and maturities designed to maintain safety and liquidity.

Based on a hypothetical ten percent adverse movement in interest rates, the potential losses in future earnings, fair value of risk-sensitive financial instruments, and cash flows are immaterial, although the actual effects may differ materially from the hypothetical analysis.

**Item 4. Controls and Procedures**

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon that evaluation, our principal executive officer and our principal financial officer concluded that, as of September 30 , 2015, our disclosure controls and procedures were effective. Disclosure controls and procedures enable us to record, process, summarize and report information required to be included in our Exchange Act filings within the required time period. Our disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed by us in the periodic reports filed with the SEC is accumulated and communicated to our management, including our principal executive, financial and accounting officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

During the fiscal quarter covered by this report, there have been no significant changes in internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**Part II - Other Informatio n**

**Item 1. Legal Proceedings**

We are not currently a party to any pending legal proceedings that we believe will have a material adverse effect on our business, financial condition or results of operations. We may, however, be subject to various claims and legal actions arising in the ordinary course of business from time to time .

**Item 1A. Risk Factors**

We operate in a rapidly changing environment that involves a number of risks that could materially affect our business, financial condition or future results, some of which are beyond our control. In addition to the other information set forth in this report, the risks and uncertainties that we believe are most important for you to consider are discussed in Part I, "Item 1A. Risk Factors" in our most recent Annual Report on Form 10-K and our subsequent Quarterly Reports on Form 10-Q. Other than the factors set forth below, there have been no material changes to the risk factors described in those reports.

***If the Draft USPSTF colorectal cancer screening recommendations become final as currently drafted, they could adversely impact our business.***

On October 5, 2015, the US Preventive Services Task Force ("USPSTF") issued a draft recommendation statement on colorectal cancer screening (the "Draft Statement"). In the Draft Statement, USPSTF assigns an "A" grade to colorectal cancer screening for individuals starting at age 50 and continuing until age 75. Unlike prior USPSTF recommendations, the Draft Statement does not assign individual letter grades to individual screening tests. The Draft Statement designates certain screening modalities as "recommended" and others (including multi-target stool DNA testing, which is Cologuard) as "alternative tests." The Draft Statement indicates that the alternative tests "may be useful in select clinical circumstances" but are supported by "less mature evidence." The Draft Statement is open for public comment through November 2, 2015. We expect that a final version of the USPSTF colorectal cancer screening recommendations will be published in the first half of 2016.

If the final USPSTF colorectal cancer screening recommendations continue to designate Cologuard as an "alternative" test, or otherwise fail to designate Cologuard as either a "recommended" test or as having an "A" or "B" grade, market acceptance of Cologuard could be adversely aff ected , potentially materially so . For example, without a clear USPSTF "recommendation" or "A" or "B" grade, private health insurance plans may take the position that they are not required to cover Cologuard under the screening mandate provisions of the Patient Protection and Affordable Care Act (which will require most private insurance plans to cover screening tests that receive an "A" or "B" grade from USPSTF without charging the patient any co-pay or deductible) and may decline to provide coverage. Also, the lack of a clear USPSTF endorsement may result in Cologuard not being credited under certain quality measures such as the National Committee for Quality Assurance (NCQA), Healthcare Effectiveness Data and Information Set (HEDIS) and the CMS Star ratings. If physicians do not earn quality credit for prescribing Cologuard, they may be less inclined to do so, which could adversely affect our business.

***We face uncertainty related to healthcare reform, pricing, coverage and reimbursement, which could reduce our revenue.***

Recent healthcare reform laws, including the Patient Protection and Affordable Care Act and the Protecting Access to Medicare Act of 2014 ("PAMA"), are significantly affecting the U.S. healthcare and medical services industry. Existing legislation, and possible future legal and regulatory changes, could substantially change the structure and finances of the health insurance system and the methodology for reimbursing medical services, drugs and devices, including our current and future products and services. Any change in reimbursement policy could result in a change in patient co-payments, which could adversely affect patient willingness and ability to use our Cologuard test and any other product or service we may develop. Healthcare reforms, which may intend to reduce healthcare costs, may have the effect of discouraging third-party payors from covering certain kinds of medical products and services, particularly newly developed technologies, such as our Cologuard test.

Even without further legislative reform, there can be no assurance that CMS will maintain its current reimbursement rate for our Cologuard test. If the CMS reimbursement rate for Cologuard is reduced, our revenues could be adversely affected. There can be no assurance that CMS and third party payors who initially decide to cover Cologuard will continue to cover Cologuard. A hedge fund has submitted a request that CMS reconsider its reimbursement rate for Cologuard, which was presented at a CMS public meeting on July 16, 2015. CMS has issued a preliminary determination maintaining the current reimbursement rate. After a public comment period, CMS will issue a final determination in November, 2015. We can provide no assurance that CMS will not negatively alter its coverage or reimbursement rate based on this request or otherwise.

Under PAMA, the basis for Cologuard's CMS reimbursement rate is expected to change, beginning in January, 2017. CMS issued proposed regulations for the implementation of PAMA on September 25, 2015, which are open for public comment through November 25, 2015 (the "Proposed Regulations"). Under PAMA and the Proposed Regulations, the CMS reimbursement rate for Cologuard will be tied to the volume-weighted median reimbursement for Cologuard from commercial payors. Therefore, if Cologuard's volume-weighted median commercial reimbursement rate falls below the current CMS reimbursement rate (or the adjusted rate, if CMS determines to adjust the reimbursement rate as a result of the above-referenced request for reconsideration or otherwise) in 2016, we anticipate that the CMS reimbursement rate for Cologuard would decline in 2017.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

Not applicable

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

On October 27, 2015, the Company's Board of Directors approved the Company's Second Amended and Restated Bylaws (the "Second Amended and Restated Bylaws"), effective immediately. The Second Amended and Restated Bylaws amend and restate in their entirety the Company's bylaws to, among other things:

- amend Article 2, Section 11 to allow for special meetings of the Company's Board of Directors (the "Board") in the event of an emergency with at least six (6) hours' notice, and to set quorum requirements for such meetings;
- amend Article 2, Section 17 to allow the Board to designate a committee by the vote of the majority of directors present at a duly convened meeting;
- include a new Article 7, which, unless the Company consents in writing, establishes certain Delaware courts as the exclusive forum for certain types of claims involving the Company ; and
- make other non-substantive technical amendments, including to conform to developments in Delaware law.

The foregoing summary is subject to, and qualified in its entirety by, the full text of the Second Amended and Restated Bylaws, a copy of which is filed as Exhibit 3. 3 to this Quarterly Report on Form 10-Q and is incorporated herein by reference.

**Item 6. Exhibits**

The exhibits required to be filed as a part of this report are listed in the Exhibit Index.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EXACT SCIENCES CORPORATION

Date: October 30, 2015

By: /s/ Kevin T. Conroy
Kevin T. Conroy

President and Chief Executive Officer
(Principal Executive Officer)

Date: October 30, 2015

By: /s/ William J. Megan
William J. Megan
Senior Vice President, Finance
(Principal Financial Officer)

## EXHIBIT INDEX

| Exhibit Number | Description |
|---|---|
| 3.1 | Sixth Amended and Restated Certificate of Incorporation of the Registrant (previously filed as Exhibit 3.3 to the Registrant's Registration Statement on Form S‑1 (File No. 333‑48812), filed on October 27, 2000, and incorporated herein by reference). |
| 3.2 | First Amendment to Sixth Amended and Restated Certificate of Incorporation of the Registrant (previously filed as Appendix A to the Definitive Proxy Statement for the Company's 2014 Annual Meeting of Stockholders, filed on June 20, 2014, and incorporated herein by reference). |
| 3.3 | Second Amended and Restated By-Laws of the Registrant, dated October 27, 2015 |
| 31.1 | Certification Pursuant to Rule 13(a)-14(a) or Rule 15d-14(a) of Securities Exchange Act of 1934. |
| 31.2 | Certification Pursuant to Rule 13(a)-14(a) or Rule 15d-14(a) of Securities Exchange Act of 1934 |
| 32.1 | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | Interactive Data Files |

**Exhibit 3.3**

# SECOND AMENDED AND RESTATED

# BY-LAWS

# OF

# EXACT SCIENCES CORPORATION

**(As of October 27, 2015)**

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**BY-LAWS**

**TABLE OF CONTENTS**

**SECOND AMENDED AND RESTATED**

**BY-LAWS**

**OF**

**EXACT SCIENCES CORPORATION**
**(the "Corporation")**

## ARTICLE 1 - STOCKHOLDERS

### 1.1 PLACE OF MEETINGS

. All meetings of stockholders shall be held at such place, if any, within or without the State of Delaware as may be designated from time to time by the Chairman of the Board (if any), the board of directors of the Corporation (the "Board of Directors") or the President or, if not so designated, at the registered office of the Corporation.

### 1.2 ANNUAL MEETING

. The annual meeting of stockholders for the election of directors and for the transaction of such other business as may properly be brought before the meeting shall be held on a date to be fixed by the Chairman of the Board (if any), Board of Directors or the President (which date shall not be a legal holiday in the place where the meeting is to be held) at the time and place, if any, to be fixed by the Chairman of the Board, the Board of Directors or the President and stated in the notice of the meeting.

### 1.3 SPECIAL MEETINGS

. Special meetings of stockholders may be called at any time by the Chairman of the Board (if any), a majority of the Board of Directors or the President and shall be held at such place, if any, on such date and at such time as shall be fixed by the Board of Directors or the person calling the meeting. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

### 1.4 NOTICE OF MEETINGS

. Except as otherwise provided by law, written notice of each meeting of stockholders, whether annual or special, shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting as of the record date for determining the stockholders entitled to notice of the meeting. The notices of all meetings shall state the place, if any, date and hour of the meeting, the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, and the record date for determining the stockholders entitled to vote at the meeting (if such date is different from the record date for stockholders entitled to notice of the meeting). The notice of a special meeting shall state, in addition, the purpose or purposes for which the meeting is called. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at his or her address as it appears on the records of the Corporation.

### 1.5 VOTING LIST

. The officer who has charge of the stock ledger of the Corporation shall prepare, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting (provided, however, if the record date for determining the stockholders entitled to vote is less than ten (10) days before the date of the meeting, the list shall reflect the stockholders entitled to vote as of the tenth (10th) day before the

meeting date), arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting at least ten (10) days prior to the meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of meeting or (ii) during ordinary business hours at the principal place of business of the Corporation. If the meeting is to be held at a place, then a list of stockholders entitled to vote at the meeting shall be produced and kept at the time and place of the meeting during the whole time thereof and may be examined by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to the examination of any stockholder during the whole time of the meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

1.6 QUORUM

. Except as otherwise provided by law, the Certificate of Incorporation or these By-Laws, the holders of a majority of the shares of the capital stock of the Corporation issued and outstanding and entitled to vote at the meeting, present in person or represented by proxy, shall constitute a quorum for the transaction of business. Shares held by brokers which such brokers are prohibited from voting (pursuant to their discretionary authority on behalf of beneficial owners of such shares who have not submitted a proxy with respect to such shares) on some or all of the matters before the stockholders, but which shares would otherwise be entitled to vote at the meeting ("Broker Non-Votes") shall be counted, for the purpose of determining the presence or absence of a quorum, both (a) toward the total voting power of the shares of capital stock of the Corporation and (b) as being represented by proxy. If a quorum has been established for the purpose of conducting the meeting, a quorum shall be deemed to be present for the purpose of all votes to be conducted at such meeting, provided that where a separate vote by a class or classes, or series thereof, is required, a majority of the voting power of the shares of such class or classes, or series, present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter. If a quorum shall fail to attend any meeting, the chairman of the meeting or the holders of a majority of the voting power of the shares of stock entitled to vote who are present, in person or by proxy, may adjourn the meeting to another place, date, or time.

1.7 ADJOURNMENTS

. Any meeting of stockholders may be adjourned to any other time and to any other place at which a meeting of stockholders may be held under these By-Laws by the stockholders present or represented at the meeting and entitled to vote, although less than a quorum, or, if no stockholder is present, by any officer entitled to preside at or to act as Secretary of such meeting. It shall not be necessary to notify any stockholder of any adjournment of less than thirty (30) days if the time and place of the adjourned meeting are announced at the meeting at which adjournment is taken, unless after the adjournment a new record date is fixed for the adjourned meeting. At the adjourned meeting, the Corporation may transact any business which might have been transacted at the original meeting.

1.8 VOTING AND PROXIES

. At any meeting of the stockholders, each stockholder shall have one (1) vote for each share of stock entitled to vote at such meeting held of record by such stockholder and a proportionate vote for each fractional share so held, unless otherwise provided

in the Certificate of Incorporation. Each stockholder of record entitled to vote at a meeting of stockholders, or to express consent or dissent to corporate action in writing without a meeting (to the extent not otherwise prohibited by the Certificate of Incorporation or these By-laws), may vote or express such consent or dissent in person or may authorize another person or persons to vote or act for such stockholder by written proxy executed by such stockholder or his or her authorized agent or by a transmission permitted by law and delivered to the Secretary of the Corporation. No such proxy shall be voted or acted upon after three (3) years from the date of its execution, unless the proxy expressly provides for a longer period. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this Section 1.8 may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or reproduction shall be a complete reproduction of the entire original writing or transmission.

In the election of directors, voting shall be by written ballot, and for any other action, voting need not be by ballot.

1.9 ACTION AT MEETING

. When a quorum is present at any meeting of stockholders, the holders of a majority of the stock present or represented and voting on a matter (or if there are two (2) or more classes of stock entitled to vote as separate classes, then in the case of each such class, the affirmative vote of the holders of a majority of the stock of that class present or represented and voting on such matter) shall decide any matter to be voted upon by the stockholders at such meeting (other than the election of directors), except when a different vote is required by express provision of law, the Certificate of Incorporation or these By-Laws. Any election of directors by the stockholders shall be determined by a plurality of the votes cast by the stockholders entitled to vote at such election, except as otherwise provided by the Certificate of Incorporation. For the purposes of this paragraph, Broker Non-Votes represented at the meeting but not permitted to vote on a particular matter shall not be counted, with respect to the vote on such matter, in the number of (a) votes cast, (b) votes cast affirmatively, or (c) votes cast negatively.

1.10 INTRODUCTION OF BUSINESS AT MEETINGS.

**A. ANNUAL MEETINGS OF STOCKHOLDERS.**

(1) Nominations of persons for election to the Board of Directors and the proposal of other business to be considered by the stockholders may be made at an annual meeting of stockholders (a) by or at the direction of the Board of Directors or any committee thereof or (b) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this Section 1.10, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 1.10. For the avoidance of doubt, the foregoing clause (b) shall be the exclusive means for a stockholder to bring nominations or business properly before an annual meeting of stockholders (other than matters properly brought under Rule 14a-8 (or any successor rule) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), and such stockholder must comply with the notice and other procedures set forth in Section 1.10 of this By-law to bring such nominations or business properly before an annual meeting of stockholders.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (b) of paragraph (A)(1) of this Section 1.10, (i) the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, (ii) the stockholder must have provided any updates or supplements to such notice at the times and in the forms required by this Section 1.10, (iii) the stockholder, together with the beneficial owner(s), if any, on whose behalf the nomination or business proposal is made, must have acted in accordance with the representations set forth in the Solicitation Statement (as defined below) required by this Section 1.10 and (iv) the business proposed by the stockholder must otherwise be a proper matter for stockholder action. To be timely, a stockholder's written notice shall be received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first (1st) anniversary of the date of the preceding year's annual meeting, provided, however, that if either (i) the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after the first anniversary date of the preceding year's annual meeting or (ii) no annual meeting of stockholders were held in the preceding year, notice by the stockholder to be timely must be so received not earlier than the close of business on the ninetieth (90th) day prior to such annual meeting and not later than the close of business on the later of the sixtieth (60th) day prior to such annual meeting or the close of business on the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation. Such stockholder's written notice shall set forth:

(a) as to each person whom the stockholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected);

(b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the text of the proposal or business (including the text of any resolutions proposed for consideration and in the event that such business includes a proposal to amend the bylaws of the corporation, the language of the proposed amendment), the reasons for conducting such business at the meeting and any material interest in such business of each Proposing Person (as defined below);

(c) (i) the name and address of the stockholder giving the notice, as they appear on the Corporation's books, and the names and addresses of the other Proposing Persons (if any) and (ii) as to each Proposing Person the following information: (A) the class or series and number of all shares of capital stock of the Corporation which are, directly or indirectly, owned beneficially or of record by such Proposing Person or any of its affiliates or associates (as such terms are defined in Rule 12b-2 promulgated under the Exchange Act), including any shares of any class or series of capital stock of the Corporation as to which such Proposing Person or any of its affiliates or associates has a right to acquire beneficial ownership at any time in the future, (B) all Synthetic Equity Interests (as defined below) in which such Proposing Person or any of its affiliates or associates, directly or indirectly, holds an interest including a description of the material terms of each such Synthetic Equity Interest, including without limitation, identification of the counterparty to each such Synthetic Equity Interest and

disclosure, for each such Synthetic Equity Interest, as to (x) whether or not such Synthetic Equity Interest conveys any voting rights, directly or indirectly, in such shares to such Proposing Person, (y) whether or not such Synthetic Equity Interest is required to be, or is capable of being, settled through delivery of such shares and (z) whether or not such Proposing Person and/or, to the extent known, the counterparty to such Synthetic Equity Interest has entered into other transactions that hedge or mitigate the economic effect of such Synthetic Equity Interest, (C) any proxy (other than a revocable proxy given in response to a public proxy solicitation made pursuant to, and in accordance with, the Exchange Act), agreement, arrangement, understanding or relationship pursuant to which such Proposing Person has or shares a right to, directly or indirectly, vote any shares of any class or series of capital stock of the Corporation, (D) any rights to dividends or other distributions on the shares of any class or series of capital stock of the Corporation, directly or indirectly, owned beneficially by such Proposing Person that are separated or separable from the underlying shares of the Corporation, and (E) any performance-related fees (other than an asset based fee) that such Proposing Person, directly or indirectly, is entitled to based on any increase or decrease in the value of shares of any class or series of capital stock of the Corporation or any Synthetic Equity Interests (the disclosures to be made pursuant to the foregoing subclauses (A) through (E) are referred to, collectively, as "Material Ownership Interests") and (iii) a description of the material terms of all agreements, arrangements or understandings (whether or not in writing) entered into by any Proposing Person or any of its affiliates or associates with any other person for the purpose of acquiring, holding, disposing or voting of any shares of any class or series of capital stock of the Corporation;

(d) (i) a description of all agreements, arrangements or understandings by and among any of the Proposing Persons, or by and among any Proposing Persons and any other person (including with any proposed nominees), pertaining to the nomination(s) or other business proposed to be brought before the meeting of stockholders (which description shall identify the name of each other person who is party to such an agreement, arrangement or understanding), and (ii) identification of the names and addresses of other stockholders (including beneficial owners) known by any of the Proposing Persons to support such nominations or other business proposal(s), and to the extent known the class and number of all shares of the Corporation's capital stock owned beneficially or of record by such other stockholder(s) or other beneficial owner(s); and

(e) a statement whether or not the stockholder giving the notice and/or the other Proposing Person(s), if any, will deliver a proxy statement and form of proxy to holders of, in the case of a business proposal, at least the percentage of voting power of all of the shares of capital stock of the Corporation required under applicable law to approve the proposal or, in the case of a nomination or nominations, at least the percentage of voting power of all of the shares of capital stock of the Corporation reasonably believed by such Proposing Person to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder (such statement, the "Solicitation Statement").

For purposes of this Section 1.10 of these By-laws, the term "Proposing Person" shall mean the following persons: (i) the stockholder of record providing the notice of nominations or business proposed to be brought before a stockholders' meeting, and (ii) the beneficial owner(s), if different, on whose behalf the nominations or business proposed to be brought before a stockholders' meeting is made. For purposes of this Section 1.10 of these By-

laws, the term "Synthetic Equity Interest" shall mean any transaction, agreement or arrangement (or series of transactions, agreements or arrangements), including, without limitation, any derivative, swap, hedge, repurchase or so-called "stock borrowing" agreement or arrangement, the purpose or effect of which is to, directly or indirectly: (a) give a person or entity economic benefit and/or risk similar to ownership of shares of any class or series of capital stock of the Corporation, in whole or in part, including due to the fact that such transaction, agreement or arrangement provides, directly or indirectly, the opportunity to profit or avoid a loss from any increase or decrease in the value of any shares of any class or series of capital stock of the Corporation, (b) mitigate loss to, reduce the economic risk of or manage the risk of share price changes for, any person or entity with respect to any shares of any class or series of capital stock of the Corporation, (c) in any manner otherwise provide the opportunity to profit or avoid a loss from any decrease in the value of any shares of any class or series of capital stock of the Corporation, or (d) increase or decrease the voting power of any person or entity with respect to any shares of any class or series of capital stock of the Corporation.

(3) A stockholder providing timely notice of nominations or business proposed to be brought before a meeting of stockholders shall further update and supplement such notice, if necessary, so that the information (including, without limitation, the Material Ownership Interests information) provided or required to be provided in such notice pursuant to this By-law shall be true and correct as of the record date for the meeting and as of the date that is ten (10) business days prior to such meeting of stockholders, and such update and supplement shall be received by the Secretary at the principal executive offices of the Corporation not later than the close of business on the fifth (5th) business day after the record date for the meeting (in the case of the update and supplement required to be made as of the record date), and not later than the close of business on the eighth (8th) business day prior to the date for the meeting (in the case of the update and supplement required to be made as of ten (10) business days prior to the meeting).

(4) Notwithstanding anything in the second (2nd) sentence of paragraph (A)(2) of this Section 1.10 to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least seventy (70) days prior to the first (1st) anniversary of the preceding year's annual meeting (or, if the annual meeting is held more than thirty (30) days before or sixty (60) days after such anniversary date, at least seventy (70) days prior to such annual meeting), a stockholder's notice required by this Section 1.10 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be received by the Secretary at the principal executive office of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

**B. SPECIAL MEETINGS OF STOCKHOLDERS.**

Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors or (b) provided that the Board of Directors has

determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice of the special meeting, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Section 1.10 (including the procedures to update and supplement the notice). If the Corporation calls a special meeting of stockholders for the purpose of electing one (1) or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting, if (i) such stockholder delivers written notice thereof to the Secretary at the principal executive offices of the Corporation not earlier than the ninetieth (90th) day prior to such special meeting nor later than the later of (x) the close of business on the sixtieth (60th) day prior to such special meeting or (y) the close of business on the tenth (10th) day following the day on which public announcement is first made of the date of such special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting, (ii) such stockholder's written notice includes the information required to be provided in subparagraphs (a), (c), (d) and (e) of paragraph (A)(2) of this Section 1.10, and (iii) such stockholder has provided updates or supplements (if any) to such notice at the times and in the forms required by paragraph (A)(3) of this Section 1.10. For the avoidance of doubt, for a stockholder to bring nominations before a special meeting of stockholders, such stockholder must comply with the notice and other procedures set forth in this Section 1.10 and this shall be the exclusive means for a stockholder to bring such nominations properly before a special meeting.

**C. GENERAL.**

(1) Only such persons who are nominated in accordance with the procedures set forth in this Section 1.10 shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 1.10. Except as otherwise provided by law, the Certificate of Incorporation or these By-Laws, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Section 1.10 and, if any proposed nomination or business is not in compliance herewith, to declare that such defective proposal or nomination shall be disregarded. Notwithstanding the foregoing provisions of this Section 1.10, unless otherwise required by law, if the stockholder (or a qualified representative of the stockholder) does not appear at the annual or special meeting of stockholders of the Corporation to present a nomination or proposed business, such nomination shall be disregarded and such proposed business shall not be transacted, notwithstanding that proxies in respect of such vote may have been received by the Corporation. For purposes of this Section 1.10, to be considered a qualified representative of the stockholder, a person must be a duly authorized officer, manager or partner of such stockholder or must be authorized by a writing executed by such stockholder to act for such stockholder as proxy at the meeting of stockholders and such person must produce such writing, or a reliable reproduction of the writing, at the meeting of stockholders.

(2) In no event shall the adjournment, postponement or rescheduling of any previously scheduled meeting of stockholders commence a new time period for the giving of a stockholder's notice under this Section 1.10. For purposes of this Section 1.10, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News

Service, Associated Press, PR Newswire, Reuters or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 1.10, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth herein. Nothing in this Section 1.10 shall be deemed to affect any rights of (i) stockholders to have proposals included in the Corporation's proxy statement pursuant to Rule 14a-8 (or any successor rule) under the Exchange Act and, to the extent required by such Rule, have such proposals considered and voted on at an annual meeting of stockholders or (ii) the holders of any series of Preferred Stock to elect directors under specified circumstances.

**D. ORGANIZATION AND CONDUCT OF MEETINGS.**

Each meeting of stockholders shall be presided over by the Chief Executive Officer, or in his or her absence, by any other person thereunto designated by the Chief Executive Officer or by the Board of Directors. The date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote at a meeting shall be announced at such meeting by the presiding officer. The Board of Directors may adopt by resolution such rules or regulations for the conduct of meetings of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the Board of Directors, the presiding officer of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such presiding officer, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the Board of Directors or prescribed by the presiding officer, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting, to stockholders of record of the Corporation, their duly authorized and constituted proxies or such other persons as the presiding officer shall permit; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof, and (v) limitations on the time allotted to questions or comments by participants. Unless, and to the extent determined by the Board of Directors or the presiding officer, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure. The Secretary, or in his or her absence or at the request of the presiding officer, an Assistant Secretary or other person designated by the presiding officer, shall act as secretary of the meeting.

1.11 ACTION WITHOUT MEETING

. Stockholders of the Corporation may not take any action by written consent in lieu of a meeting. Notwithstanding any other provision of law, the Certificate of Incorporation or these By-Laws, and notwithstanding the fact that a lesser percentage may be specified by law, the affirmative vote of the holders of at least seventy-five percent (75%) of the votes which all the stockholders would be entitled to cast at any annual election of directors or class of directors shall be required to amend or repeal, or to adopt any provision inconsistent with, this Section 1.11.

**ARTICLE 2 - DIRECTORS**

2.1 GENERAL POWERS

. The business and affairs of the Corporation shall be managed by or under the direction of a Board of Directors, who may exercise all of the powers of the Corporation except as otherwise provided by law or the Certificate of Incorporation. In the event of a vacancy in the Board of Directors, the remaining directors, except as otherwise provided by law or the Certificate of Incorporation, may exercise the powers of the full Board of Directors until the vacancy is filled. Without limiting the foregoing, the Board of Directors may:

(a) declare dividends from time to time in accordance with law;

(b) purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;

(c) authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, to borrow funds and guarantee obligations, and to do all things necessary in connection therewith;

(d) remove any officer of the Corporation with or without cause, and from time to time to devolve the powers and duties of any officer upon any other person for the time being;

(e) confer upon any officer of the Corporation the power to appoint, remove and suspend subordinate officers, employees and agents;

(f) adopt from time to time such stock option, stock purchase, bonus or other compensation plans for directors, officers, employees, consultants and agents of the Corporation and its subsidiaries as it may determine;

(g) adopt from time to time such insurance, retirement, and other benefit plans for directors, officers, employees, consultants and agents of the Corporation and its subsidiaries as it may determine; and

(h) adopt from time to time regulations, not inconsistent herewith, for the management of the Corporation's business and affairs.

2.2 NUMBER; ELECTION AND QUALIFICATION

. The number of directors which shall constitute the whole Board of Directors shall be determined by resolution of the Board of Directors, but in no event shall be less than three (3). The number of directors may be decreased at any time and from time to time by a majority of the directors then in office, but only to eliminate vacancies existing by reason of the death, resignation, removal or expiration of the term of one (1) or more directors. The directors shall be elected at the annual meeting of stockholders (or, if so determined by the Board of Directors pursuant to Section 10 hereof, at a special meeting of stockholders), by such stockholders as have the right to vote on such election. Directors need not be stockholders of the Corporation.

2.3 CLASSES OF DIRECTORS

. The Board of Directors shall be and is divided into three (3) classes: Class I, Class II and Class III. No one class shall have more than one (1) director more than any other class.

2.4 TERMS IN OFFICE

. Each director shall serve for a term ending on the date of the third (3rd) annual meeting following the annual meeting at which such director was elected; provided, however, that each initial director in Class I shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending December 31, 2000; each initial director in Class II shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending December 31, 2001; and each initial director in Class III shall serve for a term ending on the date of the annual meeting next following the end of the Corporation's fiscal year ending December 31, 2002.

2.5 ALLOCATION OF DIRECTORS AMONG CLASSES IN THE EVENT OF INCREASES OR DECREASES IN THE NUMBER OF DIRECTORS

. In the event of any increase or decrease in the authorized number of directors, (i) each director then serving as such shall nevertheless continue as a director of the class of which he or she is a member until the expiration of such director's current term or his or her prior death, removal or resignation and (ii) the newly created or eliminated directorships resulting from such increase or decrease shall be apportioned by the Board of Directors among the three (3) classes of directors, subject to the second (2nd) sentence of Section 2.3. To the extent possible, consistent with the foregoing rule, any newly created directorships shall be added to those classes whose terms of office are to expire at the earliest dates following such allocation, unless otherwise provided for from time to time by resolution adopted by a majority of the directors then in office, although less than a quorum. No decrease in the number of directors constituting the whole Board of Directors shall shorten the term of an incumbent Director.

2.6 TENURE

. Notwithstanding any provisions to the contrary contained herein, each director shall hold office until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

2.7 VACANCIES

. Unless and until filled by the stockholders, any vacancy in the Board of Directors, however occurring, including a vacancy resulting from an enlargement thereof, may be filled by vote of a majority of the directors then in office, although less than a quorum, or by a sole remaining director. A director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office, if any, and a director chosen to fill a position resulting from an increase in the number of directors shall hold office until the next election of directors of the class for which such director was chosen and until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

2.8 RESIGNATION

. Any director may resign by delivering his or her written resignation to the Corporation at its principal office or to the President or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

2.9 REGULAR MEETINGS

. Regular meetings of the Board of Directors may be held without notice at such time and place, either within or without the State of Delaware, as shall be determined from time to time by the Board of Directors; provided that any director who is absent when such a determination is made shall be given notice of the determination. Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such

time or times as shall have been established by the Board of Directors and publicized among all directors. A notice of each regular meeting shall not be required.

2.10 SPECIAL MEETINGS

. Special meetings of the Board of Directors may be held at any time and place, within or without the State of Delaware, designated in a call by the Chairman of the Board (if any), the President, two (2) or more directors, or by one (1) director in the event that there is only a single director in office.

2.11 NOTICE OF SPECIAL MEETINGS

. Notice of any special meeting of directors shall be given to each director by the Secretary or by the officer or one of the directors calling the meeting. Notice shall be duly given to each director (i) by giving notice to such director in person or by telephone at least forty-eight (48) hours in advance of the meeting, (ii) by delivering notice by Electronic Transmission (as defined in Section 5.6 ) or by hand, to his or her last known business or home address at least forty-eight (48) hours in advance of the meeting, or (iii) by mailing written notice (other than by Electronic Transmission) to his or her last known business or home address at least seventy-two (72) hours in advance of the meeting. A notice or waiver of notice of a meeting of the Board of Directors need not specify the purposes of the meeting. Notwithstanding the foregoing, in the event of an emergency that, in the judgment of the Chairman of the Board, the Chief Executive Officer or the President or any two (2) directors, requires immediate action, a special meeting may be convened by giving notice to each director at least six (6) hours in advance of the meeting, with the participants consisting of those directors who are immediately available in person or by telephone and can be joined in the meeting in person or by conference telephone (a special meeting so called, an "Emergency Meeting"). The actions taken an Emergency Meeting shall be valid if at least a quorum of the directors participates either personally or by conference telephone.

2.12 MEETINGS BY TELEPHONE CONFERENCE CALLS

. Directors or any members of any committee designated by the Board of Directors may participate in a meeting of the Board of Directors or such committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation by such means shall be deemed to constitute presence in person at such meeting.

2.13 QUORUM

. A majority of the total number of the whole Board of Directors shall constitute a quorum at all meetings of the Board of Directors. In the event one (1) or more of the directors shall be disqualified to vote at any meeting, then the required quorum shall be reduced by one (1) for each such director so disqualified; provided, however, that in no case shall less than one-third (1/3) of the total number of the whole Board of Directors constitute a quorum. In the absence of a quorum at any such meeting, a majority of the directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present.

2.14 ACTION AT MEETING

. At any meeting of the Board of Directors at which a quorum is present, the affirmative vote of a majority in voting power of those present shall be sufficient to take any action, unless a different vote is specified by law, the Certificate of Incorporation or these By-Laws.

2.15 ACTION BY WRITTEN CONSENT

. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee of the Board of Directors may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent to such action in writing, and the written consents are filed with the minutes of proceedings of the Board of Directors or committee.

2.16 REMOVAL

. Unless otherwise provided in the Certificate of Incorporation, any one (1) or more or all of the directors may be removed, without cause only by the affirmative vote of the holders of at least seventy-five percent (75%) of the shares then entitled to vote at an election of directors. Any one (1) or more or all of the directors may be removed with cause only by the holders of at least a majority of the shares then entitled to vote at an election of directors.

2.17 COMMITTEES

. The Board of Directors may designate one (1) or more committees, each committee to consist of one (1) or more of the directors of the Corporation. The Board of Directors may designate one (1) or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of a member of a committee, the member or members of such committee present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at such meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors and subject to the provisions of the General Corporation Law of the State of Delaware, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Corporation and may authorize the seal of the Corporation to be affixed to all papers which may require it. Each such committee shall keep minutes and make such reports as the Board of Directors may from time to time request. Except as the Board of Directors may otherwise determine or as provided herein, any committee may make rules for the conduct of its business, but unless otherwise provided by the directors or in such rules, its business shall be conducted as nearly as possible in the same manner as is provided in these By-Laws for the Board of Directors. Adequate provisions shall be made for notice to members of all meeting of committees. One-third (1/3) of the members of any committee shall constitute a quorum unless the committee shall consist of one (1) or two (2) members, in which event one (1) member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing, and the consents are filed with the minutes of the proceedings of such committee.

2.18 COMPENSATION OF DIRECTORS

. Directors may be paid such compensation for their services and such reimbursement for expenses of attendance at meetings as the Board of Directors may from time to time determine. No such payment shall preclude any director from serving the Corporation or any of its parent or subsidiary corporations in any other capacity and receiving compensation for such service.

2.19 CHAIRMAN OF THE BOARD AND VICE-CHAIRMAN OF THE BOARD

. The Board of Directors may elect one or more of its members to serve as Chairman or Vice-Chairman of the Board and may fill any vacancy in such position at such time and in such manner as the Board of Directors shall determine. The Chairman of the Board, if any, shall preside at all meetings of the

Board of Directors at which he or she is present and shall perform such duties and possess such powers as are designated by the Board of Directors. If the Board of Directors appoints a Vice-Chairman of the Board, he or she shall, in the absence or disability of the Chairman of the Board, perform the duties and exercise the powers of the Chairman of the Board and shall perform such other duties and possess such other powers as may from time to time be designated by the Board of Directors.

## ARTICLE 3 - OFFICERS

3.1 ENUMERATION

. The officers of the Corporation shall consist of a President, a Secretary, a Treasurer and such other officers with such other titles as the Board of Directors shall determine, including, but not limited to, a Chairman of the Board, a Vice-Chairman of the Board, and one or more Vice Presidents, Assistant Treasurers and Assistant Secretaries. The Board of Directors may appoint such other officers as it may deem appropriate.

3.2 ELECTION

. The President, Treasurer and Secretary shall be elected annually by the Board of Directors at its first meeting following the annual meeting of stockholders. Other officers may be appointed by the Board of Directors at such meeting or at any other meeting.

3.3 QUALIFICATION

. No officer need be a stockholder. Any two (2) or more offices may be held by the same person.

3.4 TENURE

. Except as otherwise provided by law, by the Certificate of Incorporation or by these By-Laws, each officer shall hold office until his or her successor is elected and qualified, unless a different term is specified in the vote choosing or appointing such officer, or until his or her earlier death, resignation or removal.

3.5 RESIGNATION AND REMOVAL

. Any officer may resign by delivering his or her written resignation to the Chairman of the Board (if any), to the Board of Directors at a meeting thereof, to the Corporation at its principal office or to the President or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

Any officer may be removed at any time, with or without cause, by vote of a majority of the entire number of directors then in office.

Except as the Board of Directors may otherwise determine, no officer who resigns or is removed shall have any right to any compensation as an officer for any period following his or her resignation or removal, or any right to damages on account of such removal, whether his or her compensation be by the month or by the year or otherwise, unless such compensation is expressly provided in a duly authorized written agreement with the Corporation.

3.6 VACANCIES

. The Board of Directors may fill any vacancy occurring in any office for any reason and may, in its discretion, leave unfilled for such period as it may determine any offices other than those of President, Treasurer and Secretary. Each such successor shall hold office for the unexpired term of his predecessor and until his or her successor is elected and qualified, or until his or her earlier death, resignation or removal.

3.7 PRESIDENT

. The President shall, subject to the direction of the Board of Directors, have general charge and supervision of the business of the Corporation. Unless otherwise provided by the Board of Directors, and provided that there is no Chairman of the Board or that the Chairman and Vice-Chairman, if any, are not available, the President shall preside at all meetings of the stockholders, and, if a director, at all meetings of the Board of Directors. The Board of Directors shall designate the Chief Executive Officer of the Corporation. The President shall perform such other duties and shall have such other powers as the Board of Directors may from time to time prescribe. The President shall have the power to enter into contracts and otherwise bind the Corporation in matters arising in the ordinary course of the Corporation's business.

3.8 VICE PRESIDENTS

. Any Vice President shall perform such duties and possess such powers as the Board of Directors or the President may from time to time prescribe. In the event of the absence, inability or refusal to act of the President, the Vice President (or if there shall be more than one (1), the Vice Presidents in the order determined by the Board of Directors) shall perform the duties of the President and, when so performing, shall have all the powers of and be subject to all the restrictions upon the President. The Board of Directors may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other title selected by the Board of Directors. Unless otherwise determined by the Board of Directors, any Vice President shall have the power to enter into contracts and otherwise bind the Corporation in matters arising in the ordinary course of the Corporation's business.

3.9 SECRETARY AND ASSISTANT SECRETARIES

. The Secretary shall perform such duties and shall have such powers as the Board of Directors or the President may from time to time prescribe. In addition, the Secretary shall perform such duties and have such powers as are incident to the office of secretary, including without limitation the duty and power to give notices of all meetings of stockholders and special meetings of the Board of Directors, to attend all meetings of stockholders and the Board of Directors and keep a record of the proceedings, to maintain a stock ledger and prepare lists of stockholders and their addresses as required, to be custodian of corporate records and the corporate seal and to affix and attest to the same on documents.

Any Assistant Secretary shall perform such duties and possess such powers as the Board of Directors, the President or the Secretary may from time to time prescribe. In the event of the absence, inability or refusal to act of the Secretary, the Assistant Secretary (or if there shall be more than one (1), the Assistant Secretaries in the order determined by the Board of Directors) shall perform the duties and exercise the powers of the Secretary.

In the absence of the Secretary or any Assistant Secretary at any meeting of stockholders or directors, the person presiding at the meeting shall designate a temporary secretary to keep a record of the meeting.

3.10 TREASURER AND ASSISTANT TREASURERS

. The Treasurer shall perform such duties and shall have such powers as the Board of Directors or the President may from time to time prescribe. In addition, the Treasurer shall perform such duties and have such powers as are incident to the office of treasurer, including without limitation the duty and power to keep and be responsible for all funds and securities of the Corporation, to deposit funds of the Corporation in

depositories selected in accordance with these By-Laws, to disburse such funds as ordered by the Board of Directors, to make proper accounts for such funds, and to render as required by the Board of Directors statements of all such transactions and of the financial condition of the Corporation.

The Assistant Treasurers shall perform such duties and possess such powers as the Board of Directors, the President or the Treasurer may from time to time prescribe. In the event of the absence, inability or refusal to act of the Treasurer, the Assistant Treasurer (or if there shall be more than one (1), the Assistant Treasurers in the order determined by the Board of Directors) shall perform the duties and exercise the powers of the Treasurer.

3.11 SALARIES

. Officers of the Corporation shall be entitled to such salaries, compensation or reimbursement as shall be fixed or allowed from time to time by the Board of Directors.

3.12 ACTION WITH RESPECT TO SECURITIES OF OTHER CORPORATIONS

. Unless otherwise directed by the Board of Directors, the President or any officer of the Corporation authorized by the President shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which the Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

3.13 EXECUTION OF CONTRACTS AND INSTRUMENTS

. All contracts, deeds, mortgages, bonds, certificates, checks, drafts, bills of exchange, notes and other instruments or documents to be executed by or in the name of the Corporation shall be signed on the Corporation's behalf by such officer or officers, or other person or persons, as the Board of Directors may so authorize, and such authority (i) may, if the Board of Directors so authorizes, be delegated by the authorized officers to other persons, and (ii) may be general or confined to specific instances. Unless otherwise provided in such resolution, any resolution of the Board of Directors or a committee thereof authorizing the Corporation to enter into any such instruments or documents or authorizing their execution by or on behalf of the Corporation shall be deemed to authorize the execution thereof on its behalf by the Chief Executive Officer, the President, any Vice President, or any other officer if the execution thereof is within the scope of the general duties and authority of such other officer.

## ARTICLE 4 - CAPITAL STOCK

4.1 ISSUANCE OF STOCK

. Unless otherwise voted by the stockholders and subject to the provisions of the Certificate of Incorporation, the whole or any part of any unissued balance of the authorized capital stock of the Corporation or the whole or any part of any issued, authorized capital stock of the Corporation held in its treasury may be issued, sold, transferred or otherwise disposed of by vote of the Board of Directors in such manner, for such consideration and on such terms as the Board of Directors may determine.

4.2 CERTIFICATES OF STOCK

. Every holder of stock of the Corporation shall be entitled to have a certificate, in such form as may be prescribed by law and by the Board of Directors, certifying the number and class of shares owned by such stockholder in the Corporation,

provided that the Board of Directors may provide by resolution or resolutions that some, all or any classes or series of stock shall be uncertificated shares to be held in book-entry form only. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation. To the extent shares of the Corporation's stock are represented by certificates, each such stock certificate shall be signed by, or in the name of the Corporation by, the Chairman or Vice-Chairman, if any, of the Board of Directors, or the President or a Vice President, and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation. Any or all of the signatures on such certificate may be a facsimile.

Each certificate for shares of stock which are subject to any restriction on transfer pursuant to the Certificate of Incorporation, the By-Laws, applicable securities laws or any agreement among any number of shareholders or among such holders and the Corporation shall have conspicuously noted on the face or back of such certificate either the full text of such restriction or a statement of the existence of such restriction.

4.3 TRANSFERS

. Except as otherwise established by rules and regulations adopted by the Board of Directors, and subject to applicable law, shares of stock may be transferred on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate representing such shares, properly endorsed or accompanied by a written assignment or power of attorney properly executed, and with such proof of authority or the authenticity of signature as the Corporation or its transfer agent may reasonably require. Except as may be otherwise required by law, by the Certificate of Incorporation or by these By-Laws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect to such stock, regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the Corporation in accordance with the requirements of these By-Laws.

4.4 LOST, STOLEN OR DESTROYED CERTIFICATES

. The Corporation may issue a new certificate of stock in place of any previously issued certificate alleged to have been lost, stolen, or destroyed, upon such terms and conditions as the President may prescribe, including the presentation of reasonable evidence of such loss, theft or destruction and the giving of such indemnity as the President may require for the protection of the Corporation or any transfer agent or registrar.

4.5 RECORD DATE

. In order that the Corporation may determine the stockholders entitled to notice of any meeting of stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, unless otherwise required by law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders entitled to vote at such meeting unless the Board of Directors determines, at the time it fixes such record date, that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of and to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on

which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held.

In order that the Corporation may determine the stockholders entitled to consent to corporate action in writing without a meeting, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which date shall not be more than 10 (ten) days after the date upon which the resolution fixing the record date is adopted by the Board of Directors. If no record date has been fixed by the Board of Directors, the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting (to the extent permitted by the Certificate of Incorporation and these By-laws) when no prior action by the Board of Directors is necessary, shall be the day on which the first (1st) written consent is delivered to the Corporation in the manner required by Delaware law.

In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which shall not be more than sixty (60) days prior to such other action. If no such record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

## ARTICLE 5 - GENERAL PROVISIONS

5.1 FISCAL YEAR

. The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

5.2 CORPORATE SEAL

. The corporate seal shall be in such form as shall be approved by the Board of Directors.

5.3 NOTICES

. Except as otherwise specifically provided herein or required by law or the Certificate of Incorporation, all notices required to be given to any person pursuant to these by-laws shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, or by sending such notice by prepaid telegram or facsimile transmission. Any such notice shall be addressed to such person at his or her last known address as the same appears on the books of the Corporation. The time when such notice is received shall be deemed to be the time of the giving of the notice.

5.4 WAIVER OF NOTICE

. Whenever any notice whatsoever is required to be given by law, by the Certificate of Incorporation or by these By-Laws, a waiver of such notice either in writing signed by the person entitled to such notice or such person's duly authorized attorney, or by telegraph, facsimile transmission or any other available method, whether before, at or after the time stated in such waiver, or the appearance of such person or persons at such meeting in person or by proxy, shall be deemed equivalent to such notice.

5.5 EVIDENCE OF AUTHORITY

. A certificate by the Secretary, or an Assistant Secretary, or a temporary Secretary, as to any action taken by the stockholders, directors, a committee or any officer or representative of the Corporation shall, as to all persons who rely on the certificate in good faith, be conclusive evidence of such action.

5.6 ELECTRONIC TRANSMISSION

. In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these By-Laws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof. The terms "writing" or "written" as used in these By-Laws shall include Electronic Transmissions such as facsimile or e-mail transmissions. "Electronic Transmission" shall mean any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved and reviewed by a recipient thereof and that may be directly reproduced in paper form by such recipient through an automated process.

5.7 RELIANCE UPON BOOKS, REPORTS AND RECORDS

. Each director, each member of any committee designated by the Board of Directors, and each officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its officers or employees or committees of the Board of Directors so designated, or by any other person as to matters which such director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

5.8 TIME PERIODS

. In applying any provision of these By-Laws that requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

5.9 CERTIFICATE OF INCORPORATION

. All references in these By-Laws to the Certificate of Incorporation shall be deemed to refer to the Certificate of Incorporation of the Corporation, as amended and in effect from time to time.

5.10 TRANSACTIONS WITH INTERESTED PARTIES

. No contract or transaction between the Corporation and one or more of the directors or officers, or between the Corporation and any other corporation, partnership, association, or other organization in which one (1) or more of the directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because such director or officer is present at or participates in the meeting of the Board of Directors or a committee of the Board of Directors which authorizes the contract or transaction or solely because his, her or their votes are counted for such purpose, if:

(a) The material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee, and the Board or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors be less than a quorum;

(b) The material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(c) The contract or transaction is fair as to the Corporation as of the time it is authorized, approved or ratified, by the Board of Directors, a committee of the Board of Directors, or the stockholders.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee which authorizes the contract or transaction.

5.11 SEVERABILITY

. Any determination that any provision of these By-Laws is for any reason inapplicable, illegal or ineffective shall not affect or invalidate any other provision of these By-Laws.

5.12 PRONOUNS

. All pronouns used in these By-Laws shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the persons or persons so designated may require.

## ARTICLE 6 - AMENDMENTS

6.1 BY THE BOARD OF DIRECTORS

. Except as is otherwise set forth in these By-Laws, these By-Laws may be altered, amended or repealed, or new by-laws may be adopted, by the affirmative vote of a majority of the directors present at any regular or special meeting of the Board of Directors at which a quorum is present.

6.2 BY THE STOCKHOLDERS

. Except as otherwise set forth in these By-Laws, these By-Laws may be altered, amended or repealed or new by-laws may be adopted by the affirmative vote of the holders of eighty percent (80%) of the shares of the capital stock of the Corporation issued and outstanding and entitled to vote at any regular meeting of stockholders, or at any special meeting of stockholders, provided notice of such alteration, amendment, repeal or adoption of new by-laws shall have been stated in the notice of such special meeting.

## ARTICLE 7 - FORUM FOR ADJUDICATION OF DISPUTES

7.1 FORUM SELECTION

. Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for all “internal corporate claims”; provided the Court of Chancery possesses personal jurisdiction over the indispensable parties named as defendants. In the event that the Court of Chancery does not possess personal jurisdiction over the indispensable parties named as defendants, then the internal corporate claims shall be brought in another state or federal court located in the State of Delaware; provided that such other court possesses personal jurisdiction over the indispensable parties named as defendants. For purposes of this Article 7, “internal corporate claims” means claims, including claims in the right of the Corporation, (i) that are based upon a violation of a duty by a current or former director or officer or stockholder in such capacity or (ii) as to which Title 8 of the Delaware Code confers jurisdiction upon the Court of Chancery.

**Exhibit 31.1**

Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Kevin T. Conroy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exact Sciences Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 3 0 , 2015

By: /s/ Kevin T. Conroy
Kevin T. Conroy
President and Chief Executive Officer

**Exhibit 31.2**

Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, William J. Megan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Exact Sciences Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 3 0 , 2015

By: /s/ William J. Megan
William J. Megan
Principal Financial Officer

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Exact Sciences Corporation (the "Company") on Form 10-Q for the quarter ended September 30 , 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Kevin T. Conroy, President and Chief Executive Officer of the Company and William J. Megan, Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to our knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kevin T. Conroy
Kevin T. Conroy
President and Chief Executive Officer

October 3 0 , 2015

/s/ William J. Megan
William J. Megan
Principal Financial Officer

October 3 0 , 2015