EXACT SCIENCES CORP

FORM 8-K
(Current report filing)

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Address	100 CAMPUS DRIVE
	MARLBOROUGH, Massachusetts 01752
Telephone	508-683-1200
CIK	0001124140
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **August 9, 2007**

EXACT SCIENCES CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**000-32179**	**02-0478229**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

100 Campus Drive, Marlborough, Massachusetts	**01752**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(508) 683-1200**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On August 9, 2007, the Board of Directors of EXACT Sciences Corporation (the "Company") modified the compensation practices of the Company applicable to its non-employee directors (the "Non-Employee Director Compensation Policy"). Under the modified Non-Employee Director Compensation Policy, the per-meeting fees were eliminated and each non-employee director of the Company will be entitled to the following compensation in the form of shares, or options to purchase shares, of common stock:

Annual retainer:
- Executive Chairman: 15,000 shares
- Chairperson: 15,000 shares
- Director: 10,000 shares

All non-employee directors elected to the Board of Directors for the first time will be granted options to purchase 10,000 shares of common stock. These options will be granted at fair market value and vest one-third on the first-year anniversary of the date of grant, and then ratably thereafter on a monthly basis over a period of twenty-four months. In the event a non-employee director is elected other than in connection with an annual meeting of stockholders, the number of options granted will be prorated for the number of months between the election and the next annual meeting of stockholders.

In addition, all non-employee directors annually will be granted options to purchase 15,000 shares of common stock. For first-time directors, these options will be granted at fair market value and vest 100% on the date of the Company's annual meeting of stockholders next following the date of grant. For all other directors, these options will be granted at fair market value and vest ratably on a monthly basis over a period of twelve months from the date of grant.

The Company also approved the following executive compensation adjustments. On August 9, 2007, in connection with the July 18, 2007 promotions of Jeffrey R. Luber to President and Charles R. Carelli, Jr. to Senior Vice President, Chief Financial Officer, Treasurer and Secretary, the Board of Directors and the Compensation Committee of the Board of Directors (the "Compensation Committee") approved an increase in annual salary for Mr. Luber and Mr. Carelli to $285,000 and $215,000, respectively. In addition, on August 14, 2007, the Compensation Committee approved grants of options to Mr. Luber and Mr. Carelli to purchase 250,000 and 100,000 shares of common stock, respectively. In accordance with the Company's stock option granting procedures, these options will be awarded on the first trading day of the month following approval, at the closing sale price of the Company's common stock on such date, and will vest in equal monthly installments over a three-year period from the date of grant. Also, on August 14, 2007, the Compensation Committee approved the grant of 25,000 shares of restricted stock of the Company to Patrick J. Zenner in connection with duties to be performed as the Company's interim Chief Executive Officer during 2007. The shares of restricted stock vest in equal monthly installments over a one-year period from the date of grant.

Also, on August 9, 2007, the Board of Directors and the Compensation Committee approved corporate objectives for fiscal 2007 under the Company's Executive Incentive Plan (the "Executive Incentive Plan"). The corporate objectives relate to validation of the Company's Version 2 technology for the detection of colorectal cancer, inclusion of stool-based DNA testing in the colorectal cancer screening guidelines of major guidelines organizations, acceptance of the Company's application for a national coverage decision for stool-based DNA testing from the Centers for Medicare & Medicaid Services, facility and expense reductions, and entry into technology licensing arrangements.

In addition, on August 14, 2007, the Compensation Committee amended and restated the Executive Incentive Plan. The Executive Incentive Plan establishes cash and/or stock bonus awards that may be earned by senior management approved for participation in the Executive Incentive Plan, including each executive officer of the Company, based on their individual performance and on the Company's achievement of certain corporate objectives. The Executive Incentive Plan also establishes a minimum achievement level with respect to the corporate objectives necessary for any bonuses to be awarded under the Executive Incentive Plan. The target payout amounts for our President are between $150,000 and $165,000 with a maximum potential payout of $245,000 if the Company achieves all of its corporate objectives and individual performance is rated as outstanding. For other executive officers, the target payout amounts are between $90,000 and $105,000 with a maximum potential payout of $175,000 if the Company achieves all of its corporate objectives and individual performance is rated as outstanding. At least 60% of the total corporate objectives are required to be achieved before any incentive bonus will be paid. The Compensation Committee and/or the Board of Directors will determine whether individual performance levels and the corporate objectives have been attained, and retain the right to amend, alter or terminate the Executive Incentive Plan at any time.

The foregoing descriptions of the Non-Employee Director Compensation Policy and the Executive Incentive Plan are not complete and are qualified in their entirety by reference to the Non-Employee Director Compensation Policy and the Executive Incentive Plan, which are filed as Exhibit 10.1 and Exhibit 10.2, respectively, hereto and which are incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits:

10.1	Non-Employee Director Compensation Policy
10.2	Executive Incentive Plan

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 hereunto duly authorized.

EXACT Sciences Corporation

August 15, 2007

By: /s/ Jeffrey R. Luber

Jeffrey R. Luber
President

EXHIBIT INDEX

Exhibit Number	Description
10.1	Non-Employee Director Compensation Policy
10.2	Executive Incentive Plan

Exhibit 10.1

EXACT Sciences Corporation

Non-Employee Director Compensation Policy

The purpose of this Director Compensation Policy of EXACT Sciences Corporation, a Delaware corporation (the “Company”), is to provide a total compensation package that enables the Company to attract and retain, on a long-term basis, high caliber directors who are not employees or officers of the Company or its subsidiaries. For purposes of this policy, non-employee directors shall include any director serving as an executive officer on an interim basis at the request of the Company’s Board of Directors (the “Board”).

In furtherance of the purpose stated above, all non-employee directors shall be paid stock compensation for services provided to the Company as set forth below:

	Annual Retainer (in shares of Company common stock)
Executive Chairman	15,000
Chairperson	15,000
Director	10,000

The non-employee directors shall also be eligible to participate in the Company’s 2000 Stock Option and Incentive Plan (the “2000 Plan”). Each newly-elected director (i.e. each director joining the Board for the first time) will be granted options to purchase 10,000 shares of common stock pursuant to the 2000 Plan on the date they are elected to the Board (the “Election Option Grant”). Election Option Grants shall vest one-third (1/3) on the first-year anniversary of the date of grant, and then ratably thereafter on a monthly basis over a period of twenty-four months. In addition to the Election Option Grants, each director (including any newly-elected director who has received an Election Option Grant) shall be granted an option to purchase 15,000 shares of common stock pursuant to the 2000 Plan on the date of the first meeting of the Board following each annual meeting of the Company’s stockholders (the “Annual Option Grant”). The first Annual Option Grant received by a non-employee director during his/her tenure on the Board vests 100% on the date of the annual meeting of stockholders next following the date of grant. All subsequent Annual Option Grants received by a non-employee director during his/her service on the Board vest ratably over a period of twelve months from the date of each such grant. In the event that a non-employee director is elected to the Board other than in connection with an annual meeting of stockholders, the number of options granted to such director under the first Annual Option Grant received by such non-employee director shall be reduced by 1,250 shares for each month since the Company’s last annual meeting of stockholders to the date of such non-employee director’s election to the Board.

All of the foregoing options will be granted at fair market value on the date of grant and, except as otherwise provided under the 2000 Plan, all vesting thereunder immediately ceases upon cessation of service as a director for any reason. In addition, the form of option agreement gives directors up to one year following cessation of service as a director to exercise all options that are vested as of the date of such cessation.

The foregoing compensation is in addition to reimbursement of all out-of-pocket expenses incurred by directors in attending meetings of the Board.

Exhibit 10.2

Executive Incentive Plan

Adopted, as amended,
August 14, 2007

Overview

The EXACT Sciences Executive Incentive Plan has been designed to be an effective management tool that will bring focus to the company's fiscal year objectives and incentivize performance to not just meet, but accelerate and overachieve the accomplishment of those objectives. The plan is based on specific and measurable objectives for both the company and each individual participant, with performance against those to be weighted equally. As a financial incentive, each executive will have a significant percentage of their annual total compensation tied to meeting the corporate and individual objectives that have been established for the year with the opportunity to receive greater payouts for overachievement.

Participation

In order to be eligible to participate in the Executive Incentive Plan for a given plan year, an executive must meet the following criteria:

- Be an employee of EXACT Sciences and hold the position of CEO, President or Vice President
- Have a hire date not later than July 1st for such year and have worked at least 1040 hours of a given plan year
- Be an employee in good standing as of December 31st of a given plan year
- Executives hired between February 1st and June 30th of a given plan year will have bonus amounts earned, if any, prorated to the number of full months of employment during the plan year
- If an executive does not meet the preceding criteria, they may still be allowed to participate in the plan under any such terms as approved by the Compensation Committee

Methodology

Objectives

The EXACT Sciences Executive Incentive Plan includes setting objectives for both the corporation and for each executive individually. The Board of Directors reviews and approves corporate objectives for the fiscal year. Achievement of these objectives drives the corporate component of the plan. Working with the CEO and President, each executive will prepare individual functional unit objectives as appropriate and as directed by the CEO and President and such individual objectives will also serve as a key basis for any cash payments under the plan. It is understood that plans and objectives may change dynamically and need to be updated and that key achievements may occur that were not initially envisioned. Such factors will be considered as the plan is reviewed at year-end.

Performance Assessment

The Board of Directors will regularly review overall corporate performance against objectives, with the Compensation Committee doing periodic reviews of individual executive performance. After the end of each fiscal year, the Compensation Committee working with the full Board will make a determination of the level of corporate performance for the year. The CEO and President will assess the performance of each executive and make a recommendation regarding a payout under this plan to the Compensation Committee for approval. CEO and President performance will be determined by the Compensation Committee and the Board of Directors. Individual performance is determined both against written functional area objectives and by subjective performance assessment.

Payouts

In order to achieve any payouts under the plan, it is first necessary for the company to hit the majority of its corporate objectives. Upon achieving this threshold, payouts are then divided into two distinct, but related components: Corporate performance and Individual performance. The Compensation Committee may recommend to the full Board to vary the payout formulae below based on the corporate objectives achieved and those not achieved, if any. For example, the Compensation Committee may determine that despite having achieved a majority of the corporate objectives, the overall performance or status of the Company is such that payouts may be increased, reduced or eliminated altogether.

Corporate Performance

For assessment, corporate performance is divided into three levels of approximately 60%, 80% or 100% of objectives achieved.

Payouts for corporate performance may be made in cash or common stock at the discretion of the Compensation Committee. The amount of the payout for corporate performance will be based on a value calculated as a multiple of an executive's individual performance cash payout according to the following matrix:

Performance Level Corporate	Calculation for Value of Payout
100% (i.e., 5/5 objectives achieved)	2.5 times Individual Cash Payout
80% (i.e., 4/5 objectives achieved)	2.0 times Individual Cash Payout
60% (i.e., 3/5 objectives achieved)	No Multiplier of Cash Payout

In the event that that the Compensation Committee determines to use common stock for payouts for corporate performance, the stock grants will be made pursuant to the corporation's stock option and incentive plan. It is intended that there be no restrictions upon the sale of the stock except for quiet periods and other restrictions that may be imposed by applicable securities laws. If an employee terminates his or her employment before the date of grant of any stock or cash award, the stock or cash award is forfeited, unless otherwise determined by the Compensation Committee.

Individual Performance

For assessment, individual performance is divided into three levels: Outstanding, Above Expectations, and Effective. Under the plan, an individual must perform to be rewarded. No incentive payouts will be made to individuals who do not achieve at least an effective level of performance regardless of the level of corporate performance.

Payouts for individual performance are made in cash according the following matrix:

Performance Level Individual	CEO / President	SVP	VP
Outstanding	$60-$70	$40-$50	$30-$35
Above Expectations	$50-$55	$30-$35	$20-$25
Effective	$15-$35	$7.5-$25	$5-$15

* all amounts in '000's

Total Compensation

The following table shows the range of total compensation available under the plan:

Performance Level		CEO/President			SVP			VP		
Corp	Individual	Ind. Award $	Corp. award $	Total $	Ind. Award $	Corp Award $	Total $	Ind. Award $	Corp Award $	Total $
	Outstanding	60-70	150-175	210-245	40-50	100-125	140-175	30-35	75-87.5	105-122.5
100 %	Above Expectations	50-55	125-137.5	175-193	30-35	75-87.5	105-122.5	20-25	50-62.5	70-87.5
	Effective	15-35	37.5-87.5	52.5-122.5	7.5-25	18.8-62.5	26-87.5	5-15	12.5-37.5	17.5-52.5
	Outstanding	60-70	120-140	180-210	40-50	80-100	120-150	30-35	60-70	90-105
80 %	Above Expectations	50-55	100-110	150-165	30-35	60-70	90-105	20-25	40-50	60-75
	Effective	15-35	30-70	45-105	7.5-25	15-50	22.5-75	5-15	10-30	15-45
	Outstanding	60-70	0	60-70	60-70	0	60-70	30-35	0	30-35
60 %	Above Expectations	50-55	0	50-55	50-55	0	50-55	20-25	0	20-25
	Effective	15-35	0	15-35	15-35	0	15-35	5-15	0	5-15

* all amounts in '000's

The following example shows a potential total compensation calculation for a Vice President assuming that corporate performance awards are made in common stock:

Assumptions:	Company achieves 80% of objectives Individual performance is rated as Outstanding at highest end of cash payout range Common stock price on first vest date is \$10.00 Common stock price on second vest date is \$20.00	
Cash Payout:	\$35,000	
Stock Payout:	\$70,000 Total Value	
Total Compensation:	\$105,000	
# of Shares Granted:	3,500 on first vest date 1,750 on second vest date	(\$70,000 ÷ 2 ÷ \$10.00) (\$70,000 ÷ 2 ÷ \$20.00)

Timing

It is anticipated that the Compensation Committee will review corporate and individual performance under this plan with the Board of Directors at its January meeting. After that review and pending final approval of awards by the Committee, cash awards under this plan, if any, will generally be made as of the third Thursday in February of the year following the applicable fiscal year. Awards made in stock will be made according to the company's stock option policies and granting procedures.

Plan Changes

At any time in any given plan year, the CEO and President with the approval of the Compensation Committee or the Compensation Committee acting in its sole discretion may alter any terms of the Executive Incentive Plan. In particular, if the financial resources of the company are inadequate to support the plan regardless of performance, payouts may be restructured using equity, deferred to such future date when financial resources can appropriately accommodate them or eliminated altogether.