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 March 31, 2018

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 (State or other jurisdiction of incorporation or organization)	**02-0478229** (I.R.S. Employer Identification Number)
441 Charmany Drive, Madison WI (Address of principal executive offices)	**53719** (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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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 ☐
Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 April 25, 2018, the registrant had 121,898,280 shares 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)

	March 31, 2018	December 31, 2017
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 148,695	$ 77,491
Marketable securities	893,474	347,224
Accounts receivable, net	34,575	26,419
Inventory, net	32,380	26,027
Prepaid expenses and other current assets	12,867	10,055
Total current assets	1,121,991	487,216
Long-term Assets:		
Property, plant and equipment, net	103,448	79,986
Intangibles, net	21,558	22,160
Other long-term assets, net	9,919	9,198
Total assets	$ 1,256,916	$ 598,560
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 12,274	$ 16,135
Accrued liabilities	56,716	49,126
Accrued interest	1,407	—
Debt, current portion	183	182
Other short-term liabilities	2,750	2,681
Total current liabilities	73,330	68,124
Convertible notes, net	486,688	—
Long-term debt	4,237	4,269
Other long-term liabilities	5,643	5,749
Total liabilities	569,898	78,142
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, $0.01 par value Authorized—5,000,000 shares issued and outstanding—no shares at March 31, 2018 and December 31, 2017	—	—
Common stock, $0.01 par value Authorized—200,000,000 shares issued and outstanding—121,866,759 and 120,497,426 shares at March 31, 2018 and December 31, 2017	1,219	1,205
Additional paid-in capital	1,588,173	1,380,577
Accumulated other comprehensive loss	(2,336)	(750)
Accumulated deficit	(900,038)	(860,614)
Total stockholders' equity	687,018	520,418
Total liabilities and stockholders' equity	$ 1,256,916	$ 598,560

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 March 31, 2018	Three Months Ended March 31, 2017
Laboratory service revenue	$ 90,296	$ 48,363
Cost of sales	22,914	16,981
Gross margin	67,382	31,382
Operating expenses:		
Research and development	14,935	8,002
General and administrative	35,567	20,070
Sales and marketing	53,408	38,801
Total operating expenses	103,910	66,873
Loss from operations	(36,528)	(35,491)
Other income (expense)		
Investment income	3,673	595
Interest expense	(6,510)	(50)
Total other income (expense)	(2,837)	545
Net loss before tax	(39,365)	(34,946)
Income tax expense	(59)	—
Net loss	$ (39,424)	$ (34,946)
Net loss per share—basic and diluted	$ (0.33)	$ (0.32)
Weighted average common shares outstanding—basic and diluted	121,016	110,582

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 March 31,	
	2018	**2017**
Net loss	$ (39,424)	$ (34,946)
Other comprehensive loss, net of tax:		
Unrealized loss on available-for-sale investments	(1,606)	(5)
Foreign currency translation gain (loss)	20	(8)
Comprehensive loss	$ (41,010)	$ (34,959)

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)

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Cash flows from operating activities:		
Net loss	$ (39,424)	$ (34,946)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of fixed assets	4,281	3,247
Loss on disposal of property and equipment	98	20
Stock-based compensation	12,463	6,129
Amortization of debt discount	4,651	—
Amortization of debt issuance costs	402	—
Amortization of other liabilities	(533)	(377)
Amortization of deferred financing costs	23	14
Amortization of premium on short-term investments	(515)	37
Amortization of intangible assets	612	50
Changes in assets and liabilities, net of effects of acquisition:		
Accrued interest	1,407	—
Accounts receivable, net	(8,156)	(7,688)
Inventory, net	(6,353)	(1,026)
Prepaid expenses and other current assets	(2,812)	(329)
Accounts payable	(3,861)	181
Accrued liabilities	(623)	1,204
Other short-term liabilities	(29)	(154)
Lease incentive obligation	(153)	—
Net cash used in operating activities	(38,522)	(33,638)
Cash flows from investing activities:		
Purchases of marketable securities	(628,502)	(30,563)
Maturities of marketable securities	81,161	57,236
Purchases of property and equipment	(15,328)	(2,745)
Internally developed software	(62)	—
Net cash (used in) provided by investing activities	(562,731)	23,928
Cash flows from financing activities:		
Proceeds from issuance of convertible notes, net	671,091	—
Proceeds from exercise of common stock options	1,391	47
Payments on mortgage payable	(45)	(44)
Net cash provided by financing activities	672,437	3
Effects of exchange rate changes on cash and cash equivalents	20	(8)
Net increase (decrease) in cash and cash equivalents	71,204	(9,715)
Cash and cash equivalents, beginning of period	77,491	48,921
Cash and cash equivalents, end of period	$ 148,695	$ 39,206
Supplemental disclosure of non-cash investing and financing activities:		
Property and equipment acquired but not paid	$ 12,513	$ 775
Unrealized gain (loss) on available-for-sale investments	$ (1,606)	$ (5)
Issuance of 86,828 and 158,717 shares of common stock to fund the Company's 401(k) matching contribution for 2017 and 2016, respectively	$ 4,300	$ 3,008
Interest paid	$ 48	$ 50

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

EXACT SCIENCES CORPORATION
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(1) ORGANIZATION AND BASIS OF PRESENTATION

Organization

Exact Sciences Corporation ("Exact" or the "Company") was incorporated in February 1995. Exact is a molecular diagnostics company currently 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 called Cologuard® for the early detection of colorectal cancer and pre-cancer, and is currently working on the development of tests for other types of cancer, with the goal of becoming a leader in cancer diagnostics.

Basis of Presentation

The accompanying condensed consolidated financial statements, which include the accounts of Exact Sciences Corporation and those of its wholly owned subsidiaries, Exact Sciences Laboratories, LLC, Exact Sciences Finance Corporation, CG Growth, LLC, Exact Sciences Development Company, LLC, Sampleminded, Inc., 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, 2017 included in the Company's Annual Report on Form 10-K (the "2017 Form 10-K"). These condensed consolidated 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 2017 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 condensed consolidated financial statements include the accounts of the Company's wholly owned subsidiaries, Exact Sciences Laboratories, LLC, Exact Sciences Finance Corporation, CG Growth, LLC, Exact Sciences Development Company, LLC, Sampleminded, LLC, 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.

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. 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 March 31, 2018 and December 31, 2017, 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 three months ended March 31, 2018 and 2017. Realized gains were $30,000 and $4,000 for the three months ended March 31, 2018 and 2017, 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 three months ended March 31, 2018, no investments were identified with other-than-temporary declines in value.

Available-for-sale securities at March 31, 2018 consisted of the following:

	March 31, 2018			
(In thousands)	**Amortized Cost**	**Gains in Accumulated Other Comprehensive Income (Loss)**	**Losses in Accumulated Other Comprehensive Income (Loss)**	**Estimated Fair Value**
Corporate bonds	$ 346,193	3	(1,073)	$ 345,123
Asset backed securities	254,390	—	(843)	253,547
U.S. government agency securities	194,307	—	(283)	194,024
Commercial paper	52,015	—	(21)	51,994
Certificates of deposit	48,864	1	(79)	48,786
Total available-for-sale securities	$ 895,769	$ 4	$ (2,299)	$ 893,474

Available-for-sale securities at December 31, 2017 consisted of the following:

	December 31, 2017			
(In thousands)	Amortized Cost	Gains in Accumulated Other Comprehensive Income (Loss)	Losses in Accumulated Other Comprehensive Income (Loss)	Estimated Fair Value
Corporate bonds	$ 181,639	$ 10	$ (344)	$ 181,305
Asset backed securities	94,700	—	(185)	94,515
U.S. government agency securities	54,974	—	(162)	54,812
Commercial paper	9,953	—	(7)	9,946
Certificates of deposit	6,647	1	(2)	6,646
Total available-for-sale securities	$ 347,913	$ 11	$ (700)	$ 347,224

Changes in Accumulated Other Comprehensive Income (Loss)

The amounts recognized in accumulated other comprehensive income (loss) ("AOCI") for the three months ended March 31, 2018 were as follows:

(In thousands)	Cumulative Translation Adjustment	Unrealized Gain (Loss) on Securities	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2017	$ (61)	$ (689)	$ (750)
Other comprehensive loss before reclassifications	20	(1,630)	(1,610)
Amounts reclassified from accumulated other comprehensive loss	—	24	24
Net current period change in accumulated other comprehensive loss	20	(1,606)	(1,586)
Balance at March 31, 2018	$ (41)	$ (2,295)	$ (2,336)

The amounts recognized in AOCI for the three months ended March 31, 2017 were as follows:

(In thousands)	Cumulative Translation Adjustment	Unrealized Gain (Loss) on Securities	Accumulated Other Comprehensive Income (Loss)
Balance at December 31, 2016	$ (204)	$ (214)	$ (418)
Other comprehensive loss before reclassifications	(8)	(3)	(11)
Amounts reclassified from accumulated other comprehensive loss	—	(2)	(2)
Net current period change in accumulated other comprehensive loss	(8)	(5)	(13)
Balance at March 31, 2017	$ (212)	$ (219)	$ (431)

Amounts reclassified from AOCI for the three months ended March 31, 2018 and 2017 were as follows:

		Three Months Ended March 31,	
Details about AOCI Components (In thousands)	Affected Line Item in the Statement of Operations	2018	2017
Change in value of available-for-sale investments			
Sales and maturities of available-for-sale investments	Investment income	$ 24	$ (2)
Total reclassifications		$ 24	$ (2)

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. Property and equipment consisted of the following as of March 31, 2018 and December 31, 2017 were as follows:

(In thousands)	Estimated Useful Life	March 31, 2018	December 31, 2017
Property, plant and equipment			
Land	(1)	$ 4,466	$ 4,466
Leasehold and building improvements	(2)	17,452	17,629
Land improvements	15 years	1,419	1,419
Buildings	30 years	7,928	7,928
Computer equipment and computer software	3 years	32,716	30,148
Laboratory equipment	3 - 5 years	26,234	23,296
Furniture and fixtures	3 years	4,554	4,531
Assets under construction	(3)	50,922	28,655
Property, plant and equipment, at cost		145,691	118,072
Accumulated depreciation		(42,243)	(38,086)
Property, plant and equipment, net		$ 103,448	$ 79,986

(1) Not depreciated.
(2) Lesser of the remaining lease term, building life, or useful life.
(3) Not depreciated until placed into service.

At March 31, 2018, the Company had $50.9 million of assets under construction which consisted of $16.3 million related to laboratory equipment, $32.9 million related to leasehold and building improvements, and $1.7 million related to computer equipment and computer software projects. Depreciation will begin on these assets once they are placed into service. The Company expects to incur an additional $16.0 million to complete the laboratory equipment, $239.2 million to complete the building projects, and $1.6 million to complete the computer equipment and computer software projects. These projects are expected to be completed in 2018 and 2019. The Company assesses its long-lived assets, consisting primarily of property and equipment, for impairment when material events and changes in circumstances indicate that the carrying value may not be recoverable. There were no impairment losses for the periods ended March 31, 2018 and December 31, 2017.

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 incurred during 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 useful life of the software.

Patent Costs, Intangible Assets and Goodwill

Intangible Assets

Intangible assets consisted of the following:

(In thousands)	March 31, 2018	December 31, 2017
Intangible assets:		
Finite-lived intangible assets	$ 23,660	$ 23,660
Less: Accumulated amortization	(2,102)	(1,500)
Net carrying value	$ 21,558	$ 22,160

Finite-Lived Intangible Assets

The following table summarizes the net-book-value and estimated remaining life of the Company's finite-lived intangible assets as of March 31, 2018:

(In thousands)	Net Balance at March 31, 2018	Weighted Average Remaining Life (Years)
Licensed intellectual property and patents	$ 20,675	10.2
Developed technology	883	7.3
Total	$ 21,558	

The table below represents estimated future amortization expense associated with the Company's finite-lived intangible assets as of March 31, 2018:

(In thousands)	
2018	$ 1,805
2019	2,407
2020	2,407
2021	2,373
2022	2,370
Thereafter	10,196
	$ 21,558

The Company reviews long-lived assets and certain identifiable intangibles for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment losses for the three months ended March 31, 2018 and 2017.

Patent costs, which have historically consisted of related legal fees, are capitalized as incurred, only if the Company determines that there is some probable future economic benefit to be derived from the transaction. A capitalized patent is amortized over its estimated useful life, beginning when such patent is approved. Capitalized patent costs are expensed upon disapproval, upon a decision by the Company to no longer pursue the patent or when the related intellectual property is either sold or deemed to be no longer of value to the Company. Other than the transactions discussed below, the Company determined that all patent costs incurred during the three months ended March 31, 2018 and 2017 should be expensed and not capitalized as the future economic benefit to be derived from the transactions cannot be determined.

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

Under a technology license and royalty agreement entered into with MDxHealth ("MDx"), dated July 26, 2010 (as subsequently amended, the "MDx License Agreement"), the Company was required to pay MDx milestone-based royalties on sales of products or services covered by the licensed intellectual property. Once the achievement of a milestone occurred or was considered probable, an intangible asset and corresponding liability was reported in other long-term assets and accrued liabilities, respectively. The liability was relieved once the milestone was achieved and payment made. The intangible asset is being amortized over the estimated ten-year useful life of the licensed intellectual property through 2024, and such amortization is reported in cost of sales. Payment for all remaining milestones under the MDx License Agreement was made as part of the Royalty Buy-Out agreement outlined below.

Effective April 25, 2017, the Company and MDx entered into a Royalty Buy-Out Agreement ("Royalty Buy-Out Agreement"), which terminated the MDx License Agreement. Pursuant to the Royalty Buy-Out Agreement, the Company paid MDx a one-time fee of $8.0 million in exchange for an assignment of certain patents covered by the MDx License Agreement and the elimination of all ongoing royalties and other payments by the Company to MDx under the MDx License Agreement. Also included in the Royalty Buy-Out Agreement is a mutual release of liabilities, which includes all amounts previously accrued under the MDx License Agreement. Concurrently with entering into the Royalty Buy-Out Agreement, the Company entered into a Patent Purchase Agreement ("Patent Purchase Agreement") with MDx under which it paid MDx an additional $7.0 million in exchange for the assignment of certain other patent rights that were not covered by the MDx License Agreement. The total $15.0 million paid by the Company pursuant to the Royalty Buy-Out Agreement and Patent Purchase Agreement, net of liabilities relieved of $6.6 million, was recorded as an intangible asset and is being amortized over the estimated useful life of the licensed intellectual property through 2024, and such amortization is reported in cost of sales. The $6.6 million of liabilities relieved were related to historical milestones and accrued royalties under the MDx License Agreement.

As of March 31, 2018, and December 31, 2017, an intangible asset of $8.7 million and $9.0 million, respectively, related to historical milestone payments made under the MDx License Agreement and intangible assets acquired as part of the Royalty Buy-Out Agreement and Patent Purchase Agreement is reported in intangible assets in the Company's condensed consolidated balance sheets. Amortization expense was $0.3 million and $50,000 for the three months ended March 31, 2018 and March 31, 2017, respectively.

On December 15, 2017, the Company entered into an asset purchase agreement (the "Armune Purchase Agreement") with Armune BioScience, Inc. ("Armune"), pursuant to which the Company acquired intellectual property and certain other assets underlying Armune's APIFINY®, APIFINY® PRO and APIFINY® ACTIVE SURVEILLANCE prostate cancer diagnostic tests. The portfolio of Armune assets the Company acquired is expected to complement its product pipeline. The total consideration was comprised of an up-front cash payment of $12.0 million and $17.5 million in contingent payment obligations that will become payable upon the Company's achievement of development and commercial milestones using the acquired intellectual property. The ability to meet these events is subject to many risks and is therefore uncertain. The Company will not record the contingent consideration until it is probable that the milestones will be met. There is no other consideration due to Armune beyond the milestone payments and the Company is not subject to future royalty obligations should a product be developed and commercialized. In connection with the Armune Purchase Agreement, Armune terminated a license agreement pursuant to which it licensed certain patent rights and know-how from the Regents of the University of Michigan ("University of Michigan"), and the Company entered into a license agreement with the University of Michigan with respect to such patent rights and know-how, as well as certain additional intellectual property rights. Pursuant to the Company's agreement with the University of Michigan, it is required to pay the University of Michigan a low single-digit royalty on its net sales of products using the licensed intellectual property.

The Company accounted for the transaction as an asset acquisition under GAAP. The asset is comprised of a portfolio of biomarkers, related technology and know-how, which is a group of complementary assets concentrated in a single identifiable asset. The transaction costs directly related to the asset acquisition were added to the asset in accordance with GAAP. As such, the collective asset value from the acquisition resulted in an intangible asset of $12.2 million. The intellectual property asset, which includes related transaction costs, is being amortized on a straight-line basis over the period the Company expects to be benefited, which is in line with the legal life of the patents acquired. The Company capitalized these costs as there is a reasonable expectation that the assets acquired will be used in an alternative manner in the future, that is not contingent on future development subsequent to acquisition, and the Company anticipates there to be economic benefit from these alternative uses. For the three months ended March 31, 2018, the Company recorded amortization expense of $40,000. At March 31, 2018 and December 31, 2017, the net balance of $12.0 million and $12.2 million, respectively, is reported in net intangible assets in the Company's condensed consolidated balance sheets.

As a result of the Sampleminded acquisition, the Company recorded an intangible asset of $1.0 million, which was comprised of developed technology acquired of $0.9 million, customer relationships of $0.1 million, and non-compete agreements of $32,000. The intangible assets acquired are being amortized over the remaining useful life, which was determined to be eight years for developed technology acquired, three years for customer relationships, and five years for non-compete agreements. For the three months ended March 31, 2018, the Company recorded amortization expense of $36,000. At March 31, 2018 and December 31, 2017 the net balance of $0.9 million and $0.9 million, respectively, is reported in intangible assets in the Company's condensed consolidated balance sheet.

Goodwill

During the third quarter of 2017, the Company recognized goodwill of $2.0 million from the acquisition of Sampleminded, Inc., which was completed during the period. Goodwill is recorded as part of other long-term assets on the condensed consolidated balance sheets. The Company will evaluate goodwill impairment on an annual basis, or more frequently should an event or change in circumstance occur that indicate the carrying amount is in excess of the fair value. There were no impairment losses for the three months ended March 31, 2018.

Investment in Privately-Held Company

On November 30, 2017, the Company made a 10 percent investment in a supplier. The investment does not constitute a variable interest entity, as the Company does not have control over the supplier's business. Additionally, as the ownership percentage is below 20 percent, the equity method is not being used to account for the investment. The supplier is privately-held, and there are no quoted prices or observable pricing inputs available. Therefore, the Company has accounted for this investment at cost, less any impairments, plus or minus changes resulting from observable price changes in orderly transactions for an identical or similar investment. The investment will be evaluated annually for impairment and adjusted to fair value whenever there is an observable price change in the identical or alike investment. There was no impairment recorded during the three months ended March 31, 2018. The total cash paid related to the investment was $3.0 million, which agrees to the carrying value as of March 31, 2018 and is included in the other long-term assets on the Company's condensed consolidated balance sheets. There were no adjustments to the carrying value, upward or downward, for the three months ended March 31, 2018.

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:

	March 31,	
(In thousands)	**2018**	**2017**
Shares issuable upon exercise of stock options	3,284	3,613
Shares issuable upon the release of restricted stock awards	6,315	5,553
Shares issuable upon conversion of convertible notes	9,148	—
	18,747	9,166

Revenue Recognition

The Company's laboratory service revenues are generated by performing diagnostic services using its Cologuard test, and the service is completed upon delivery of a patient's test result to the ordering physician. The Company accounts for revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers ("ASC 606")* , which it adopted on January 1, 2018, using the modified retrospective method, which it elected to apply to all contracts. Application of the modified retrospective method did not impact amounts previously reported by the Company, nor did it require a cumulative effect adjustment upon adoption, as the Company's method of recognizing revenue under ASC 606 was analogous to the method utilized immediately prior to adoption. Accordingly, there is no need for the Company to disclose the amount by which each financial statement line item was affected as a result of applying the new standard and an explanation of significant changes.

The core principle of ASC 606 is that the Company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company recognizes revenue in accordance with that core principle, and key aspects considered by the Company include the following:

Contracts

The Company's customer is the patient. However, the Company does not enter into a formal reimbursement contract with a patient, as formal reimbursement contracts, including national coverage determination for Cologuard, are established with payers. Accordingly, the Company establishes a contract with a patient in accordance with other customary business practices.

- Approval of a contract is established via the order submitted by the patient's physician and the return of a sample by the patient.
- The Company is obligated to perform its diagnostic services upon receipt of a sample from a patient, and the patient and/or applicable payer are obligated to reimburse the Company for services rendered based on the patient's insurance benefits.
- Payment terms are a function of a patient's existing insurance benefits, including the impact of coverage decisions with CMS and applicable reimbursement contracts established between the Company and payers, unless the patient is a self-pay patient, whereby the Company requires payment from the patient prior to the Company shipping a collection kit to the patient.
- On ce the Company delivers a patient's test result to the ordering physician the contract with a patient has commercial substance, as the Company is legally able to collect payment and bill an insurer and/or patient, regardless of payer contract status or patient insurance benefit status.
- The Company's consideration is deemed to be variable, and the Company considers collection of such consideration to be probable to the extent that it is unconstrained.

Performance obligations

A performance obligation is a promise in a contract to transfer a distinct good or service (or a bundle of goods or services) to the customer. Our contracts have a single performance obligation, which is satisfied upon rendering of services, which culminates in the delivery of a patient's Cologuard test result to the ordering physician. The duration of time between sample receipt and delivery of a valid test result to the ordering physician is typically less than two weeks. Accordingly, the Company elects the practical expedient and therefore, does not disclose the value of unsatisfied performance obligations.

Transaction price

The transaction price is the amount of consideration to which the Company expects to collect in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration expected from a contract with a customer may include fixed amounts, variable amounts, or both.

The consideration derived from the Company's contracts is deemed to be variable, though the variability is not explicitly stated in any contract. Rather, the implied variability is due to several factors, such as the amount of contractual adjustments, any patient co-payments, deductibles or compliance incentives, the existence of secondary payers and claim denials.

The Company estimates the amount of variable consideration using the expected value method, which represents the sum of probability-weighted amounts in a range of possible consideration amounts. When estimating the amount of variable consideration, the Company considers several factors, such as historical collections experience, patient insurance eligibility and payer reimbursement contracts.

The Company limits the amount of variable consideration included in the transaction price to the unconstrained portion of such consideration. In other words, the Company recognizes revenue up to the amount of variable consideration that is not subject to a significant reversal until additional information is obtained or the uncertainty associated with the additional payments or refunds is subsequently resolved. Differences between original estimates and subsequent revisions, including final settlements, represent changes in the estimate of variable consideration and are included in the period in which such revisions are made. Revenue recognized from changes in transaction prices was $8.5 million for the three months ended March 31, 2018.

The Company monitors its estimates of transaction price to depict conditions that exist at each reporting date. If the Company subsequently determines that it will collect more consideration than it originally estimated for a contract with a patient, it will account for the change as an increase in the estimate of the transaction price (i.e., an upward revenue adjustment) in the period identified. Similarly, if the Company subsequently determines that the amount it expects to collect from a patient is less than it originally estimated, it will generally account for the change as a decrease in the estimate of the transaction price (i.e., a downward revenue adjustment), provided that such downward adjustment does not result in a significant reversal of cumulative revenue recognized.

When the Company does not have significant historical experience or that experience has limited predictive value, the constraint over estimates of variable consideration may result in no revenue being recognized on upon delivery of a patient's Cologuard test result to the ordering physician, with recognition, generally occurring at the date of cash receipt. Since the first quarter of 2017, the Company has determined that its historical experience has sufficient predictive value, such that there are no longer any contracts for which no revenue is recognized upon delivery of a Cologuard test result to an ordering physician. Of the revenue recognized in the twelve months ended December 31, 2017, approximately $4.3 million relates to the one-time impact of certain payers meeting the Company's revenue recognition criteria for accrual-basis revenue recognition beginning with the period ended March 31, 2017. Approximately $1.0 million of this one-time impact relates to tests completed in the prior year and for which the Company's accrual revenue recognition criteria were not met until 2017.

Allocate transaction price

The entire transaction price is allocated to the single performance obligation contained in a contract with a patient.

Point in time recognition

The Company's single performance obligation is satisfied at a point in time, and that point in time is defined as the date a patient's successful test result is delivered to the patient's ordering physician. The Company considers this date to be the time at which the patient obtains control of the promised Cologuard test service.

Disaggregation of Revenue

The following table presents our revenues disaggregated by revenue source for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,	
(In thousands)	**2018**	**2017**
Medicare Parts B & C	$ 52,475	$ 31,812
Commercial	34,834	15,136
Other	2,987	1,415
Total	$ 90,296	$ 48,363

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable and deferred revenue on the condensed consolidated balance sheets. Generally, billing occurs subsequent to delivery of a patient's test result to the ordering physician, resulting in an account receivable. However, the Company sometimes receives advance payment from a patient, particularly a self-pay patient, before a Cologuard test result is completed, resulting in deferred revenue. The deferred revenue balance is relieved upon delivery of the applicable patient's test result to the ordering physician. Changes in accounts receivable and deferred revenue were not materially impacted by any other factors.

Deferred revenue balances are included in other short-term liabilities on our condensed consolidated balance sheets and was $0.2 million and $0.2 million as of March 31, 2018 and December 31, 2017, respectively.

Revenue recognized for the three-months ended March 31, 2018 and 2017, that was included in the deferred revenue balance at the beginning of each period was $56,000 and $0, respectively.

Practical expedients

The Company does not adjust the transaction price for the effects of a significant financing component, as at contract inception, the Company expects the collection cycle to be one year or less.

The Company expenses sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within sales and marketing expenses.

The Company incurs certain other costs that are incurred regardless of whether a contract is obtained. Such costs are primarily related to legal services and patient communications (e.g. compliance reminder letters). These costs are expensed as incurred and recorded within general and administrative expenses.

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 net realizable value, and records a charge to cost of sales for such inventory, as appropriate. In addition, the materials used in performing Cologuard tests 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 net 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 consists of the following:

(In thousands)	March 31, 2018	December 31, 2017
Raw materials	$ 10,935	$ 10,344
Semi-finished and finished goods	21,445	15,683
Total inventory	$ 32,380	$ 26,027

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. Condensed consolidated statements of operations are translated at average exchange rates for the period. The cumulative translation adjustments resulting from changes in exchange rates are included in the condensed consolidated balance sheet as a component of accumulated other comprehensive loss in total Exact Sciences Corporation's stockholders' equity. Transaction gains and losses are included in the condensed consolidated statement of operations.

Reclassifications

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

(3) MAYO LICENSE AGREEMENT

Overview

As more fully described in the 2017 Form 10-K, in June 2009 the Company entered into a patent license agreement with MAYO Foundation for Medical Education and Research ("MAYO"). The Company's license agreement with MAYO was amended and restated in February 2015 and further amended in January 2016 and October 2017. Under the license agreement, MAYO granted the Company an exclusive, worldwide license to certain MAYO patents and patent applications, as well as a non-exclusive, worldwide license with regard to certain MAYO know-how. As expanded by the January 2016 amendment to the license agreement, the scope of the license includes any screening, surveillance or diagnostic tests or tools for use in connection with any type of cancers, pre-cancers, diseases or conditions.

Pursuant to the Company's agreement with MAYO, the Company is required to pay MAYO a low-single-digit royalty on the Company's net sales of products using the licensed MAYO intellectual property, with minimum annual royalty fees of $25,000 each year through 2033, the year the last patent expires. The January 2016 amendment to the MAYO license agreement established various low-single-digit royalty rates on net sales of current and future products and clarified how net sales will be calculated. The October 2017 amendment further modified royalty rates. As part of these amendments, the royalty rate on the Company's net sales of Cologuard increased and, if in the future, improvements are made to the Cologuard product, the royalty rate may further increase, but would remain a low-single-digit percentage of net sales.

In addition to royalties, the Company is required to pay MAYO cash of $0.2 million, $0.8 million and $2.0 million upon each product using the licensed MAYO intellectual property reaching $5.0 million, $20.0 million and $50.0 million in cumulative net sales, respectively.

As part of the February 2015 amendment and restatement of the license agreement, the Company agreed to pay MAYO an additional $5.0 million, payable in five annual installments, through 2019. The Company paid MAYO the annual installment of $1.0 million in the first quarter of each of 2015, 2016 and 2018. The Company paid MAYO the 2017 installment in December 2016. The Company records the $1.0 million installments to prepaid expenses and other current assets and amortizes each installment over a twelve-month period commencing on February 1 of each year. For the three months ended March 31, 2018 and 2017 the Company has recorded $0.3 million and $0.3 million in amortization of the installments, respectively.

In addition, the Company is paying MAYO for research and development efforts. As part of the Company's research collaboration with MAYO, the Company incurred charges of $1.3 million for the months ended March 31, 2018. The Company made payments of $1.8 million for the three months ended March 31, 2018. The Company recorded an estimated liability of $1.3 million for research and development efforts as of March 31, 2018. The Company incurred charges of $1.1 million for the three months ended March 31, 2017. The Company made payments of $1.4 million for the three months ended March 31, 2017. The Company recorded an estimated liability of $0.6 million for research and development efforts as of March 31, 2017.

(4) STOCK-BASED COMPENSATION

Stock-Based Compensation Plans

The Company maintains the 2010 Omnibus Long-Term Incentive Plan (As Amended and Restated Effective July 27, 2017), the 2010 Employee Stock Purchase Plan, the 2015 Inducement Award Plan, the 2016 Inducement Award Plan and the 2000 Stock Option and Incentive Plan (collectively, the “Stock Plans”).

Stock-Based Compensation Expense

The Company records stock-based compensation expense 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 $12.5 million in stock-based compensation expense during the three months ended March 31, 2018. The Company recorded $6.1 million in stock-based compensation expense during the three months ended March 31, 2017.

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. The fair value of each market measure-based award is estimated on the date of grant using a Monte Carlo simulation pricing model. The fair value of service-based awards for each restricted stock unit award is determined on the date of grant using the closing stock price on that day. The estimated fair value of these awards is recognized to expense using the straight-line method over the vesting period. The Black-Scholes and Monte Carlo pricing models utilize the following assumptions:

Expected Term – Expected life of an option award is the average length of time over which the Company expects employees will exercise their options, which is based on historical experience with similar grants. Expected life of a market measure-based award is based on the applicable performance period.

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 and Monte Carlo valuation models on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent expected term.

Forfeitures – Beginning in 2017, the Company adopted Accounting Standards Update (“ASU”) No. 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* (“Update 2016-09”). With the adoption of Update 2016-09, forfeiture estimates are no longer required, and the effects of actual forfeitures are recorded at the time they occur. The impact on the condensed consolidated balance sheet as of March 31, 2017 was a cumulative-effect adjustment of $0.4 million, increasing opening accumulated deficit and additional paid-in capital.

The fair value of each option and market measure-based award is based on the assumptions in the following table:

	Three Months Ended March 31, 2018	2017
Option Plan Shares		
Risk-free interest rates	2.79%	2.13%
Expected term (in years)	6.44	6.59
Expected volatility	61.8%	62.9%
Dividend yield	0%	0%
Weighted average fair value per share of options granted during the period	$26.84	$13.20

Stock Option and Restricted Stock Activity

A summary of stock option activity under the Stock Plans during the three months ended March 31, 2018 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, January 1, 2018	3,360,461	$ 11.89	6.4	
Granted	343,566	44.37		
Exercised	(420,129)	3.31		
Forfeited	—	—		
Outstanding, March 31, 2018	3,283,898	$ 16.39	7.0	$ 80,098
Exercisable, March 31, 2018	1,757,384	$ 10.80	5.4	$ 51,901

(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 $40.33 market price of the Company's common stock at March 31, 2018. The total intrinsic value of options exercised during the three months ended March 31, 2018 and 2017 was $19.1 million and $0.2 million, respectively.

As of March 31, 2018, there was $137.6 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 forfeitures. The Company expects to recognize that cost over a weighted average period of 3.2 years.

A summary of restricted stock and restricted stock unit activity under the Stock Plans during the three months ended March 31, 2018 is as follows:

	Restricted Shares	Weighted Average Grant Date Fair Value
Outstanding, January 1, 2018	6,148,778	$ 15.76
Granted	1,079,223	45.16
Released	(880,022)	17.67
Forfeited	(33,307)	26.37
Outstanding, March 31, 2018	6,314,672	$ 20.36

(5) FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board 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 $4.4 million and $4.5 million as of March 31, 2018 and December 31, 2017, 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 March 31, 2018 along with the level within the fair value hierarchy in which the fair value measurements in their entirety fall.

(In thousands)	Fair Value at March 31, 2018	Fair Value Measurement at March 31, 2018 Using: 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	$ 101,103	$ 101,103	$ —	$ —
Certificates of deposit	25,198	—	25,198	—
Commercial paper	11,998	—	11,998	—
U.S. government agency securities	8,398	—	8,398	—
Corporate bonds	1,998	—	1,998	—
Available-for-sale				
Marketable securities				
Corporate bonds	345,123	—	345,123	—
Asset backed securities	253,547	—	253,547	—
U.S. government agency securities	194,024	—	194,024	—
Commercial paper	51,994	—	51,994	—
Certificates of deposit	48,786	—	48,786	—
Total	$ 1,042,169	$ 101,103	$ 941,066	$ —

The following table presents the Company's fair value measurements as of December 31, 2017 along with the level within the fair value hierarchy in which the fair value measurements in their entirety fall.

(In thousands)	Fair Value at December 31, 2017	Fair Value Measurement at December 31, 2017 Using: 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	$ 61,297	$ 61,297	$ —	$ —
Commercial paper	10,995		10,995	—
Certificates of deposit	1,499		1,499	—
U.S. government agency securities	3,700		3,700	—
Available-for-sale				
Marketable securities				
Corporate bonds	181,305	—	181,305	—
Asset backed securities	94,515	—	94,515	—
U.S. government agency securities	54,812	—	54,812	—
Commercial paper	9,946	—	9,946	—
Certificates of deposit	6,646	—	6,646	—
Total	$ 424,715	$ 61,297	$ 363,418	$ —

The Company monitors investments for other-than-temporary impairment. It was determined that unrealized gains and losses as of March 31, 2018 and December 31, 2017 are temporary in nature because the change in market value for those securities has resulted from fluctuating interest rates rather than a deterioration of the credit worthiness of the issuers. So long as the Company holds these securities to maturity, it is unlikely to experience gains or losses. In the event that the Company disposes of these securities before maturity, it is expected that realized gains or losses, if any, will be immaterial.

The following table summarizes gross unrealized losses and fair values of our investments in an unrealized loss position as of March 31, 2018, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	March 31, 2018					
	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	$ 328,935	$ (1,073)	$ —	$ —	$ 328,935	$ (1,073)
Asset backed securities	252,105	(841)	1,442	(2)	253,547	(843)
U.S. government agency securities	169,071	(237)	24,953	(46)	194,024	(283)
Commercial paper	51,425	(21)	—	—	51,425	(21)
Certificates of deposit	41,551	(79)	—	—	41,551	(79)
Total	$ 843,087	$ (2,251)	$ 26,395	$ (48)	$ 869,482	$ (2,299)

The following summarizes contractual underlying maturities of the Company's available-for-sale investments in debt securities at March 31, 2018:

	Due one year or less		Due after one year through four years	
(In thousands)	Cost	Fair Value	Cost	Fair Value
Marketable securities				
Corporate bonds	$ 224,976	$ 224,287	$ 121,217	$ 120,836
U.S. government agency securities	174,495	174,218	19,812	19,806
Commercial paper	52,015	51,994	—	—
Certificates of deposit	46,888	46,820	1,976	1,966
Asset backed securities	30,844	30,753	223,546	222,794
Total	$ 529,218	$ 528,072	$ 366,551	$ 365,402

(6) NEW MARKET TAX CREDIT

As more fully described in the 2017 Form 10-K, 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, 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. The $2.4 million was recorded in Other Long-Term Liabilities on the condensed 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 the Company's on-going compliance with the conditions of the NMTC program. The Company has recorded $0.1 million as a decrease of expenses for the three months ended March 31, 2018. At March 31, 2018, the remaining balance of $1.3 million is included in Other Long-Term Liabilities. The Company recorded $0.1 million as a decrease of expenses for the three months ended March 31, 2017. At March 31, 2017, the remaining balance of $1.6 million was included in Other Long-Term Liabilities. The Company incurred approximately $0.2 million of debt issuance costs related to the above transactions, which are recorded as a direct deduction from the liability. The debt issuance costs are being amortized over the life of the agreements.

(7) LONG-TERM DEBT

Building Purchase Mortgage

During June 2015, the Company entered into a $5.1 million credit agreement with an unrelated third-party financial institution to finance the purchase of a facility located in Madison, Wisconsin. The credit agreement is collateralized by the acquired building.

Borrowings under the credit agreement bear interest at 4.15%. The Company made interest-only payments on the outstanding principal balance for the period between July 12, 2015 and September 12, 2015. Beginning on October 12, 2015 and continuing through May 12, 2019, the Company is required to make monthly principal and interest payments of $31,000. The final principal and interest payment due on the maturity date of June 12, 2019 is $4.4 million.

Additionally, the Company has recorded $73,000 in mortgage issuance costs, which are recorded as a direct deduction from the mortgage liability. The issuance costs are being amortized through June 12, 2019. The Company has recorded $4,000 in amortization of mortgage issuance costs for each of the three months ended March 31, 2018 and 2017.

Revolving Loan Agreement

During December 2017, the Company entered into a revolving loan agreement with MB Financial Bank, N.A. ("MB Bank"). The revolving loan agreement provides the Company with a 24-month secured revolving credit facility of up to $15.0 million. The credit facility is collateralized by the Company's accounts receivable and inventory. The credit facility is available for general working capital purposes and all other lawful corporate purposes; provided that the Company may not use the credit facility to purchase or carry margin stock.

Borrowings under the revolving loan agreement accrue interest at one of the following per annum rates, as elected by the Company (i) the sum of the 1-month LIBOR rate plus 2.00 percent, (ii) the sum of the 3-month LIBOR rate plus 2.00 percent, or (iii) the MB Bank Reference Rate minus 0.5 percent. Loans under the credit facility may be prepaid at any time without penalty. The maturity date of the loan under the revolving credit agreement is December 10, 2019.

The Company has agreed to various financial covenants including minimum liquidity and minimum tangible net worth. At March 31, 2018, the Company is in compliance with all covenants.

As of March 31, 2018, the Company has not drawn any funds from the revolving credit agreement, and no amounts are outstanding under the loan agreement.

Construction Loan Agreement

During December 2017, the Company entered into a loan agreement with MB Bank, which provides the Company with a non-revolving construction loan of $25.6 million. The Company expects to use the loan proceeds to finance the construction of an additional clinical laboratory and related facilities in Madison, Wisconsin. The non-revolving construction loan is collateralized by the additional clinical laboratory and related facilities.

Pursuant to the construction loan agreement, funds drawn will bear interest at a rate equal to the sum of the 1-month LIBOR rate plus 2.25 percent. Regular monthly payments are interest-only for the first 24 months, with further payments based on a 20-year amortization schedule. Amounts borrowed pursuant to this loan agreement may be prepaid at any time without penalty. The maturity date of this loan agreement is December 10, 2022.

MB Bank, on behalf of the Company, previously issued an Irrevocable Standby Letter of Credit in the amount of $0.6 million in favor of the City of Madison, Wisconsin, which is deemed to have been issued pursuant to the construction loan agreement (the “City Letter of Credit”). The amount of the City Letter of Credit will reduce, dollar for dollar, the amount available for borrowing under the construction loan agreement.

As a condition to MB Bank’s initial advance of loan proceeds under the loan agreement, the Company is required to first invest at least $16.4 million of its own cash into the construction project. The Company expects to fulfill its required initial investment and draw on the $25.6 million during 2018, however, the Company is not able to estimate the future principal and interest payments, as they depend on the timing of the initial draw. As of March 31, 2018, the Company has invested $2.3 million into the construction project, and has not drawn any funds from the non-revolving construction loan.

Additionally, the Company has recorded deferred financing costs of $0.2 million. These deferred financing costs are recorded as a reduction to long-term debt in the condensed consolidated balance sheets.

The Company has agreed to various financial covenants including minimum liquidity and minimum tangible net worth. As of March 31, 2018, the Company is in compliance with all covenants.

(8) 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 are first 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 records the earned tax credits as job creation and capital investments occur. The amount of tax credits earned is recorded as a liability and amortized as a reduction of operating expenses over the expected period of benefit. The tax credits earned from capital investment are recognized as an offset to depreciation expense over the expected life of the acquired capital assets. The tax credits earned related to job creation are 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 March 31, 2018, the Company has earned $7.8 million of tax credits and has received payment of $2.4 million from the WEDC. The unpaid portion is $5.4 million, of which $1.9 million is reported in prepaid expenses and other current assets and $3.5 million is reported in other long-term assets, reflecting when collection of the refundable tax credits is expected to occur. As of March 31, 2018, the Company also has recorded a $1.9 million liability in other short-term liabilities and a $3.2 million liability in other long-term liabilities, reflecting when the expected benefit of the tax credit amortization will reduce future operating expenses.

During the three months ended March 31, 2018, the Company amortized $0.4 million of the tax credits earned as a reduction of operating expenses. During the three months ended March 31, 2017, the Company amortized $0.3 million of the tax credits earned as a reduction of operating expenses.

(9) CONVERTIBLE NOTES

On January 17, 2018, the Company issued and sold $690.0 million in aggregate principal amount of 1.0% Convertible Notes (“Notes”) with a maturity date of January 15, 2025 (the “Maturity Date”). The Notes accrue interest at a fixed rate of 1.0% per year, payable semi-annually in arrears on January 15 and July 15 of each year, beginning on July 15, 2018. The net proceeds from the issuance of the Notes were approximately $671.1 million, after deducting underwriting discounts and commissions and the offering expenses payable by the Company.

Prior to July 15, 2024, the Notes are convertible only upon the occurrence of certain events and during certain periods, as set forth in the indenture governing the Notes (the “Indenture”), and thereafter, until the close of business on the second scheduled trading day immediately preceding the Maturity Date. The Notes will be convertible into cash, shares of the Company's common stock (plus, if applicable, cash in lieu of any fractional share), or a combination of cash and shares of the Company's common stock, at the Company's election. On or after July 15, 2024, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their Notes at any time.

It is the Company's intent and policy to settle all conversions through combination settlement. The initial conversion rate for the Notes is 13.2569 shares of common stock per $1,000 principal amount, which is equivalent to an initial conversion price of approximately $75.43 per share of the Company's common stock. The conversion rate is subject to adjustment upon the occurrence of certain specified events but will not be adjusted for accrued and unpaid interest. In addition, holders of the Notes who convert their Notes in connection with a "make-whole fundamental change" (as defined in the Indenture), will, under certain circumstances, be entitled to an increase in the conversion rate.

If the Company undergoes a "fundamental change" (as defined in the Indenture), holders of the Notes may require the Company to repurchase for cash all or part of their Notes at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest.

The Notes are the Company's senior unsecured obligations and (i) rank senior in right of payment to all of its future indebtedness that is expressly subordinated in right of payment to the Notes; equal in right of payment to all of the Company's future liabilities that are not so subordinated, unsecured indebtedness; (ii) are effectively junior to all of our existing and future secured indebtedness and other secured obligations, to the extent of the value of the assets securing that indebtedness and other secured obligations; and (iii) are structurally subordinated to all indebtedness and other liabilities of the Company's subsidiaries.

While the Notes are currently classified on the Company's condensed consolidated balance sheets at March 31, 2018 as long-term, the future convertibility and resulting balance sheet classification of this liability will be monitored at each quarterly reporting date and will be analyzed dependent upon market prices of the Company's common stock during the prescribed measurement periods. In the event that the holders of the Notes have the election to convert the Notes at any time during the prescribed measurement period, the Notes would then be considered a current obligation and classified as such.

Under current accounting guidance, an entity must separately account for the liability and equity components of convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The liability component of the instrument was valued in a manner that reflects the market interest rate for a similar nonconvertible instrument at the date of issuance. The initial carrying value of the liability component of $495.1 million was calculated using a 6.0% assumed borrowing rate. The equity component of $194.9 million, representing the conversion option, was determined by deducting the fair value of the liability component from the par value of the Notes and is recorded in additional paid-in capital on the condensed consolidated balance sheet at the issuance date. That equity component is treated as a discount on the liability component of the Notes, which is amortized over the seven-year term of the Notes using the effective interest rate method. The equity component is not re-measured as long as it continues to meet the conditions for equity classification.

The Company allocated the total transaction costs of approximately $18.8 million related to the issuance of the Notes to the liability and equity components of the Notes based on their relative values, with $13.1 million being allocated to the discount on the Notes. Transaction costs attributable to the liability component are amortized to interest expense over the seven-year term of the Notes, and transaction costs attributable to the equity component are netted with the equity component in stockholders' equity.

The Notes do not contain any financial or operating covenants or any restrictions on the payment of dividends, the issuance of other indebtedness or the issuance or repurchase of securities by the Company.

Debt, net of discounts and deferred financing costs at March 31, 2018, consisted of the following:

(In thousands)	
Principal	$ 690,000
Debt discount, net	(190,206)
Deferred financing costs	(13,106)
Net carrying amount	$ 486,688

(10) RELATED PARTY TRANSACTION

In May 2017, the Company entered into a professional services agreement for recruiting and related services with a firm whose principal is a non-employee director. In accordance with the agreement, the Company is expected to make cash payments totaling up to an aggregate of $0.4 million under the agreement during 2017 and 2018. The Company incurred charges of $50,000 for the three months ended March 31, 2018. The Company made payments of $50,000 for the three months ended March 31, 2018 and no payments were made for the three months ended March 31, 2017.

In November 2017, the Company made a 10 percent investment in a supplier, as further described in Note 2. The Company incurred $58,000 and $0 in purchases from the supplier for the three months ended March 31, 2018 and 2017, respectively.

(11) RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* The Company adopted this guidance on January 1, 2018. See Note 2 for additional discussion.

In January 2016, the Financial Accounting Standards Board issued ASU No. 2016-01, " *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* ("Update 2016-01") . Update 2016-01 modifies how entities measure equity investments and present changes in the fair value of financial liabilities. Under the new guidance, entities will have to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicality exception. A practicality exception will apply to those equity investments that do not have readily determinable fair value and do not qualify for the practical expedient to estimate fair value under ASC 820, "Fair Value Measurements," and as such these investments may be measured at cost. Update 2016-01 will be effective for the Company's fiscal year beginning January 1, 2018, and subsequent interim periods. Update 2016-01 was further amended in February 2018 by ASU No. 2018-03, *Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* , ("Update 2018-03"). Update 2018-03 clarifies certain aspects of the guidance issued in Update 2016-01. Public business entities with fiscal years beginning between December 15, 2017 and June 15, 2018, are not required to adopt these amendments until the interim period beginning after June 15, 2018. Early adoption is allowed as long as Update 2016-01 has been adopted. The Company adopted Update 2016-01 on January 1, 2018. The Company is currently evaluating the effects that the adoption of Update 2018-03 will have on the Company's condensed consolidated financial statements. The Company does not anticipate that the new guidance will impact the Company's condensed consolidated financial statements as the Company has already adopted Update 2016-01.

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases (Topic 842),* ("Update 2016-02") which requires recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The Company expects to adopt the guidance in 2019. The Company is currently evaluating the effects that the adoption of Update 2016-02 will have on the Company's condensed consolidated financial statements; however, as the Company has several leases, assets and liabilities are expected to increase upon adoption for right-of-use assets and lease liabilities.

In August 2016, the Financial Accounting Standards Board issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,* ("Update 2016-15"). Current GAAP either is unclear or does not include specific guidance on the eight cash flow classification issues included in the amendments in Update 2016-15. The amendments are an improvement to GAAP because they provide guidance for each of the eight issues, thereby reducing the current and potential future diversity in practice. The Company adopted this guidance January 1, 2018, and it did not have an impact on the Company's condensed consolidated financial statements.

In October 2016, the Financial Accounting Standards Board issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory,* ("Update 2016-16"). This amendment improves the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. The Company adopted this guidance on January 1, 2018, and it did not have an impact on the Company's condensed consolidated financial statements.

In November 2016, the Financial Accounting Standards Board issued ASU No. 2016-18, *Statement of Cash Flows; Restricted Cash,* ("Update 2016-18"). Update 2016-18 provides guidance on the classification of restricted cash in the statement of cash flows. The Company adopted this guidance on January 1, 2018, and it did not have an impact on the Company's condensed consolidated financial statements, as the Company does not have restricted cash.

In May 2017, the Financial Accounting Standards Board issued ASU No. 2017-09, *Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting* , ("Update 2017-09"). Update 2017-09 provides guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. The Company adopted this guidance on January 1, 2018, and it did not have an impact on the Company's condensed consolidated financial statements.

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

The following Discussion and Analysis of 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 consolidated 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, 2017, which has been filed with the SEC (the “2017 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 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,” “would,” “could,” “seek,” “intend,” “plan,” “goal,” “project,” “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 payer 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 and services; the acceptance of our products and services by patients and healthcare providers; our ability to meet demand for our products and services; the willingness of health insurance companies and other payers to cover Cologuard and adequately reimburse us for our performance of the Cologuard test; the amount and nature of competition from other cancer screening and diagnostic products and services; the effects of the adoption, modification or repeal of any healthcare reform law, rule, order, interpretation or policy; the effects of changes in the pricing, coverage and reimbursement for our products and services, including without limitation as a result of the Protecting Access to Medicare Act of 2014; recommendations, guidelines and quality metrics issued by various organizations such as the U.S. Preventive Services Task Force, the American Cancer Society and the National Committee for Quality Assurance regarding cancer screening or our products and services; our ability to successfully develop new products and services; our success establishing and maintaining collaborative, licensing and supplier arrangements; our ability to maintain regulatory approvals and comply with applicable regulations; 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 the 2017 Form 10-K and subsequently filed Quarterly Report(s) 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. We have developed an accurate, non-invasive, patient-friendly screening test called Cologuard for the early detection of colorectal cancer and pre-cancer, and we are currently working on the development of additional tests for other types of cancer, with the goal of becoming a leader in cancer diagnostics.

Our Cologuard Test

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

- 140,000 new cases of colorectal cancer
- 51,000 deaths from colorectal cancer

Colorectal cancer treatment represents a significant, growing healthcare cost. As of 2010, $14 billion was spent annually 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 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 85 million people in the U.S. for whom routine colorectal cancer screening is recommended, 38 percent have not been screened according to current guidelines. Poor compliance with screening guidelines 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 70 percent and 13 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 that utilizes a multi-target approach to detect DNA and hemoglobin biomarkers associated with colorectal cancer and pre-cancer. Eleven biomarkers are targeted that have been shown to be strongly associated with colorectal cancer and pre-cancer. Methylation, mutation, and hemoglobin results are combined in the laboratory analysis through a proprietary algorithm to provide a single positive or negative reportable result.

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 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%
- Stage I and II Cancer Sensitivity: 94%
- High-Grade Dysplasia Sensitivity: 69%
- Specificity: 87%

The competitive advantages of sDNA screening may provide a significant market opportunity. If the test were used by 40-percent of the eligible U.S. screening population of 85 million people, at a three-year interval, and if average revenue per test was $500, we estimate that our annual Cologuard revenue would be more than $5.5 billion.

Our Cologuard Commercialization Strategy

Our commercialization strategy includes three main elements focusing on physicians, patients, and payers.

Physicians and Patients

Our sales team actively engages 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 focus on specific physicians based on a combination of their Cologuard order history and ordering potential and also on physician groups and larger regional and national health systems.

Securing inclusion in guidelines and quality measures is a key part of our physician engagement strategy since many physicians rely on such guidelines and quality measures when making screening recommendations. In June 2016, the US Preventive Services Task Force (“USPSTF”) issued an updated recommendation statement for colorectal cancer screening and gave an “A” grade to colorectal cancer screening starting at age 50 and continuing until age 75. The statement specifies seven screening methods, including FIT-DNA (which is Cologuard).

Many professional colorectal cancer screening guidelines in the U.S., including those of the ACS and the National Comprehensive Cancer Network (“NCCN”), recommend regular screening using any of a variety of methods. Since 2008, joint colorectal cancer screening guidelines endorsed by the ACS have included sDNA screening technology as a screening option for the detection of colorectal cancer in average risk, asymptomatic individuals age 50 and older. In October 2014, the ACS updated its colorectal cancer screening guidelines to specifically include Cologuard as a recommended screening test. In June 2016, the NCCN updated its Colorectal Cancer Screening Guidelines to add sDNA screening, at a once-every- three-years interval, to its list of recommended screening tests.

In October 2016, the National Committee for Quality Assurance (“NCQA”) included Cologuard testing on a three-year interval in the 2017 Healthcare Effectiveness Data and Information Set (“HEDIS”) measures. More than 90 percent of America’s health plans measure quality based on HEDIS. In April 2017, the Centers for Medicare & Medicaid Services (“CMS”) included Cologuard in its updated 2018 Medicare Advantage Star Ratings program.

A critical part of the value proposition of Cologuard is our compliance program, which involves active engagement with patients and providers. This customer-service-oriented activity is focused on helping patients to complete Cologuard tests that have been ordered for them by their providers.

After the launch of Cologuard, we initiated a significant public relations effort to engage patients in the United States, and launched demographically-targeted direct-to-patient advertising campaigns in digital, social, print, and other channels. In 2016, we began a national television advertising campaign, with a majority of placements in national cable and syndicated programming widely viewed by our target patient demographic. In the second and third quarters of 2017, we extended that campaign with new 30-second commercials intended to increase the cost effectiveness of our broadcast media. During 2018, we plan to maintain our current television advertising efforts, accelerate our investment in digital and social media, and embark upon strategic branded partnerships designed to increase awareness for Cologuard.

Payers

The cornerstone of our payer-engagement strategy was securing coverage from CMS. Medicare covers approximately 47 percent of patients in the screening population for Cologuard. On October 9, 2014, CMS issued a National Coverage Determination (“NCD”) for Cologuard following a parallel review process with the FDA. Cologuard was the first screening test approved by the FDA and covered by CMS through that process. As outlined in the NCD, Medicare Part B covers 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 (e.g., 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).

Pursuant to the 2017 Clinical Laboratory Fee Schedule, CMS reimbursed Cologuard at the rate of $512.43 per test. Under the Protecting Access to Medicare Act of 2014 (“PAMA”), effective January 1, 2018, the CMS reimbursement rate for Cologuard was set at $508.87, which was the volume-weighted median of private payer rates for Cologuard for the period from January 1, 2016 to June 30, 2016. We expect that the CMS reimbursement rate established for 2018 will remain in place for three years and then be reset based on the volume-weighted median of private payer rates for Cologuard during the data collection period from January 1, 2019 to June 30, 2019. Payments from CMS are currently subject to sequestration.

In addition to Medicare reimbursement, we seek to secure favorable coverage and in-network reimbursement agreements from commercial payers. Most commercial payers have issued positive coverage decisions for Cologuard, and we have entered into contracts with several payers to include Cologuard as an in-network service. In-network agreements with payers have varying terms and conditions, including reimbursement rate, term and termination. From time to time in the ordinary course of our business, we may enter into new agreements, certain existing agreements may expire without renewal and certain other existing agreements may be terminated early by us or the third-party payer. We believe that commercial payers' reimbursement of Cologuard will depend on a number of factors, including payers' determination that it is: sensitive and specific for colorectal cancer; not experimental or investigational; approved or recommended by major organizations' guidelines; reliable, safe and effective; medically necessary; appropriate for the specific patient; and cost-effective. Reimbursement may also be affected by whether Cologuard is in-network for a given payer. Also, some payers may apply various medical management requirements, including a requirement that they give prior authorization for a Cologuard test before they are willing to pay for it. Other payers may perform post-payment reviews or audits, which could lead to payment recoupments. Medical management, such as prior authorizations and post-payment review or audits, may require that we, patients, or physicians provide the payer with extensive medical records and other information.

Coverage of Cologuard may also depend, in whole or in part, on whether payers determine, or courts and/or regulatory authorities determine, coverage is required under applicable federal or state laws mandating coverage of certain colorectal cancer screening services. For example, Section 2713 of the Patient Protection and Affordable Care Act ("ACA") mandates that certain health insurers cover evidence-based items or services that have in effect a rating of "A" or "B" in the current recommendations of USPSTF without imposing any patient cost-sharing ("ACA Mandate"). Similarly, federal regulations require that Medicare Advantage plans cover "A" or "B" rated preventive services without patient cost-sharing. Following the June 2016 update to the USPSTF colorectal cancer screening recommendation statement, CMS issued an updated Evidence of Coverage notice for Medicare Advantage plans that affirms such plans must include coverage of Cologuard every three years without patient cost-sharing. While we believe the ACA Mandate will require most health insurers to cover Cologuard without patient cost-sharing (following an initial phase-in period between one and two years from the date of the updated USPSTF recommendation statement depending on the date a given plan year commences), it is possible that certain health insurers will disagree and determine not to cover Cologuard. It may be difficult for us or patients to enforce the ACA Mandate directly, and we may need to rely on states to take enforcement action, which they may choose not to do. It is also possible that the ACA Mandate will be repealed or significantly modified in the future.

We believe quality metrics may influence payers' coverage and contracting decisions, as well as physicians' cancer screening procedures. Some government and private payers are adopting pay-for-performance programs that differentiate payments for healthcare services based on the achievement of documented quality metrics, cost efficiencies or patient outcomes. Payers may look to quality measures such as HEDIS and CMS Star Ratings, to assess quality of care. We believe inclusion in the HEDIS measures and Star Ratings measures may have a positive impact on payers' willingness to reimburse Cologuard, as well as on physicians' willingness to prescribe the test.

Our Clinical Lab Facilities

As part of our commercialization strategy, we established a state-of-the-art, highly automated lab facility that is certified pursuant to federal Clinical Laboratory Improvement Amendments ("CLIA") requirements to process Cologuard tests and provide patient results. Our commercial lab operation is housed in a 50,000 square foot facility in Madison, Wisconsin. At our lab, we currently have the capacity to process approximately two million tests per year. We are expanding our current facility to increase our lab processing capacity to more than three million tests per year around the end of 2018.

During the fourth quarter of 2017, we began construction of a new clinical lab facility in Madison, Wisconsin that is expected to be completed around mid-2019. We expect our total lab capacity at both facilities will be approximately five million tests per year around the end of 2019.

Product Pipeline

We also are developing a pipeline of potential future products and services. We are continuing to collaborate with MAYO Foundation for Medical Education and Research ("MAYO"), our development partner for Cologuard, on developing new tests, with the goal of becoming a leader in the early detection of cancer. We believe our proprietary technology platform provides a strong foundation for the development of additional cancer diagnostic tests. Through our collaboration with MAYO, we have identified proprietary biomarkers for several major cancers, including liver cancer and lung cancer. We have successfully performed validation studies on tissue samples for seven major cancers and on blood samples for four major cancers.

The ACS estimates that liver cancer will be diagnosed in 42,000 Americans and cause 30,000 deaths in 2018, three-fourths of which will be hepatocellular carcinoma ("HCC"). Incidence and mortality rates are both increasing at approximately 3 percent per year. People who have been diagnosed with cirrhosis of the liver or Hepatitis B are at high risk of developing HCC. Evidence shows that HCC surveillance in these high-risk groups leads to earlier detection and improved outcomes. The NCCN and American Association for the Study of Liver Diseases ("AASLD") guidelines recommend that these two groups be surveilled for HCC every six months using ultrasound and the blood-based biomarker alpha-fetoprotein ("AFP"). However, ultrasound and AFP are documented to have poor sensitivity for early stage cancer, which is the primary target of surveillance. We are currently seeking to develop a blood-based biomarker test to serve as an alternative to ultrasound and AFP for use in HCC surveillance. We published a small case-control study in 2016 showing high accuracy for detecting HCC using a blood-based panel of methylation markers.

The ACS estimates that, in the United States in 2018, lung cancer will be diagnosed in 234,000 people and cause 154,000 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. We are currently seeking to develop a blood-based biomarker test to aid in the early detection of lung cancer in individuals with lung nodules discovered through a computerized tomography ("CT") or other scan. Such a test may help reduce the number of unnecessary biopsies and other follow-up procedures, and thereby reduce costs and improve health outcomes.

We also continue to explore opportunities for improving Cologuard, including improvements that could lower our cost of goods or expand the usage of Cologuard to different patient populations.

How We Recognize Revenue

For tests performed where we have an agreed-upon reimbursement rate or where we can estimate the amount that we will ultimately collect at the time delivery is complete, we recognize the related revenue on an accrual basis upon delivery of a test result to an ordering healthcare provider. Accrual rates are based on the established billing rates less contractual and other adjustments, which yields the amount that we expect to ultimately collect. We determine the amount we expect to ultimately collect on a per-payer or per-agreement basis. The expected amount is typically lower than, if applicable, the agreed-upon reimbursement amount due to several factors, such as the amount of any patient co-payments, the existence of secondary payers and claim denials. Upon ultimate collection, the aggregate amount received from payers and patients where reimbursement was estimated is compared to previous collection estimates and, if necessary, the contractual allowance is adjusted. Finally, should we recognize revenue from claims on an accrual basis and later determine the judgments underlying estimated collections change, our financial results could be negatively impacted in future quarters. Historically, a portion of our revenue was recognized upon cash receipt when we were unable to reasonably estimate the amount that would ultimately be collected from a payer. Effective during the first quarter of 2017, we determined that we had the ability to reasonably estimate the amount that will ultimately be collected from all payers, including the impact of patient cost-share collections. Accordingly, we now recognize revenue on an accrual basis for all billed claims.

Our average reimbursement per test, as further defined below, was approximately $452 and $418 through March 31, 2018 and 2017, respectively. This cumulative average Cologuard reimbursement rate will change over time due to a number of factors, such as medical coverage decisions by payers, changes in the payer mix, the effects of contracts signed with payers, changes in allowed amounts by payers, our ability to successfully win appeals for payment, settlements reached with payers regarding previously denied claims and our ability to collect cash payments from payers and individual patients. Historical average reimbursement is not necessarily indicative of future average reimbursement.

We calculate the average Cologuard reimbursement per test on a trailing twelve-month basis for all tests that are at least six months old, since it can take that long, or in some cases longer, to collect from some payers and patients. Thus, the average reimbursement per test at March 31, 2018 and March 31, 2017, respectively, represents the total cash collected through such dates for tests performed during the twelve-month periods ended September 30, 2017 and September 30, 2016, respectively, divided by the number of tests performed during those same periods.

2018 Priorities

Our top priorities for 2018 are to (1) continue to strengthen our core Cologuard business including by increasing the size of our nationwide sales force by approximately 200 representatives, which would bring our total number of sales personnel to approximately 550, (2) prepare for future demand including by continuing to invest in people, processes, technology and systems to build capacity, and (3) expand our product pipeline by developing additional cancer diagnostic tests, which may include liver and lung cancer tests, which we expect will result in a material increase to our research and development expenditures.

Results of Operations

We have generated significant losses since inception and, as of March 31, 2018, we had an accumulated deficit of approximately $900.0 million. We expect to continue to incur losses for the near future, and it is possible we may never achieve profitability.

Laboratory service revenue. Our laboratory service revenue is generated by performing screening services using our Cologuard test. For the three months ended March 31, 2018 and 2017, we completed approximately 186,000 and 100,000 Cologuard tests, respectively, and generated laboratory service revenue of $90.3 million and $48.4 million, respectively. The increase in revenue was primarily due to an increase in completed Cologuard tests and an increase in average revenue recognized per test during the current period.

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, shipment of test collection kits, royalties and the cost of laboratory services to process tests and provide results to physicians. We incur expense for tests in the period in which the activities occur, therefore, gross margin as a percentage of laboratory service revenue may vary due to 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 Cologuard test volume, operating efficiencies, patient compliance rates, payer mix, the levels of reimbursement, and payment patterns of payers and patients.

Cost of Sales. Cost of sales increased to $22.9 million for the three months ended March 31, 2018 compared to $17.0 million for the three months ended March 31, 2017. The increase in cost of sales is primarily due to the increase in completed Cologuard tests. The Company completed approximately 186,000 and 100,000 Cologuard tests for the three months ended March 31, 2018 and 2017, respectively.

	Three Months Ended March 31,		
(In millions)	**2018**	**2017**	**Change**
Production costs	$ 15.5	$ 12.3	$ 3.2
Personnel expenses	4.3	2.4	1.9
Facility and support expenses	2.3	2.0	0.3
Stock-based compensation	0.7	0.3	0.4
Other cost of sales	0.1	—	0.1
Total cost of sales expenses	$ 22.9	$ 17.0	$ 5.9

Research and development expenses . Research and development expenses increased to $14.9 million for the three months ended March 31, 2018 compared to $8.0 million for the three months ended March 31, 2017. The increase in research and development expenses was primarily due to an increase in personnel costs due to an increased headcount and an increase in direct research and development expenses for our pipeline.

	Three Months Ended March 31,		
(In millions)	**2018**	**2017**	**Change**
Direct research and development expenses	$ 6.4	$ 3.1	$ 3.3
Personnel expenses	4.7	3.0	1.7
Stock-based compensation	2.1	1.0	1.1
Other research and development	1.1	0.5	0.6
Legal and professional fees	0.6	0.4	0.2
Total research and development expenses	$ 14.9	$ 8.0	$ 6.9

General and administrative expenses . General and administrative expenses increased to $35.6 million for the three months ended March 31, 2018 compared to $20.1 million for the three months ended March 31, 2017. The increase in general and administrative expenses was primarily a result of increased personnel costs, facility and support costs, legal and professional fees, and stock-based compensation to support the overall growth of the Company.

	Three Months Ended March 31,		
(In millions)	**2018**	**2017**	**Change**
Personnel expenses	$ 14.0	$ 7.8	$ 6.2
Facility and support expenses	7.8	4.0	3.8
Stock-based compensation	7.2	3.3	3.9
Professional and legal fees	4.6	3.8	0.8
Other general and administrative	2.0	1.2	0.8
Total general and administrative expenses	$ 35.6	$ 20.1	$ 15.5

Sales and marketing expenses. Sales and marketing expenses increased to $53.4 million for the three months ended March 31, 2018 compared to $38.8 million for the three months ended March 31, 2017. The increase in sales and marketing expenses was a result of hiring additional sales and marketing personnel and increasing our advertising and patient marketing efforts as part of the ongoing commercialization of our Cologuard test.

	Three Months Ended March 31,		
(In millions)	**2018**	**2017**	**Change**
Direct marketing costs and professional fees	$ 26.4	$ 20.9	$ 5.5
Personnel expenses	24.0	16.1	7.9
Stock-based compensation	2.5	1.5	1.0
Other sales and marketing	0.5	0.3	0.2
Total sales and marketing expenses	$ 53.4	$ 38.8	$ 14.6

Investment income . Investment income increased to $3.7 million for the three months ended March 31, 2018 compared to $0.6 million for the three months ended March 31, 2017. The increase in investment income was due to an increase in the average cash and marketable securities balance and an increase in the average rate of return on investments for the three months ended March 31, 2018 when compared to the same periods in 2017.

Interest expense. Net interest expense of $6.5 million was realized for the three months ended March 31, 2018 compared to net interest expense of $50,000 for the three months ended March 31, 2017. During January 2018, we issued $690.0 million of convertible debt which resulted in $6.5 million in interest expense during the three months ended March 31, 2018, $5.1 million of which relates to amortization of debt discount and debt issuance costs. The remaining $1.4 million relates to the stated interest which will be paid in cash during the year. The interest expense for the three months ended March 31, 2017 is related to the mortgage on one of our facilities in Madison, WI which was entered into in June 2015.

Liquidity and Capital Resources

We have financed our operations since inception primarily through public offerings of our common stock and convertible debt and through revenue generated by the sale of Cologuard. As of March 31, 2018, we had approximately $148.7 million in cash and cash equivalents and approximately $893.5 million in marketable securities.

All of our investments in marketable securities consist 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. 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 $38.5 million for the three months ended March 31, 2018 as compared to $33.6 million for the three months ended March 31, 2017. The principal use of cash in operating activities for the three months ended March 31, 2018 was to fund our net loss.

Net cash used in investing activities was $562.7 million for the three months ended March 31, 2018 as compared to net cash provided by investing activities of $23.9 million for the three months ended March 31, 2017. The increase in cash used in investing activities for the three months ended March 31, 2018 compared to the same period in 2017 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 $15.4 million for the three months ended March 31, 2018. Such purchases consisted of property and equipment of $15.3 million, and $0.1 of internally developed software. For the same period in 2017, there were purchases of property and equipment of $2.7 million. The increase in property and equipment purchases during the three months ended March 31, 2018 were primarily the result of increased laboratory equipment purchases, computer equipment and computer software purchases, and assets under construction in order to continue to scale-up our operations.

Net cash provided by financing activities was $672.4 million for the three months ended March 31, 2018, as compared to $3,000 for the three months ended March 31, 2017. The increase in cash provided by financing activities for the three months ended March 31, 2018 compared to the same period in 2017 was primarily the result of proceeds from our offering of convertible debt in January 2018.

We expect that cash and cash equivalents and marketable securities on hand at March 31, 2018 will be sufficient to fund our current operations for at least the next twelve months, based on current operating plans. However, we may need to raise additional capital to fully fund our current strategic plan, which includes successfully commercializing Cologuard and developing a pipeline of future products. 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 additional funds, we cannot assure that our business will ever generate sufficient cash flow from operations to become profitable.

A table of our specified contractual obligations was provided in the Management's Discussion and Analysis of Financial Condition and Results of Operation of our 2017 Form 10-K. During January 2018, we issued $690.0 million aggregate principal amount of 1.0% Convertible Notes ("Notes") that will mature on January 15, 2025, unless earlier converted. We may not redeem the Notes prior to January 15, 2025. The holders of the Notes may convert prior to July 15, 2024, only under certain circumstances. On or after July 15, 2024, holders may convert their Notes at any time. As further discussed in Note 9 of the condensed consolidated financial statements of this Quarterly Report, the Notes accrue interest at a fixed rate of 1.0% per year, payable semi-annually in arrears on January 15 and July 15 of each year, beginning on July 15, 2018. With the exception of the Notes discussed above, there were no material changes outside the ordinary course of our business in the specified contractual obligations during the three months ended March 31, 2018.

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 2017 Form 10-K, 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 laboratory service revenues are generated by performing diagnostic services using our Cologuard test, and the service is completed upon delivery of a patient's test result to the ordering physician. We account for revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers ("ASC 606")* , which we adopted on January 1, 2018, using the modified retrospective method, which we elected to apply to all contracts. Application of the modified retrospective method did not impact amounts previously reported by us, nor did it require a cumulative effect adjustment upon adoption, as our method of recognizing revenue under ASC 606 was analogous to the method utilized immediately prior to adoption. Accordingly, there is no need for us to disclose the amount by which each financial statement line item was affected as a result of applying the new standard and an explanation of significant changes.

The core principle of ASC 606 is that we recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. We recognize revenue in accordance with that core principle, and key aspects considered include the following:

Contracts

Our customer is the patient. However, we do not enter into a formal reimbursement contract with a patient, as formal reimbursement contracts, including national coverage determination, are established with payers. Accordingly, we establish a contract with a patient in accordance with other customary business practices.

- Approval of a contract is established via the order submitted by the patient's physician and the return of a sample by the patient.
- We are obligated to perform its diagnostic services upon receipt of a sample from a patient, and the patient and/or applicable payer are obligated to reimburse us for services rendered based on the patient's insurance benefits.
- Payment terms are a function of a patient's existing insurance benefits, including the impact of coverage decisions with CMS and applicable reimbursement contracts established between us and payers, unless the patient is a self-pay patient, whereby the we require payment from the patient prior to us shipping a collection kit to the patient.
- On ce we deliver a patient's test result to the ordering physician the contract with a patient has commercial substance, as we are legally able to collect payment and bill an insurer and/or patient, regardless of payer contract status or patient insurance benefit status.
- Our consideration is deemed to be variable, and we consider collection of such consideration to be probable to the extent that it is unconstrained.

Performance obligations

A performance obligation is a promise in a contract to transfer a distinct good or service (or a bundle of goods or services) to the customer. Our contracts have a single performance obligation, which is satisfied upon rendering of services, which culminates in the delivery of a patient's Cologuard test result to the ordering physician. The duration of time between sample receipt and delivery of a valid test result to the ordering physician is typically less than two weeks.

Accordingly, we elect the practical expedient and therefore, we do not to disclose the value of unsatisfied performance obligations.

Transaction price

The transaction price is the amount of consideration to which we expect to collect in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration expected from a contract with a customer may include fixed amounts, variable amounts, or both.

The consideration derived from our contracts is deemed to be variable, though the variability is not explicitly stated in any contract. Rather, the implied variability is due to several factors, such as the amount of contractual adjustments, any patient co-payments, deductibles or compliance incentives, the existence of secondary payers and claim denials.

We estimate the amount of variable consideration using the expected value method, which represents the sum of probability-weighted amounts in a range of possible consideration amounts. When estimating the amount of variable consideration, the company considers several factors, such as historical collections experience, patient insurance eligibility and payer reimbursement contracts.

We limit the amount of variable consideration included in the transaction price to the unconstrained portion of such consideration. In other words, we recognize revenue up to the amount of variable consideration that is not subject to a significant reversal until additional information is obtained or the uncertainty associated with the additional payments or refunds is subsequently resolved. Differences between original estimates and subsequent revisions, including final settlements, represent changes in the estimate of variable consideration and are included in the period in which such revisions are made. Revenue recognized from changes in transaction prices was $8.5 million for the three months ended March 31, 2018.

We monitor our estimates of transaction price to depict conditions that exist at each reporting date. If we subsequently determine that we will collect more consideration than we originally estimated for a contract with a patient, we will account for the change as an increase in the estimate of the transaction price (i.e., an upward revenue adjustment) in the period identified. Similarly, if we subsequently determine that the amount we expect to collect from a patient is less than we originally estimated, we will generally account for the change as a decrease in the estimate of the transaction price (i.e., a downward revenue adjustment), provided that such downward adjustment does not result in a significant reversal of cumulative revenue recognized.

When we do not have significant historical experience or that experience has limited predictive value, the constraint over estimates of variable consideration may result in no revenue being recognized on upon delivery of a patient's Cologuard test result to the ordering physician, with recognition, generally occurring at the date of cash receipt. Since the first quarter of 2017, we determined that our historical experience has sufficient predictive value, such that there are no longer any contracts for which no revenue is recognized upon delivery of a Cologuard test result to an ordering physician. Of the revenue recognized in the twelve months ended December 31, 2017, approximately $4.3 million relates to the one-time impact of certain payers meeting our revenue recognition criteria for accrual-basis revenue recognition beginning with the period ended March 31, 2017. Approximately $1.0 million of this one-time impact relates to tests completed in the prior year and for which our accrual revenue recognition criteria were not met until 2017.

Allocate transaction price

The entire transaction price is allocated to the single performance obligation contained in a contract with a patient.

Point in time recognition

Our single performance obligation is satisfied at a point in time, and that point in time is defined as the date a patient's successful test result is delivered to the patient's ordering physician. We consider this date to be the time at which the patient obtains control of the promised Cologuard test service.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable and deferred revenue on the condensed consolidated balance sheets. Generally, billing occurs subsequent to delivery of a patient's test result to the ordering physician, resulting in an account receivable. However, we sometimes receive advance payment from a patient, particularly a self-pay patient, before a Cologuard test result is completed, resulting in deferred revenue. The deferred revenue balance is relieved upon delivery of the applicable patient's test result to the ordering physician. Changes in accounts receivable and deferred revenue were not materially impacted by any other factors.

Deferred revenue balances are included in other short-term liabilities on our condensed consolidated balance sheets and was $0.2 million and $0.2 million as of March 31, 2018 and December 31, 2017, respectively.

Revenue recognized for the three-months ended March 31, 2018 and 2017, that was included in the deferred revenue balance at the beginning of each period was $56,000 and $0, respectively.

Practical expedients

We do not adjust the transaction price for the effects of a significant financing component, as at contract inception, we expect the collection cycle to be one year or less.

We expense sales commissions when incurred because the amortization period would have been one year or less. These costs are recorded within sales and marketing expenses.

We incur certain other costs that are incurred regardless of whether a contract is obtained. Such costs are primarily related to legal services and patient communications (e.g. compliance reminder letters). These costs are expensed as incurred and recorded within general and administrative expenses.

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 net realizable value, and record a charge to cost of sales for such inventory as appropriate. In addition, the materials used in performing our Cologuard tests 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 net 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, market measure-based awards 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 grant date fair value of market measure-based share-based compensation plans are calculated using a Monte Carlo simulation pricing model. 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 fair value of each market measure-based award is estimated on the date of grant using a Monte Carlo simulation pricing model. The fair value of service-based awards for each restricted stock unit award is determined on the date of grant using the closing stock price on that day. The estimated fair value of these awards is recognized to expense using the straight-line method over the vesting period. For awards issued to non-employees, the measurement date is the date when the performance is complete or when the award vests, whichever is the earliest. Accordingly, non-employee awards are re-measured at each reporting period until the final measurement date. The fair value of the award is recognized as stock-based compensation expense over the requisite service period, generally the vesting period. The Black-Scholes and Monte Carlo pricing models utilize the following assumptions:

- ***Expected Term*** - Expected term is based on our historical life data and is determined using the average of the vesting period and the contractual life of the stock options granted. Expected life of a market measure-based award is based on the applicable performance period.
- ***Expected Volatility*** - Expected volatility is based on our historical stock volatility data over the expected term of the awards.
- ***Risk-Free Interest Rate*** – We base the risk-free interest rate used in the Black-Scholes and Monte Carlo valuation models on the implied yield currently available on U.S. Treasury zero-coupon issues with an equivalent expected term.
- ***Forfeitures*** – Beginning in 2017, we adopted Accounting Standards Update ("ASU") No. 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("Update 2016-09"). With the adoption of Update 2016-09, forfeiture estimates are no longer required, and the effects of actual forfeitures are recorded at the time they occur. The impact on the condensed consolidated balance sheet as of March 31, 2017 was a cumulative-effect adjustment of $0.4 million, increasing opening accumulated deficit and additional paid-in capital.

The fair value of each award is estimated on the date of grant based on the assumptions noted above and as further described in Note 4 to our condensed consolidated financial statements.

Convertible Debt. We account for convertible debt instruments that may be settled in cash or equity upon conversion by separating the liability and equity components of the instruments in a manner that reflects our nonconvertible debt borrowing rate. In January 2018, we issued $690.0 million aggregate principal amount of 1.0% Convertible Notes with a maturity date of January 15, 2025 ("Notes"). We determined the carrying amount of the liability component of the Notes by using assumptions that market participants would use in pricing a debt instrument, including market interest rates, credit standing, yield curves and volatilities. Determining the fair value of the debt component requires the use of accounting estimate and assumptions. These estimates and assumptions are judgmental in nature and could have a significant impact on the determination of the debt component, and the associated non-cash interest expense.

We allocated $194.9 million to the equity component of the convertible debt instrument. That equity component is treated as a discount on the liability component of the Notes, which is amortized over the seven-year term of the Notes using the effective interest rate method. In addition, debt issuance costs related to the Notes were $18.8 million. We allocated the costs to the liability and equity components of the Notes based on their relative values. The debt issuance costs allocated to the liability component are being amortized over the life of the Notes as additional non-cash interest expense. The transaction costs allocated to the equity component are netted with the equity component of the convertible debt instrument in stockholders' equity.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606).* We adopted this guidance on January 1, 2018. See Note 2 for additional discussion.

In January 2016, the Financial Accounting Standards Board issued ASU No. 2016-01, " *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities* ("Update 2016-01") . Update 2016-01 modifies how entities measure equity investments and present changes in the fair value of financial liabilities. Under the new guidance, entities will have to measure equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicality exception. A practicality exception will apply to those equity investments that do not have readily determinable fair value and do not qualify for the practical expedient to estimate fair value under ASC 820, "Fair Value Measurements," and as such these investments may be measured at cost. Update 2016-01 will be effective for the fiscal year beginning January 1, 2018, and subsequent interim periods. Update 2016-01 was further amended in February 2018 by ASU No. 2018-03, *Technical Corrections and Improvements to Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* , ("Update 2018-03"). Update 2018-03 clarifies certain aspects of the guidance issued in Update 2016-01. Public business entities with fiscal years beginning between December 15, 2017 and June 15, 2018, are not required to adopt these amendments until the interim period beginning after June 15, 2018. Early adoption is allowed as long as Update 2016-01 has been adopted. We adopted Update 2016-01 on January 1, 2018. We are currently evaluating the effects that the adoption of Update 2018-03 will have on our condensed consolidated financial statements. We do not anticipate that the new guidance will impact our condensed consolidated financial statements as we already adopted Update 2016-01.

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases (Topic 842),* ("Update 2016-02") which requires recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP. The amendments in this update are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. We expect to adopt the guidance in 2019. We are currently evaluating the effects that the adoption of Update 2016-02 will have on our condensed consolidated financial statements; however, as we have several leases, assets and liabilities are expected to increase upon adoption for right-of-use assets and lease liabilities.

In August 2016, the Financial Accounting Standards Board issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments,* ("Update 2016-15"). Current GAAP either is unclear or does not include specific guidance on the eight cash flow classification issues included in the amendments in Update 2016-15. The amendments are an improvement to GAAP because they provide guidance for each of the eight issues, thereby reducing the current and potential future diversity in practice. We adopted this guidance on January 1, 2018, and it did not have an impact on our statements of cash flows.

In October 2016, the Financial Accounting Standards Board issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory,* ("Update 2016-16"). This amendment improves the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. We adopted this guidance on January 1, 2018, and it did not have an impact on our condensed consolidated financial statements.

In November 2016, the Financial Accounting Standards Board issued ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash,* ("Update 2016-18"). Update 2016-18 provides guidance on the classification of restricted cash in the statement of cash flows. We adopted this guidance on January 1, 2018, and it did not have an impact on our condensed consolidated financial statements, as we do not have restricted cash.

In May 2017, the Financial Accounting Standards Board issued ASU No. 2017-09, *Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting* , ("Update 2017-09"). Update 2017-09 provides guidance on determining which changes to the terms and conditions of share-based payment awards require an entity to apply modification accounting under Topic 718. We adopted this guidance on January 1, 2018, and it did not have an impact on the Company's condensed consolidated financial statements.

Off-Balance Sheet Arrangements

As of March 31, 2018, we had no off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may result from the change in value of financial instruments due to fluctuations in their market price. Market risk is inherent in all financial instruments. 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 March 31, 2018 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.

The primary quantifiable market risk associated with our financial instruments is sensitivity to changes in interest rates. Interest rate risk represents the potential loss from adverse changes in market interest rates. Due to the nature of the financial instruments we hold, we believe there is no material exposure to interest rate risk arising from our portfolio of financial instruments.

Our assets and liabilities are denominated in U.S. dollars. Consequently, we have not considered it necessary to use foreign currency contracts or other derivative instruments to manage changes in currency rates. We do not now, nor do we plan to, use derivative financial instruments for speculative or trading purposes. However, these circumstances might change.

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 March 31, 2018, 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" on the 2017 Form 10-K. There have been no material changes to the risk factors described in the 2017 Form 10-K.

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 April 25, 2018, Maneesh Arora resigned from his positions as Senior Vice President and Chief Operating Officer and as a member of the Board of Directors (the "Board") of the Company. Mr. Arora's resignation from the Board was not a result of any disagreement with the Company. Mr. Arora will remain a non-executive employee of the Company for a transition period through December 31, 2018 (the "Transition Period"), during which time he will serve in an advisory capacity to the Company's Chief Executive Officer (the "CEO"), assist with the orderly transition of his prior executive duties, and perform such other duties as may be requested by the CEO from time to time. On April 25, 2018, we entered into an Employee Transition Agreement with Mr. Arora under which he will continue to receive during the Transition Period the same compensation he was receiving prior to his change in roles, in exchange for a release of claims and his continued compliance with all restrictive covenants. A copy of the Employee Transition Agreement is filed with this Quarterly Report on Form 10-Q as Exhibit 10.4 and is incorporated herein by this reference. The foregoing description of the Employee Transition Agreement does not purport to be complete and is qualified by reference to the full text of the agreement.

Item 6. Exhibits

The following documents are filed as part of this Form 10-Q.

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 B 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	Third Amended and Restated By-Laws of the Registrant (previously filed as Exhibit 3.3 to the Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2017, and incorporated herein by reference)
10.1	Indenture, dated January 17, 2018, between the Registrant and U.S. Bank National Association, as Trustee (previously filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed on January 17, 2018, and incorporated herein by reference)
10.2	First Supplemental Indenture, dated January 17, 2018, between the Registrant and U.S. Bank National Association, as Trustee (including the form of 1.0% Convertible Senior Notes due 2025) (previously filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K, filed on January 17, 2018, and incorporated herein by reference)
10.3+*	Non-Employee Director Compensation Policy, dated January 30, 2018
10.4+*	Employee Transition Agreement, between Maneesh Arora and the Registrant, dated April 25, 2018
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

+ Filed herewith

* Indicates a management contract or any compensatory plan, contract or arrangement.

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: April 26, 2018

By: /s/ Kevin T. Conroy
Kevin T. Conroy
President and Chief Executive Officer
(*Principal Executive Officer*)

Date: April 26, 2018

By: /s/ Jeffrey T. Elliott
Jeffrey T. Elliott
Chief Financial Officer
(*Principal Financial and Accounting Officer*)

Exact Sciences Corporation

Non-Employee Director Compensation Policy

The purpose of this Non-Employee 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.

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

A. Initial Compensation

Upon his or her initial election to the board, each new non-employee director shall be granted restricted stock or deferred stock units having a value equal to $300,000, with the number of restricted shares or deferred stock units to be issued being determined based on the closing sale price of the Company's common stock on the date of grant. A director shall elect whether such award is restricted stock or deferred stock units by delivering written or electronic notice of such election to the Chief Financial Officer before the director begins to serve on the board (or within 30 days after if it is not possible for the director to make his or her election prior to beginning service); provided, however, that if the Chief Financial Officer receives no such election, such grant shall be made in restricted stock. Such restricted stock or deferred stock units shall vest annually over three years (1/3 on the first anniversary of the grant, 1/3 on the second anniversary of the grant and 1/3 on the third anniversary of the grant). If a director ceases to serve as a director before such restricted shares or deferred stock units are fully vested due to death, or if there is a Change in Control prior to such vesting, then such restricted stock or deferred stock units shall become fully vested as of the date of such death or Change in Control, as applicable. If the director ceases to serve on the Board for any reason other than death, any restricted stock or deferred stock units granted under this Paragraph A that are not then vested shall be forfeited as of the date of such cessation of services.

B. Annual Compensation

1. Annual Cash Compensation

a. On the date of each annual meeting of the Company's stockholders, each non-employee director who is continuing as a director following such annual meeting shall be paid an annual cash compensation amount as follows:

Board Member Cash Compensation

Annual retainer for each director: $50,000
Board chair (if independent chair) additional compensation: $25,000
Lead independent director (if no independent chair) additional compensation: $25,000

Committee Member Cash Compensation

Committee chair cash compensation

-	Audit	$ 25,000
-	Compensation	$ 20,000
-	Nominating & Governance	$ 13,000

Committee member (other than committee chair) cash compensation

-	Audit	$ 12,500
-	Compensation	$ 10,000
-	Nominating & Governance	$ 6,500

b. In lieu of cash, a director may elect to receive restricted stock having an equivalent dollar value based on the closing sale price of the Company's common stock on the date of grant. To be effective, notice of such election must be delivered to the Company's Chief Financial Officer in writing or electronically prior to the annual meeting at which such election shall first take effect, and such election shall be irrevocable and remain in effect until the later of (i) immediately prior to the second annual meeting following the date of delivery of such notice, or (ii) written or electronic notice from the director to the Chief Financial Officer terminating such election.

2. Annual Equity Compensation

a. On the date of each annual meeting of the Company's stockholders, each non-employee director who is continuing as a director following the date of such annual meeting shall be granted restricted stock or deferred stock units having a value of $200,000 with the number of restricted stock or deferred stock units to be issued being determined, based on the closing sale price of the Company's common stock on the date of grant. A director shall elect whether such award is restricted stock or deferred stock units by delivering written or electronic notice of such election to the Chief Financial Officer prior to January 1 of the calendar year in which such award will be made (or the date of the annual meeting with respect to the first award made to a director under this Policy if it is not possible for the director to make his or her election prior to January 1 of the calendar year in which such award will be made); provided, however, that if the Chief Financial Officer receives no such election, such grant shall be made in restricted stock.

b. On the date of each annual meeting of the Company's stockholders, the board chair (if independent), provided such individual will continue as board chair following the date of the annual meeting, shall be granted an additional annual award having a value equal to $15,000 based on the closing sale price of the Company's common stock on the date of grant. The chair may elect to receive such award in either restricted stock or deferred stock units by delivering written or electronic notice of such election to the Chief Financial Officer prior to

January 1 of the calendar year in which such award will be made (or the date of the annual meeting with respect to the first award made to the chair under this Policy if it is not possible for the chair to make his or her election prior to January 1 of the calendar year in which such award will be made); provided, however, that if the Chief Financial Officer receives no such election, such grant shall be made in restricted stock.

c. Grants of annual equity compensation described in Section 2 of this Policy shall not become vested until the first anniversary of the grant date (or, if earlier, the date of the next annual meeting of the Company's stockholders (the "Annual Award Vesting Date"). If a director ceases to serve as a director before the Annual Award Vesting Date due to the director's death, or if there is a Change in Control prior to the Annual Award Vesting Date, then the shares shall become fully vested as of the date of such death or Change in Control, as applicable. If a director ceases to serve as a director at any time for any reason other than death before the earlier of the Annual Award Vesting Date or a Change in Control, then the annual equity grant shall become vested pro rata (based on the number of days between the grant date and the date of cessation of services divided by (x) 365 days for awards made at an annual stockholders meeting or (y) the number of days from the date of commencement of services until the next annual stockholders meeting for an award made other than at an annual stockholders meeting), and to the extent the shares are not thereby vested they shall be forfeited as of the date of such cessation of services. These vesting rules will apply whether an award is payable in shares or deferred stock units.

3. Partial Year Compensation

If a director is elected or appointed to the board other than on the date of an annual meeting of stockholders, such director's annual cash and equity compensation for the period between the date of such election or appointment and the date of the next following annual meeting of the Company's stockholders shall be granted in accordance with subsection B of this Policy on the date of such meeting but adjusted pro rata to reflect the date of such director's election or appointment and the date of such meeting and, provided, further, that the number of restricted stock or deferred stock units to be issued pursuant to this paragraph shall be determined, based on the closing sale price of the Company's common stock on the date of such director's appointment, and shall be fully-vested on grant .

4. Per-Meeting Cash Compensation in Special Circumstances

Additional cash compensation shall be paid at the rate of $1,500 per meeting attended, whether such meeting is attended in person or by telephone, in the following special circumstances:

a. To the extent the number of board meetings or committee meetings, calculated on a per-committee basis, exceeds 10 in a given year. For purposes of this section, a year commences with the Company's annual meeting of stockholders. Only the members of a given committee are eligible for the payments described in this section with respect to meetings of that committee. For the avoidance of doubt, no additional compensation would be payable under this section if a director attends 9 board meetings, 9 compensation committee meetings and 9 audit committee meetings; rather, additional compensation would only be triggered by the 11[th] meeting of the board or a given committee.

b. To the extent the board creates a special committee, or designates the members of a standing committee to function with respect to a special purpose as members of a special committee. Only the members of the special committee are eligible for the payments described in this section with respect to meetings of such special committee.

C. Additional Terms

1. All equity and equity-based awards under this Policy (including stock options, restricted stock and deferred stock units) shall be made under and pursuant to the Company's 2010 Omnibus Long-Term Incentive Plan ("Plan"). Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Plan.

2. Deferred stock units are bookkeeping entries representing the equivalent of shares of the Company's common stock. Deferred stock units are paid in shares of the Company's common stock on the effective date of the director's retirement or removal from the board.

3. All vesting under the equity grants described in this Policy immediately ceases upon cessation of service as a director for any reason.

4. A director may not sell, transfer or otherwise dispose of any shares of restricted stock awarded under this Policy until they become vested; however, the director shall have the right to receive dividends with respect to such shares and to vote such shares prior to vesting.

5. The exercise price for all stock options under this Policy shall be the Company's closing stock price on the date of grant, or, if the date of grant is not a trading day, then the first trading day after the date of grant.

6. For purposes of determining the number of stock options in a given grant, stock options shall be valued using the Black-Scholes method.

7. The compensation described in this Policy is in addition to reimbursement of all out-of-pocket expenses incurred by directors in attending meetings of the board.

Approved January 30, 2018

EMPLOYEE TRANSITION AGREEMENT

THIS EMPLOYEE TRANSITION AGREEMENT (" Agreement ") is entered into effective as of the 25th day of April 2018 (the " Effective Date "), by and between Maneesh Arora (" Employee ") and Exact Sciences Corporation, a Delaware corporation (the " Company ").

WHEREAS , the Company employs Employee as its Senior Vice President and Chief Operating Officer under the terms and conditions set forth in the Employment Agreement between the parties dated March 18, 2009 (the " Employment Agreement ").

WHEREAS , the Company and Employee mutually desire, effective as of the Effective Date, to transition Employee to a non-executive employee role with the Company through December 31, 2018 (the " Termination Date "), under the terms of this Agreement.

WHEREAS , the Employment Agreement shall be terminated as of the Effective Date and this Agreement shall replace the Employment Agreement in its entirety as of the Effective Date.

NOW , **THEREFORE** , in consideration of the mutual covenants and conditions hereinafter set forth, and other good and valuable consideration, receipt of which is hereby acknowledged, the parties agree as follows:

1. Transition . As of the Effective Date, Employee shall cease to serve as (a) Senior Vice President and Chief Operating Officer of the Company, (b) a member of the Board of Directors of the Company and (c) an officer or director of the Company or any of its Affiliates in any capacity. From the Effective Date through the Termination Date, Employee shall continue to serve as a non-executive employee of the Company. The period from the Effective Date through the Termination Date shall be the " Transition Term " (provided that the Transition Term may be terminated earlier than the Termination Date as provided in Section 6 below). During the Transition Term, Employee shall serve in an advisory capacity to the Company's Chief Executive Officer (the " CEO "), assist with the orderly transition of his prior duties to others, and perform such other duties as may be requested by the CEO from time to time, all subject to the terms and provisions of this Agreement subject to the authority and direction of the CEO. Employee agrees (i) to devote his full-time professional efforts, attention and energies to the business of the Company, and (ii) to faithfully and to the best of his ability perform his duties hereunder. Employee may serve as a director or committee member of other corporations, charitable organizations and trade associations (provided that the Company is notified in advance of all such positions) and may otherwise engage in charitable and community activities, deliver lectures and fulfill speaking engagements, and manage personal investments, but only if such services and activities do not interfere with the performance of his duties and responsibilities under this Agreement.

2. Release . The Company's obligations to Employee under this Agreement are contingent on Employee's delivery to the Company and non-revocation of a signed waiver and release in a form substantially consistent with Schedule A hereto—both on or within 21 days after the Effective Date and then again on the Termination Date. Moreover, Employee's rights

to receive ongoing payments and benefits under this Agreement are conditioned on Employee's ongoing compliance with his obligations as described in Section 8 hereof. Any cessation by the Company of any such payments and benefits shall be in addition to, and not in lieu of, any and all other remedies available to the Company for Employee's breach of his obligations described in Section 8 hereof.

3. Compensation . During the Transition Term, Employee shall receive the following compensation, as long as Employee remains in service with the Company (or upon a separation from service as set forth in Section 6.3 or Section 7.1 hereof) and does not breach any terms of this Agreement.

3.1 Base Salary . Employee's annual base salary rate during the Transition Term shall be $500,000, payable in accordance with the normal payroll practices of the Company (" Base Salary ").

3.2 Annual Bonus Compensation . Employee shall be eligible to receive a cash bonus as determined by the Company's Compensation Committee for 2018. Employee's target 2018 bonus percentage shall be sixty percent (60%) of the Base Salary. Any such bonus shall be based upon the achievement of goals determined by the Compensation Committee after consultation with the CEO, shall be paid no later than March 15, 2019, and Employee shall not be eligible to receive an annual bonus for 2018 unless he remains employed with the Company through December 31, 2018 (or upon a separation from service as set forth in Section 6.3 or Section 7.1 hereof).

3.3 Long Term Incentive Plan . During the Transition Term, Employee shall continue to participate in the Long Term Incentive Plan (" LTIP ") implemented by the Company in accordance with the Employment Agreement. Employee's benefits under the LTIP shall be determined pursuant to the terms of the LTIP, and such benefits may not be terminated or diminished without the written consent of the Employee. Without limiting the foregoing, the LTIP shall provide for a cash payout to Employee upon the consummation of a Change of Control that is publicly announced after the Effective Date and on or before December 31, 2019, as follows: (a) One-half percent (0.5%) of the equity value of any Change of Control transaction having an equity value between One Hundred Million Dollars ($100,000,000) and Five Hundred Million Dollars ($500,000,000); (b) for Change of Control transactions having an equity value between Five Hundred Million Dollars ($500,000,000) and One Billion Dollars ($1,000,000,000), the cash payout to Employee would be equal to the amount calculated in (a) above plus one-quarter percent (0.25%) for each incremental Fifty Million Dollars ($50,000,000) in equity value over Five Hundred Million Dollars ($500,000,000); (c) for Change of Control transactions having an equity value between One Billion Dollars ($1,000,000,000) and Two Billion Dollars ($2,000,000,000), the cash payout to Employee would be equal to the amounts calculated in (a) and (b) above plus one-eighth percent (0.125%) for each incremental Fifty Million Dollars ($50,000,000) in equity value over One Billion Dollars ($1,000,000,000); and (d) for Change of Control transactions having an equity value greater than Two Billion Dollars

($2,000,000,000), there would be no further increase in the cash payout to Employee beyond that calculated under subsections (a), (b) and (c). For example, in connection with a Change of Control transaction having an equity value of (i) $600,000,000, Employee would receive a cash payout of $2,750,000 ($2,500,000 + $125,000 + $125,000) and (ii) $1,100,000,000, Employee would receive a cash payout of $3,875,000 ($3,750,000 + $62,500 + $62,500).

3.4 Equity Incentives and Other Long Term Compensation .

(a) Employee's transition of employment hereunder shall not constitute a separation from service or termination of employment for purposes of Employee's Equity Awards. Such Equity Awards shall continue to remain subject to their terms and conditions existing upon the Effective Date during the Transition Term. If Employee continues to remain in service under this Agreement through the Termination Date (or upon a separation from service as set forth in Section 6.3 or Section 7.1 hereof), the Termination Date shall be considered Employee's separation from service for purposes of the Equity Awards, and the terms of this Agreement shall control the treatment of the Equity Awards upon such separation from service and shall supersede any contradictory terms or conditions of the Equity Awards existing upon the Effective Date; provided that, upon the Termination Date, the time vesting and exercisability of one hundred percent (100%) of Employee's Equity Awards shall accelerate by a period of twelve (12) months; and Employee shall be entitled to exercise such Equity Awards (if exercisable) until the earlier of two (2) years from the Termination Date or the latest date on which those Equity Awards expire or are eligible to be exercised under the applicable award agreements. For the avoidance of doubt, so long as Employee continues to remain in service under this Agreement through the Termination Date (or upon a separation from service as set forth in Section 6.3 or Section 7.1 hereof), Employee shall have met all service-based vesting conditions under Employee's Performance Share Units granted by the Company on February 26, 2016 (the " PSUs ") under its 2010 Omnibus Long-Term Incentive Plan, and such PSUs shall become vested (or forfeitable) depending on the extent to which the applicable performance-based vesting conditions under the PSUs are achieved; and Employee acknowledges that Employee does not have any outstanding Performance Awards other than the PSUs.

(b) If Employee does not remain in service under this Agreement through the Termination Date for a reason not set forth in Section 6.3 or Section 7.1 hereof, the Equity Awards shall be treated according to their terms and conditions existing immediately prior to the Effective Date, provided that Employee's transition of employment hereunder shall not constitute "good reason" for purposes of any Equity Award.

(c) " Equity Awards " means Employee's stock options, stock appreciation rights, restricted stock units (including performance stock units) and restricted shares (including performance shares), in each case that are issued and outstanding under a Company equity compensation plan as of the Effective Date; and, for the avoidance of doubt, Equity Awards shall not include any rights or benefits under the Company's 2010 Employee Stock Purchase Plan, as amended, or any successor plan thereto.

(d) " Performance Award " means an Equity Award that vests or becomes earned subject to the attainment of performance goals.

4. Benefits . During the Transition Term:

4.1 Benefits . Employee will be entitled to participate in the sick leave, insurance (including medical, life and long-term disability), profit-sharing, retirement, and other benefit programs that are generally provided to employees of the Company, all in accordance with the rules and policies of the Company as to such matters and the plans established therefore.

4.2 Paid Time Off and Personal Time . The Company will provide Employee with four (4) weeks of paid time off (" PTO ") each calendar year Employee is employed by the Company, in accordance with Company policy. The foregoing PTO days shall be in addition to standard paid holiday days for employees of the Company.

4.3 Indemnification . To the fullest extent permitted by applicable law and as provided for in the Company's articles of incorporation and bylaws the Company will, during and after the Transition Term, indemnify Employee (including providing advancement of expenses) for any judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees, incurred by Employee in connection with the defense of any lawsuit or other claim or investigation to which Employee is made, or threatened to be made, a party or witness by reason of being or having been an officer, director or employee of the Company or any of its subsidiaries or affiliates as deemed under the Securities Exchange Act of 1934 (" Affiliates ") or a fiduciary of any of their benefit plans.

4.4 Liability Insurance . Both during and after the Transition Term, the Company shall cause Employee to be covered under a directors and officers' liability insurance policy for his acts (or non-acts) as an officer of the Company or any of its Affiliates. Such policy shall be maintained by the Company, at its expense in an amount and on terms (including the time period of coverage after the Effective Date) at least as favorable to the Employee as policies covering the Company's other members of its Board of Directors.

5. Business Expenses . Upon submission of a satisfactory accounting by Employee, consistent with the policies of the Company, the Company will reimburse Employee for any reasonable and necessary out-of-pocket expenses incurred by Employee in the furtherance of the business of the Company.

6. Termination .

6.1 By Employee .

(a) Without Good Reason . Employee may terminate his employment pursuant to this Agreement at any time without Good Reason, as defined below, with at least thirty (30) business days' written notice (the " Employee Notice Period ") to the Company. Upon termination by Employee under this section, the Company may, in its sole discretion and at any time during the Employee Notice Period, suspend Employee's duties for the remainder of the Employee Notice Period, as long as the Company continues to pay compensation to Employee, including benefits, throughout the Employee Notice Period.

(b) With Good Reason . Subject to Section 7.1 , Employee may terminate his employment pursuant to this Agreement with Good Reason, as defined below, at any time within ninety (90) days after the occurrence of an event constituting Good Reason.

(c) " Good Reason " shall mean any of the following:

(i) Employee's Base Salary is reduced (x) in a manner that is not applied proportionately to other senior executive officers of the Company or (y) by more than thirty percent (30%) of Employee's then current Base Salary;

(ii) the occurrence of a material breach by the Company of any of its obligations to Employee under this Agreement; or

(iii) the Company materially violates or continues to materially violate any law or regulation contrary to the written advice of Employee and the Company's outside counsel to the Board of Directors;

and, in each case, the Company fails to rectify such violation within thirty (30) days of the written advice that such violations are taking place.

6.2 By the Company .

(a) With Cause . The Company may terminate Employee's employment pursuant to this Agreement for Cause, as defined below, immediately upon written notice to Employee.

(b) " Cause " shall mean any of the following:

(i) any willful failure or refusal to perform the Employee's duties which continues for more than ten (10) days after written notice from the Company, specifically identifying the manner in which the

Company believed the Employee had failed or refused to perform his duties;

(ii) the commission of any fraud or embezzlement by the Employee in connection with the Employee's duties or committed in the course of Employee's employment;

(iii) any gross negligence or willful misconduct of the Employee with regard to the Company or any of its subsidiaries resulting in a material economic loss to the Company;

(iv) a conviction of, or plea of guilty or nolo contendere to, a felony or other crime involving moral turpitude,

(v) the Employee is convicted of a misdemeanor the circumstances of which involve fraud, dishonesty or moral turpitude and which is substantially related to the circumstances of Employee's job with the Company;

(vi) any willful and material violation by the Employee of any statutory or common law duty of loyalty to the Company or any of its subsidiaries resulting in a material economic loss; or

(vii) any material breach by the Employee of this Agreement or any of the agreements referenced in Section 8 of this Agreement.

(c) Without Cause. Subject to Section 7.1, the Company may terminate Employee's employment pursuant to this Agreement without Cause upon at least thirty days' written notice ("Company Notice Period") to Employee. Upon any termination by the Company under this Section 6.2(c), the Company may, in its sole discretion and at any time during the Company Notice Period, suspend Employee's duties for the remainder of the Company Notice Period, as long as the Company continues to pay compensation to Employee, including benefits, throughout the Company Notice Period.

6.3 Death or Disability. In the event of the death or disability of Employee during the Transition Term, (i) Employee's employment and this Agreement shall immediately and automatically terminate, (ii) the Company shall pay Employee (or in the case of death, employee's designated beneficiary) continued Base Salary through the end of the Transition Term, (iii) Employee shall deemed to have continued in employment through December 31, 2018 for purposes of his annual bonus for 2018 under Section 3.2 above, and (iv) one hundred percent (100%) of Employee's Equity Awards shall become fully vested and exercisable; and Employee shall be entitled to exercise such Equity Awards (if exercisable) until the earlier of two (2) years from the Termination Date or the latest date on which those Equity Awards expire or are eligible to be exercised under the applicable award agreements. Performance Awards shall be deemed to have been fully vested and earned under this Section 6.3 based upon the greater of (1) an assumed achievement of all relevant performance goals at the "target" level or (2) the actual level of achievement of all relevant performance goals as of the Employee's termination. Neither Employee, his beneficiary nor estate shall be entitled to any severance benefits set forth in Section 7 if terminated pursuant to this section. In the event of the disability of Employee, the parties agree to comply with applicable federal and state law.

6.4 Survival . The Confidential Information Agreement described in Section 8 hereof and attached hereto as Schedule B shall survive the termination of this Agreement.

7. Severance and Other Rights Relating to Termination and Change of Control .

7.1 Termination of Agreement Pursuant to Section 6.1(b) or Section 6.2(c) . If Employee terminates Employee's employment with Good Reason pursuant to Section 6.1(b) before the Termination Date or if the Company terminates Employee's employment without Cause pursuant to Section 6.2(c) before the Termination Date, subject to the conditions described in Section 2 above, the Company will provide Employee the following payments and other benefits:

(a) (i) salary continuation through December 31, 2018 at Employee's Base Salary, which shall commence on the first payroll date which is on or immediately follows the 30th day following the termination of Employee's employment, (ii) any accrued but unpaid Base Salary as of the termination date; and (iii) any accrued but unpaid bonus, including without limitation any performance-based bonus, as of the termination date, all on the same terms and at the same times as would have applied had Employee's employment not terminated; provided, that if at the end of the applicable period within which Employee's employment was terminated a target bonus, or any other performance-based bonus, is paid to other senior executives, a pro-rata target or other performance-based bonus shall also be paid to Employee at the same time but no later than March 15 of the following year.

(b) If Employee elects COBRA coverage for health and/or dental insurance in a timely manner, the Company shall pay the monthly premium payments for such timely elected coverage (consistent with what was in place at the date of termination) when each premium is due until the earlier of: (i) December 31, 2018; (ii) the date Employee obtains new employment which offers health and/or dental insurance that is reasonably comparable to that offered by the Company; or (iii) the date COBRA continuation coverage would otherwise terminate in accordance with the provisions of COBRA. Thereafter, health and dental insurance coverage shall be continued only to the extent required by COBRA and only to the extent Employee timely pays the premium payments himself.

(c) The Equity Awards shall be treated under in accordance with Section 3.4 above as though Employee remained employed under this Agreement through December 31, 2018.

7.2 Change of Control .

(a) " Change of Control " shall mean, and shall be deemed to have occurred if, on or after the date of this Agreement, (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended) or group acting in concert, other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company acting in such capacity or a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, becomes the "beneficial owner" (as defined in Rule 13d-3 under said Act), directly or indirectly, of securities of the Company representing more than 50% of the total voting power represented by the Company's then outstanding Voting Securities, (ii) during any 12-month period, individuals who at the beginning of such period constitute the Board of Directors of the Company and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a vote of at least two thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, (iii) the consummation of a merger or consolidation of the Company with any other corporation other than a merger or consolidation which would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, or (iv) the sale or disposition by the Company of (in one transaction or a series of related transactions) all or substantially all of the Company's assets.

(b) Acceleration of Vesting of Equity Awards . Upon a Change of Control during the Transition Term, the time vesting and exercisability of one hundred percent (100%) of the Equity Awards shall immediately accelerate, and all Performance Award shall be deemed to have been fully vested and earned as of the Change of Control based upon the greater of (A) an assumed achievement of all relevant performance goals at the "target" level or (B) the actual level of achievement of all relevant performance goals as of the Change of Control. Employee will be entitled to exercise such vested equity awards in accordance with the applicable grant agreements.

7.3 No Severance Benefits . Employee is not entitled to any severance benefits if this Agreement is terminated pursuant to Section 6.1(a) or Section 6.2(a) of this

Agreement; provided however, Employee shall be entitled to (i) Base Salary prorated through the effective date of such termination; (ii) bonuses which have been earned and for which the payment date occurs prior to the effective date of such termination; and (iii) medical coverage and other benefits required by law and plans (as provided in Section 7.4 , below).

7.4 Benefits Required by Law and Plans: PTO Pay . In the event of the termination of Employee's employment, Employee will be entitled to medical and other insurance coverage, if any, as is required by law and, to the extent not inconsistent with this Agreement, to receive such additional benefits as Employee may be entitled under the express terms of applicable benefit plans (other than bonus or severance plans) of the Company, its subsidiaries and Affiliates.

7.5 409A Compliance . Notwithstanding anything in this Section 7 to the contrary, to the extent that any payments under this Section 7 are considered deferred compensation subject to Section 409A of the Internal Revenue Code, such payments shall not be paid for six months following the Employee's separation from service (if, and only to the extent, applicable and required for compliance with Section 409A). To the extent that any payment is delayed pursuant to this subsection, it shall be paid on the first day after the end of such required period.

8. Restrictions .

8.1 The Confidential Information Agreement . Employee will enter into and comply with the terms of the Non-Disclosure and Invention Agreement in substantially the form attached hereto as Schedule B (the " Confidential Information Agreement ").

8.2 Agreement Not to Compete . In consideration for all of the payments and benefits that may become due to Employee under this Agreement, Employee agrees that during the Transition Term and for a period of eighteen (18) months after the Transition Term, he will not, directly or indirectly, on his own behalf or on behalf of any other person or entity, without the prior written consent of the CEO, (a) provide services to a Competing Entity in a role in which Employee's knowledge of Confidential Information is likely to affect Employee's decisions or actions for the Competing Entity to the detriment of the Company; or (b) solicit or seek to divert the business of any Restricted Customer by offering Competitive Products or Services to such Restricted Customer in the Restricted Area. Employee acknowledges that in his position with the Company, he has had and will have access to Confidential Information about all aspects of the Company that would be of significant value to the Company's competitors.

8.3 Additional Definitions .

(a) " Competing Entity " means any person or entity engaged in the development, design, manufacture, marketing, distribution or sale of Competitive Products or Services.

(b) " Competitive Products or Services " means products and/or services of the type the Company provided or offered, or was in the process of researching or developing, at any time during the previous twelve (12) months (if during the Transition Term) or during the twelve (12) months immediately preceding the end of the Transition Term (if after the Transition Term). "Competitive Products or Services" does not include any product or service that the Company no longer provides and does not intend to provide in the following twelve (12)-month period.

(c) " Confidential Information " means all information regarding the Company or the Company's activities, business or clients that is possessed by or developed for the Company, which information is not reasonably knowable by the Company's competitors or by the general public through lawful means, and which information the Company treats as confidential. Confidential Information shall include, without limitation, products and product development information, systems, business methods and plans, operations, programs, procedures, research, databases, manuals, guides (as periodically updated or supplemented), confidential reports and communications (including, without limitation, customer information, technical information on the performance and reliability of the Company's products and the development or acquisition of future products or product enhancements by the Company), production processes, business processes, marketing techniques and information, mailing lists, supplier and other purchasing information, price lists, pricing policies, quoting procedures, projects, plans, proposals, financial information, budgets, technical information regarding the Company's products or services, source code, object code, information concerning Company techniques for use and integration of its products, current and future development and expansion or contraction plans of the Company, sale or acquisition plans and contacts, customer and prospect names and requirements, customer data, customer information, lists of customers and suppliers, other materials or information relating to the manner in which the Company does business as well as the nature and type of the services rendered by the Company and the fees paid by the Company's customers, and any information and materials received by the Company from third parties in confidence (or subject to non-disclosure covenants).

(d) " Customer " means any individual or entity for whom the Company has provided products or services, or made a proposal to perform services or provide products, at any time during the most recent twelve (12) months (if during the Transition Term) or at any time during the twelve (12) months immediately preceding the end of the Transition Term (if after the Transition Term).

(e) " Restricted Customer " means any Customer (i) about whom Employee had access to information or goodwill as a normal part of Employee's job performance that would assist in solicitation of such Customer, or (ii) with whom Employee personally dealt on behalf of the Company at any time during the previous twelve (12) months (if during the Transition Term) or at any time during the twelve (12) months immediately preceding the end of the Transition Term (if after the Transition Term).

(f) " Restricted Area " means any geographic location where if Employee were to provide any Competitive Products or Services for a Competing Entity in such a location, the effect of such performance would be competitive to the Company.

(g) " Restricted Employee " means an employee of the Company (i) with whom Employee has or had a relationship from working together at the Company that could be exploited by Employee to persuade the employee to leave his or her employment with the Company, and (ii) who has Confidential Information acquired as a result of his or her employment by the Company that could cause the Company damage or harm if he or she were to accept employment with a Competing Entity or to provide Competitive Products or Services on behalf of himself/herself, any other person, or any entity other than the Company.

8.4 Reasonable Restrictions On Competition Are Necessary . Employee acknowledges that reasonable restrictions on competition are necessary to protect the interests of the Company. Employee also acknowledges that he has certain skills necessary to the success of the Company, and that the Company has provided and will provide to him certain Confidential Information that it would not otherwise provide because he has agreed not to compete with the business of the Company as set forth in this Agreement.

8.5 Restrictions Against Solicitation of Restricted Employees . Employee further covenants and agrees that during the Transition Term and for a period of eighteen (18) months following the Transition Term, he will not, except with the prior consent of the Company's Chief Executive Officer, directly or indirectly, solicit or endeavor to cause any Restricted Employee to leave his or her employment with the Company to either: (a) accept employment with or work as an independent contractor or consultant to a Competing Entity in a role in which the Restricted Employee would be able to use Confidential Information acquired as a result of his or her employment with the Company to the Company's detriment; or (b) provide Competitive Products or Services on behalf of himself/herself, any other person, or any entity other than the Company in the Restricted Area. Nothing in this Section 8.5 prohibits an employee of the Company who is not a party to this Agreement from becoming employed by another organization or person; it solely prohibits solicitation by Employee as set forth herein.

8.6 Affiliates . For purposes of this Section 8 , the term "Company" will be deemed to include the Company and its Affiliates.

8.7 Ability to Obtain Other Employment. Employee hereby represents that his experience and capabilities are such that in the event his employment with the Company is terminated, he will be able to obtain employment if he so chooses during the period of noncompetition following the termination of employment described above without violating the terms of this Agreement, and that the enforcement of this Agreement by injunction, as described below, will not prevent him from becoming so employed. To assist Employee in obtaining subsequent employment, the Company agrees to respond within 3 business days to any request of Employee as to whether a new position would be viewed by the Company as violation of the restrictions in this Agreement.

8.8 Injunctive Relief. Employee understands and agrees that if he violates any provision of this Section 8, then in any suit that the Company may bring for that violation, an order may be made enjoining him from such violation, and an order to that effect may be made pending litigation or as a final determination of the litigation. Employee further agrees that the Company's application for an injunction will be without prejudice to any other right of action that may accrue to the Company by reason of the breach of this Section 8.

8.9 Severability. In case any provisions (or portions thereof) contained in this Agreement shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. If, moreover, any one or more of the provisions contained in this Section 8 shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

8.10 Section 8 Survives Termination. The provisions of this Section 8 will survive termination of this Agreement and the termination of the Employee's employment. Employee understands that his obligations under this Section 8 will continue in accordance with its express terms regardless of any changes in title, position, duties, salary, compensation or benefits or other terms and conditions of employment. The Company will have the right to assign Employee's obligations under this Section 8 to its affiliates, successors and assigns. Employee expressly consents to be bound by the provisions of this Section 8 for the benefit of the Company or any parent, subsidiary or affiliate to whose employ Employee may be transferred without the necessity that this Agreement be re-executed at the time of such transfer.

9. Arbitration. Unless other arrangements are agreed to by Employee and the Company, any disputes arising under or in connection with this Agreement, other than a dispute in which the primary relief sought is an equitable remedy such as an injunction, will be resolved by binding arbitration to be conducted pursuant to the Agreement for Arbitration Procedure of Certain Employment Disputes attached as Schedule C hereof.

10. Assignments: Transfers: Effect of Merger . No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred pursuant to a merger or consolidation, or pursuant to the sale or transfer of all or substantially all of the assets of the Company, provided that the assignee or transferee is the successor to all or substantially all of the assets of the Company. This Agreement will not be terminated by any merger, consolidation or transfer of assets of the Company referred to above. In the event of any such merger, consolidation or transfer of assets, the provisions of this Agreement will be binding upon the surviving or resulting corporation or the person or entity to which such assets are transferred. The Company agrees that concurrently with any merger, consolidation or transfer of assets referred to above, it will cause any successor or transferee unconditionally to assume, either contractually or as a matter of law, all of the obligations of the Company hereunder in a writing promptly delivered to the Employee. This Agreement will inure to the benefit of, and be enforceable by or against, Employee or Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, designees and legatees. None of Employee's rights or obligations under this Agreement may be assigned or transferred by Employee other than Employee's rights to compensation and benefits, which may be transferred only by will or operation of law. If Employee should die while any amounts or benefits have been accrued by Employee but not yet paid as of the date of Employee's death and which would be payable to Employee hereunder had Employee continued to live, all such amounts and benefits unless otherwise provided herein will be paid or provided in accordance with the terms of this Agreement to such person or persons appointed in writing by Employee to receive such amounts or, if no such person is so appointed, to Employee's estate.

11. No Set-off. No Mitigation Required . Except as expressly provided otherwise in this Agreement, the obligation of the Company to make any payments provided for hereunder and otherwise to perform its obligations hereunder will not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against Employee or others. In no event will Employee be obligated to seek other employment or take other action by way of mitigation of the amounts payable to Employee under any of the provisions of this Agreement, and such amounts will not be reduced (except as otherwise specifically provided herein) whether or not Employee obtains other employment.

12. Taxes . The Company shall have the right to deduct from any payments made pursuant to this Agreement any and all federal, state, and local taxes or other amounts required by law to be withheld.

13. 409A Compliance . The intent of Employee and the Company is that the severance and other benefits payable to Employee under this Agreement not be deemed "deferred compensation" under, or otherwise fail to comply with, Section 409A of the Internal Revenue Code. Employee and the Company agree to use reasonable best efforts to amend the terms of this Agreement from time to time as may be necessary to avoid the imposition of penalties or additional taxes under Section 409A of the Internal Revenue Code; provided, however, any such amendment will provide Employee substantially equivalent

economic payments and benefits as set forth herein and will not in the aggregate, materially increase the cost to, or liability of, the Company hereunder.

14. Miscellaneous . No amendment, modification or waiver of any provisions of this Agreement or consent to any departure thereof shall be effective unless in writing signed by the party against whom it is sought to be enforced. This Agreement contains the entire Agreement that exists between Employee and the Company with respect to the subjects herein contained and replaces and supersedes all prior agreements, oral or written, between the Company and Employee with respect to the subjects herein contained, including the Employment Agreement. Nothing herein shall affect any terms in the Confidential Information Agreement or the Agreement for Arbitration Procedure of Certain Employment Disputes (except as and to the extent expressly provided herein). If any provision of this Agreement is held for any reason to be unenforceable, the remainder of this Agreement shall remain in full force and effect. Each section is intended to be a severable and independent section within this Agreement. The headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement. This Agreement is made in the State of Wisconsin and shall be governed by and construed in accordance with the laws of said State.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. All notices and all other communications provided for in this Agreement shall be in writing and shall be considered duly given upon personal delivery, delivery by nationally reputable overnight courier, or on the third business day after mailing from within the United States by first class certified or registered mail, return receipt requested, postage prepaid, all addressed to the address set forth below each party's signature. Any party may change its address by furnishing notice of its new address to the other party in writing in accordance herewith, except that any notice of change of address shall be effective only upon receipt.

The parties hereto have executed this Employee Transition Agreement as of the Effective Date.

Exact Sciences Corporation ("Company")

By:
Maneesh Arora ("Employee") Name: Kevin Conroy
Title: Chairman and CEO

Notice Address: Notice Address:
441 Charmany Drive
Madison, WI 53719

Schedule A

WAIVER AND RELEASE AGREEMENT

1. General Release and Waiver of Claims .

(a) In consideration for your eligibility to receive the compensation and benefits set forth in the Employee Transition Agreement (the " Transition Agreement ") between Exact Sciences Corporation (" Exact ," together with its affiliated companies and any and all of their respective predecessors, successors, assigns, subsidiaries, parents, affiliates, divisions, branches, related entities, and present and former officers, directors, employees, stockholders, and agents, the " Exact Releasees ") and Maneesh Arora (" you "), you, on behalf of yourself and your successors and assigns (together, the " Releasing Parties "), specifically, irrevocably, unconditionally, and fully and forever waive, release, and discharge the Exact Releasees from any and all manner of claims, debts, demands, damages, liabilities, and causes of action, whether known or unknown, from the beginning of time through the date of your execution of this Waiver and Release Agreement (" Release "), relating to or arising out of your employment relationship with Exact or the termination of that relationship (collectively, the " Released Claims "), including causes of action for libel, slander, breach of contract, detrimental reliance, impairment of economic opportunity, intentional infliction of emotional distress, or any other tort, and claims under federal, state, or local constitutions, statutes, regulations, ordinances, or common law, including (in each case as amended and including their implementing regulations): the Wisconsin Fair Employment Act; the Wisconsin Wage Claim and Payment Law; the Wisconsin Family and Medical Leave Law; the Wisconsin Personnel Records Statute; the Wisconsin Employment Peace Act; any other Wisconsin or other applicable law related to human rights, civil rights, employment, wages, or employee benefits; the Employee Retirement Income Security Act of 1974; the Civil Rights Acts of 1866, 1871, 1964, and 1991; the Age Discrimination in Employment Act of 1967, including the Older Workers Benefit Protection Act (the " ADEA "); the Rehabilitation Act of 1973; the Equal Pay Act of 1963; and the Americans with Disabilities Act of 1990.

(b) Notwithstanding the foregoing, the release granted under Section 1(a) above and the ADEA Release in Section 2 below specifically exclude:

(i) any rights to unemployment or disability benefits under applicable law;

(ii) any rights based on any violation of any federal, state, or local statutory or public policy entitlement that may not be waived under applicable law;

(iii) any rights to indemnification, advancement, or contribution; and

(iv) any claim that is based on any act or omission that occurs after the last date you deliver your signature on this Release to Exact.

(c) In addition to the foregoing, nothing in this Release will prevent or prohibit you from filing a claim with a government agency, such as the U.S. Securities and Exchange Commission or Equal Employment Opportunity Commission, which is responsible for enforcing a law on behalf of the government.

2. Your Specific Release and Waiver of ADEA Claims .

(a) In further consideration for your eligibility to receive the compensation and benefits under the Transition Agreement, the Releasing Parties specifically, irrevocably, unconditionally, and fully and forever waive, release, and discharge the Exact Releasees from any and all Released Claims arising under the ADEA (the " ADEA Release ").

(b) You specifically acknowledge and confirm each of the following.

(i) This Release, including the ADEA Release, is written in a manner designed to be understood by you.

(ii) You have read this entire Release carefully and understand all of its terms.

(iii) This Release affects important rights and includes a release of all claims arising out of any alleged violations of your rights while employed with Exact, including any claims under the ADEA.

(iv) Because this Release affects important rights, you are advised to consult with an attorney of your choice before signing this Release.

(v) After having consulted with an attorney(s) (or declining Exact's advice to seek a consultation), you knowingly, freely, and voluntarily assent to all of the terms of this Release, including the waiver, release, and covenants contained in it.

(vi) Exact has made no representations to you regarding your release and waiver other than those contained in this Release.

(vii) You are signing this Release, including the ADEA Release—on or within 21 days after the Effective Date (as defined in the Transition Agreement)—and then again on the Termination Date (as defined in the Transition Agreement)—in exchange for good and valuable consideration, in the form of your eligibility to receive compensation and benefits under the Transition Agreement, which you will not be entitled to if you do not sign (and not revoke) this Release on or within 21 days after the Effective Date and then again on the Termination Date.

(viii) You were given at least 21 days to consider this Release and consult with an attorney of your choice, although you may sign the Release sooner if desired.

(ix) You have seven days after signing this Release to revoke the ADEA Release by delivering notice of revocation to Exact Sciences Corporation, Attn: General Counsel, 441 Charmany Drive, Madison, WI 53719, before the end of any such seven-day period. If your written notice of revocation is not actually received by Exact before the close of business (i.e., 5:00 p.m., CST) on the seventh calendar day after the day you sign this Release and deliver your signature to Exact, then there will be no revocation and your ADEA Release will become fully effective and enforceable. If you revoke the ADEA Release, Exact will have the option of treating the Transition Agreement as null and void in its entirety.

(x) The ADEA Release does not apply to rights and claims that may arise after you sign this Release.

(c) This Release will become effective and enforceable immediately once you sign and deliver it to Exact; provided, however, that the ADEA Release will become effective and enforceable on the first business day after the expiration of any seven-day revocation period for the ADEA Release (the " ADEA Release Effective Date "), provided you have not revoked the ADEA Release in accordance with this Section 2 .

3. No Admission . Nothing in this Release constitutes an admission of liability by the Exact Releasees or you concerning any aspect of your employment with or separation from Exact.

ACCEPTANCE

YOU MUST SIGN THIS RELEASE ON OR WITHIN 21 DAYS AFTER THE EFFECTIVE DATE (AND THEN AGAIN ON THE TERMINATION DATE).

BY SIGNING THIS RELEASE BELOW, YOU ARE ACKNOWLEDGING THAT YOU (1) HAVE CAREFULLY READ EVERY TERM OF THIS RELEASE AND (2) FULLY UNDERSTAND EVERY TERM OF THIS RELEASE.

YOU ARE ALSO AGREEING TO EVERY TERM OF THIS RELEASE BY SIGNING THIS RELEASE BELOW.

MANEESH ARORA MANEESH ARORA
(EFFECTIVE DATE EXECUTION) (TERMINATION DATE EXECUTION)

By: By:

Date: Date:

EXACT SCIENCES CORPORATION

By:
Name: Scott Coward
Title: Senior Vice President, General Counsel and Secretary

Schedule B

EMPLOYEE CONFIDENTIALITY AND ASSIGNMENT AGREEMENT

Schedule C

AGREEMENT FOR ARBITRATION PROCEDURE OF CERTAIN EMPLOYMENT DISPUTES

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: April 26, 2018

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

Exhibit 31.2

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

I, Jeffrey T. Elliott, 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: April 26, 2018

By: /s/ Jeffrey T. Elliott
Jeffrey T. Elliott
Chief Financial Officer
(Principal Financial and Accounting 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 March 31, 2018 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 Jeffrey T. Elliott, Chief 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

April 26, 2018

/s/ Jeffrey T. Elliott
Jeffrey T. Elliott
Chief Financial Officer

April 26, 2018