PNC FUNDING CORP
Form 424B2
December 19, 2008

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CALCULATION OF REGISTRATION FEE

Class of Securities Offered	Aggregate Offering Price	Amount of Registration Fee(1)
Senior Notes	$2,500,000,000	$98,250

(1) The filing fee of $98,250 is calculated in accordance with Rule 457(r) of the Securities Act of 1933.

Filed pursuant to rule 424(b)(2)
Registration Nos. 333-139912
and 333-139912-01

PROSPECTUS SUPPLEMENT
(To Prospectus dated January 10, 2007)

PNC Funding Corp
$500,000,000 1.875% Senior Notes due June 22, 2011
$2,000,000,000 2.300% Senior Notes due June 22, 2012
Unconditionally Guaranteed by
The PNC Financial Services Group, Inc.
And
Guaranteed under the FDIC s Temporary Liquidity Guarantee Program

The senior notes in the initial aggregate principal amount of $500,000,000 will mature on June 22, 2011 and bear interest at 1.875% per annum (the 2011 Notes). The senior notes in the initial aggregate principal amount of $2,000,000,000 will mature on June 22, 2012 and bear interest at 2.300% per annum (the 2012 Notes). The 2011 Notes and the 2012 Notes are collectively referred to as the senior notes. Interest on the senior notes is payable semi-annually in arrears on June 22 and December 22 of each year, commencing June 22, 2009. If PNC Funding Corp becomes obligated to pay additional amounts to non-U.S. investors due to changes in U.S. withholding tax requirements, PNC Funding Corp may redeem the senior notes before their stated maturity at a price equal to 100% of the principal amount redeemed *plus* accrued interest to the redemption date. There is no sinking fund for the senior notes.

The senior notes will rank equally with all other existing and future senior unsecured indebtedness of PNC Funding Corp. The PNC Financial Services Group, Inc. will guarantee the senior notes, and the guarantees will rank equally with the existing and future senior unsecured indebtedness of The PNC Financial Services Group, Inc.

This debt is guaranteed under the Federal Deposit Insurance Corporation s Temporary Liquidity Guarantee Program and is backed by the full faith and credit of the United States. The details of the FDIC guarantee are provided in the FDIC s regulations, 12 C.F.R. Part 370, and at the FDIC s website, www.fdic.gov/tlgp. The expiration date of the FDIC s Guarantee is the earlier of the maturity date of the debt or June 30, 2012.

The FDIC guarantee has not been registered under the Securities Act of 1933, as amended.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Price to Public(1)	Underwriting Discounts	Proceeds to Us
Per 2011 Note	99.820%	0.15%	99.670%
Per 2012 Note	99.883%	0.30%	99.583%
Total	$ 2,496,760,000	$ 6,750,000	$ 2,490,010,000

(1) Plus accrued interest, if any, from the original issue date.

The senior notes will not be listed on any securities exchange. Currently, there is no public trading market for the senior notes.

The underwriters expect to deliver the senior notes to purchasers in book-entry form through the facilities of The Depository Trust Company and its direct participants, including Euroclear and Clearstream, on or about December 22, 2008.

Joint Book-Running Managers

Citi **J.P. Morgan**

PNC Capital Markets LLC

December 17, 2008

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About this prospectus supplement

You should read both this prospectus supplement and the accompanying prospectus, together with additional information described under the heading Where You Can Find More Information in the accompanying prospectus.

References to PNC in this prospectus supplement and in the accompanying prospectus are references to The PNC Financial Services Group, Inc., specifically, references to PNC Funding in this prospectus supplement and the accompanying prospectus are references to PNC Funding Corp, a wholly owned indirect subsidiary of PNC, specifically, and references to we, us and our are references collectively to PNC and PNC Funding. References to The PNC Financial Services Group, Inc. and its subsidiaries, on a consolidated basis, are specifically made where applicable.

If the information set forth in this prospectus supplement differs in any way from the information set forth in the accompanying prospectus, you should rely on the information set forth in this prospectus supplement.

Currency amounts in this prospectus supplement are stated in U.S. dollars.

You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. This prospectus supplement may be used only for the purpose for which it has been prepared. No one is authorized to give information other than that contained in this prospectus supplement and the accompanying prospectus and in the documents incorporated by reference herein and in the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it.

We are not, and the underwriters are not, making an offer to sell the senior notes in any jurisdiction where the offer or sale is not permitted. You should not assume that the information appearing in this prospectus supplement or any document incorporated by reference herein or in the accompanying prospectus is accurate as of any date other than the date of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date. Neither this prospectus supplement nor the accompanying prospectus constitutes an offer, or an invitation on our behalf or on behalf of the underwriters, to subscribe for and purchase any of the securities and may not be used for or in connection with an offer or solicitation by anyone, in any jurisdiction in which such an offer or solicitation is not authorized or to any person to whom it is unlawful to make such an offer or solicitation.

Forward-looking statements

This prospectus supplement and the accompanying prospectus, including information incorporated in them by reference, has statements regarding our outlook or expectations for earnings, revenues, expenses and/or other matters regarding or affecting PNC that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by words such as believe, expect, anticipate, intend, outlook, estimate, forecast, will, project and other similar words and expressions. Forward-looking sta are subject to numerous assumptions, risks and uncertainties, which change over time. Forward-looking statements speak only as of the date they are made. We do not assume any duty and do not undertake to update our forward-looking statements. Actual results or future events could differ, possibly materially, from those that we anticipated in our forward-looking statements, and future results could differ materially from our historical performance. Our forward-looking statements are subject to the following principal risks and uncertainties. We provide greater detail regarding some of these factors in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008 and in our Annual Report on Form 10-K for the year ended December 31, 2007, filed with the

Securities and Exchange Commission (SEC) and available on the SEC s website at www.sec.gov, including in the Risk Factors and Risk Management sections of those reports. Our forward-looking statements may also be subject to other risks and uncertainties, including those discussed elsewhere in this prospectus supplement and the accompanying prospectus or in our other filings with the SEC.

Our businesses and financial results are affected by business and economic conditions, both generally and specifically in the principal markets in which we operate. In particular, our businesses and financial results may be impacted by:

Changes in interest rates and valuations in the debt, equity and other financial markets.

Disruptions in the liquidity and other functioning of financial markets, including such disruptions in the markets for real estate and other assets commonly securing financial products.

Actions by the Federal Reserve and other government agencies, including those that impact money supply and market interest rates.

Changes in our customers , suppliers and other counterparties performance in general and their creditworthiness in particular.

Changes in customer preferences and behavior, whether as a result of changing business and economic conditions or other factors.

Changes resulting from the newly enacted Emergency Economic Stabilization Act of 2008.

A continuation of recent turbulence in significant portions of the US and global financial markets, particularly if it worsens, could impact our performance, both directly by affecting our revenues and the value of our assets and liabilities and indirectly by affecting our counterparties and the economy generally.

Our business and financial performance could be impacted as the financial industry restructures in the current environment, both by changes in the creditworthiness and performance of our counterparties and by changes in the competitive landscape.

Given current economic and financial market conditions, our forward-looking financial statements are subject to the risk that these conditions will be substantially different than we are currently expecting. These statements are based on our current expectations that interest rates will remain low through 2009 with continued wide market credit spreads, and our view that national economic conditions currently point toward a recession followed by a subdued recovery.

Our operating results are affected by our liability to provide shares of BlackRock common stock to help fund certain BlackRock long-term incentive plan (LTIP) programs, as our LTIP liability is adjusted quarterly (marked-to-market) based on changes in BlackRock s common stock price and the number of remaining committed shares, and we recognize gain or loss on such shares at such times as shares are transferred for payouts under the LTIP programs.

Legal and regulatory developments could have an impact on our ability to operate our businesses or our financial condition or results of operations or our competitive position or reputation. Reputational impacts, in turn, could affect matters such as business generation and retention, our ability to attract and retain management, liquidity, and funding. These legal and regulatory developments could include: (a) the unfavorable resolution of legal proceedings or regulatory and other governmental inquiries; (b) increased litigation risk from recent regulatory and other governmental developments; (c) the results of the regulatory examination process, our failure to satisfy the requirements of agreements with governmental agencies, and regulators future use of supervisory and enforcement tools; (d) legislative and regulatory reforms, including changes to laws and regulations involving tax, pension, education lending, the protection of confidential customer information, and other aspects of the financial institution industry; and (e) changes in accounting policies and principles.

Our business and operating results are affected by our ability to identify and effectively manage risks inherent in our businesses, including, where appropriate, through the effective use of third-party insurance, derivatives, and capital management techniques.

The adequacy of our intellectual property protection, and the extent of any costs associated with obtaining rights in intellectual property claimed by others, can impact our business and operating results.

Our ability to anticipate and respond to technological changes can have an impact on our ability to respond to customer needs and to meet competitive demands.

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Our ability to implement our business initiatives and strategies could affect our financial performance over the next several years.

Competition can have an impact on customer acquisition, growth and retention, as well as on our credit spreads and product pricing, which can affect market share, deposits and revenues.

Our business and operating results can also be affected by widespread natural disasters, terrorist activities or international hostilities, either as a result of the impact on the economy and capital and other financial markets generally or on us or on our customers, suppliers or other counterparties specifically.

Also, risks and uncertainties that could affect the results anticipated in forward-looking statements or from historical performance relating to our equity interest in BlackRock, Inc. are discussed in more detail in BlackRock s filings with the SEC, including in the Risk Factors sections of BlackRock s reports. BlackRock s SEC filings are accessible on the SEC s website and on or through BlackRock s website at www.blackrock.com. This material is referenced for informational purposes only and should not be deemed to constitute a part of this prospectus.

In addition, our planned acquisition of National City Corporation (National City) presents us with a number of risks and uncertainties related both to the acquisition transaction itself and to the integration of the acquired businesses into PNC after closing. These risks and uncertainties include the following:

Completion of the transaction is dependent on, among other things, receipt of regulatory and shareholder approvals, the timing of which cannot be predicted with precision at this point and which may not be received at all. The impact of the completion of the transaction on PNC s financial statements will be affected by the timing of the transaction, including, in particular, the ability to complete the acquisition in the fourth quarter of 2008.

The transaction may be substantially more expensive to complete (including the integration of National City s businesses) and the anticipated benefits, including anticipated cost savings and strategic gains, may be significantly harder or take longer to achieve than expected or may not be achieved in their entirety as a result of unexpected factors or events.

Our ability to achieve anticipated results from this transaction is dependent on the state going forward of the economic and financial markets, which have been under significant stress recently. Specifically, we may incur more credit losses from National City s loan portfolio than expected. Other issues related to achieving anticipated financial results include the possibility that deposit attrition may be greater than expected. Litigation and governmental investigations currently pending against National City, as well as others that may be filed or commenced as a result of this transaction or otherwise, could impact the timing or realization of anticipated benefits to PNC or otherwise adversely impact our financial results.

The integration of National City s business and operations into PNC, which will include conversion of National City s different systems and procedures, may take longer than anticipated or be more costly than anticipated or have unanticipated adverse results relating to National City s or PNC s existing businesses. PNC s ability to integrate National City successfully may be adversely affected by the fact that this transaction will result in PNC entering several markets where PNC does not currently have any meaningful retail presence.

In addition to the planned National City transaction, we grow our business from time to time by acquiring other financial services companies. Acquisitions in general present us with risks, in addition to those presented by the nature of the business acquired, similar to some or all of those described above relating to the National City acquisition. Our recent acquisition of Sterling Financial Corporation (Sterling) presents regulatory and litigation risks, including as a result of financial irregularities at Sterling s commercial finance subsidiary, that may adversely impact our financial results.

Incorporation of certain documents by reference

The SEC allows us to incorporate by reference information in this document. This means that PNC can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this document, except for any information that is superseded by information that is included directly in this document. You may read and copy this information at the

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Public Reference Room of the SEC at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the SEC s Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet website that contains reports, proxy statements and other information about issuers, like us, who file electronically with the SEC. The address of the site is http://www.sec.gov. The reports and other information filed by PNC with the SEC are also available at our Internet website, www.pnc.com. We have included the web addresses of the SEC and PNC as inactive textual references only. Except as specifically incorporated by reference into this document, information on those websites is not part of this document.

This document incorporates by reference the documents listed below that we previously filed with the SEC. They contain important information about the company and its financial condition.

Filing	Period or Date Filed
Annual Report on Form 10-K	Year ended December 31, 2007
Quarterly Reports on Form 10-Q	Quarters ended March 31, 2008, June 30, 2008 and September 30, 2008
Current Reports on Form 8-K	January 22, 2008, February 4, 2008 (two filings), February 13, 2008, February 19, 2008, February 20, 2008, March 10, 2008, April 18, 2008, April 22, 2008 (with respect to item 8.01), April 28, 2008, May 16, 2008, May 27, 2008, September 9, 2008, September 12, 2008, October 24, 2008, October 30, 2008 and December 2, 2008.

In addition, PNC also incorporates by reference additional documents that we file with the SEC under Sections 13(a), 13(c), 14 and 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), between the date of this document and the date of the termination of the offer pursuant to this prospectus. These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

PNC sold its J.J.B. Hilliard, W.L. Lyons, LLC (Hilliard Lyons) business on March 31, 2008. Prior to its sale, the results of Hilliard Lyons were included in the Retail Banking business segment in PNC s consolidated financial statements. PNC s consolidated financial statements included in its Quarterly Reports on Form 10-Q for the quarters ended June 30, 2008 and September 30, 2008 reflected the reclassification of results of Hilliard Lyons, including the first quarter 2008 gain on the sale of this business, from the Retail Banking business segment to Other for the periods presented. PNC has not restated the consolidated financial statements as of December 31, 2007 and for the year then ended and has not restated the unaudited consolidated financial statements included in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2008 to reflect this change in accordance with Statement of Financial Accounting Standards No. 131, Disclosure about Segments of an Enterprise and Related Information, as it was impractical to do so.

Any statement contained in a document incorporated by reference, or deemed to be incorporated by reference, in this prospectus shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any other subsequently filed document which also is incorporated by reference in this prospectus modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

As used in this prospectus, the term prospectus means this prospectus supplement and the accompanying prospectus, including the documents incorporated by reference, as the same may be amended, supplemented or otherwise modified from time to time. Statements contained in this prospectus as to the contents of any contract or other document referred to in this prospectus do not purport to be complete, and where reference is made to the particular provisions of such contract or other document, such provisions are qualified in all respects by reference to all of the provisions of such contract or other document. We will provide without charge to each person to whom a copy of this prospectus has been delivered, on the written or oral request of such person, a copy of any or all of the documents which have been or may be incorporated in this prospectus by reference (other than exhibits to such documents unless such exhibits are specifically incorporated by reference in any such documents) and a copy of any or all other contracts or documents which are referred to in this prospectus. You may request a copy of these filings at the address and telephone number set forth below.

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Documents incorporated by reference are available from PNC without charge, excluding any exhibits to those documents unless the exhibit is specifically incorporated by reference as an exhibit in this document. You can obtain documents incorporated by reference in this document by requesting them in writing or by telephone at the following address:

The PNC Financial Services Group, Inc.
One PNC Plaza
249 Fifth Avenue
Pittsburgh, Pennsylvania 15222-2707
Attention: Shareholder Services
Telephone: (800) 982-7652
Email: webqueries@computershare.com

Summary

The following information about this offering summarizes, and should be read in conjunction with, the information contained in this prospectus supplement and in the accompanying prospectus, and the documents incorporated therein by reference.

About The PNC Financial Services Group, Inc.

PNC is a bank holding company registered under the Bank Holding Company Act of 1956, as amended, and a financial holding company under the Gramm-Leach-Bliley Act. PNC was incorporated under Pennsylvania law in 1983 with the consolidation of Pittsburgh National Corporation and Provident National Corporation. Since 1983, PNC has diversified its geographic presence, business mix and product capabilities through strategic bank and nonbank acquisitions and the formation of various nonbanking subsidiaries.

PNC is one of the largest diversified financial services companies in the United States based on assets, with businesses engaged in retail banking, corporate and institutional banking, asset management and global investment servicing. PNC provides many of its products and services nationally and others in PNC s primary geographic markets located in Pennsylvania, New Jersey, Washington, DC, Maryland, Virginia, Ohio, Kentucky and Delaware. PNC also provides certain investment servicing internationally. PNC stock is listed on the New York Stock Exchange under the symbol PNC. As of September 30, 2008, PNC had total consolidated assets of approximately $145.6 billion, total consolidated deposits of approximately $85.0 billion and total consolidated shareholders equity of approximately $14.2 billion.

PNC is a holding company and services its obligations primarily with dividends and advances that it receives from subsidiaries. PNC s subsidiaries that operate in the banking and securities business can only pay dividends if they are in compliance with the applicable regulatory requirements imposed on them by federal and state bank regulatory authorities and securities regulators. PNC s subsidiaries may be party to credit or other agreements that also may restrict their ability to pay dividends. PNC currently believes that none of these regulatory or contractual restrictions on the ability of its subsidiaries to pay dividends will affect PNC s ability to service its own debt. PNC must also maintain the required capital levels of a bank holding company before it may pay dividends on its stock.

Under the regulations of the Federal Reserve, a bank holding company is expected to act as a source of financial strength for its subsidiary banks. As a result of this regulatory policy, the Federal Reserve might require PNC to commit resources to its subsidiary banks when doing so is not otherwise in the interests of PNC or its shareholders or creditors.

On October 24, 2008, PNC entered into an Agreement and Plan of Merger (Merger Agreement) with National City Corporation (National City). The Merger Agreement provides that, upon the terms and subject to the conditions set forth in the Merger Agreement, National City will merge with and into PNC (the Merger), with PNC continuing as the surviving corporation. If the Merger is completed, each share of National City common stock will be converted into 0.0392 of a share of PNC s common stock and certain National City warrant holders will receive approximately $384 million in cash. Preferred stock of National City will be exchanged for preferred stock issued by PNC having substantially identical terms. Consummation of the Merger is subject to certain customary conditions, including, among others, approval of the shareholders of PNC and National City, governmental filings and regulatory approvals and expiration of applicable waiting periods, accuracy of specified representations and warranties of the other party, and material compliance by the other party with its obligations under the Merger Agreement.

PNC s principal executive offices are located at One PNC Plaza, 249 Fifth Avenue, Pittsburgh, Pennsylvania 15222-2707, and its telephone number is 412-762-2000.

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The offering

Securities offered	1.875% senior notes due June 22, 2011 2.300% senior notes due June 22, 2012
Issuer	PNC Funding Corp
Guarantor	The PNC Financial Services Group, Inc.
FDIC Temporary Liquidity Guarantee Program	This debt is guaranteed under the Federal Deposit Insurance Corporation s Temporary Liquidity Guarantee Program and is backed by the full faith and credit of the United States. The details of the FDIC guarantee are provided in the FDIC s regulations, 12 CFR Part 370, and at the FDIC s website, www.fdic.gov/tlgp. The expiration date of the FDIC s guarantee is the earlier of the maturity date of the debt or June 30, 2012. The FDIC guarantee has not been registered under the Securities Act of 1933. In addition, the FDIC guarantee is not entitled to the protections of the Trust Indenture Act of 1939.
Aggregate Principal Amount	$500,000,000 of 2011 Notes $2,000,000,000 of 2012 Notes
Maturity Date	2011 Notes: June 22, 2011 2012 Notes: June 22, 2012
Issue Date	December 22, 2008
Issue Price	2011 Notes: 99.820% plus accrued interest, if any, from and including December 22, 2008 2012 Notes: 99.883% plus accrued interest, if any, from and including December 22, 2008
Interest Rate	2011 Notes: 1.875% annually 2012 Notes: 2.300% annually
Interest Payment Dates	Each June 22 and December 22, commencing June 22, 2009
Record Dates	Each June 7 and December 7
Form	Fully-registered global notes in book-entry form
Denominations	$2,000 and integral multiples of $1,000 in excess thereof
Use of proceeds	

PNC and its subsidiaries expect to use the net proceeds for general corporate purposes.

Risk factors

Risk Factors Relating to the FDIC Guarantee

Acceleration of the Senior Notes Will Not Be Available if the FDIC Makes Timely Payments. Upon an event of default resulting from our failure to make an interest or principal payment, neither the trustee nor the holders of either series of the senior notes will be entitled to accelerate the maturity of such series of senior notes, as long as the FDIC makes timely payments on such series of senior notes. If the FDIC continues to make timely payments then, regardless of any event of default (including a default relating to bankruptcy, insolvency or reorganization), neither the trustee nor the holders of either series of the senior notes will be entitled to accelerate the maturity of such series of senior notes.

Guarantee Payments by the FDIC May Be Delayed. There is no designated period within which the FDIC is required to make the FDIC guarantee payments after it receives a written demand with a conforming proof of claim from the trustee and verifies the same. Therefore, if the FDIC does not timely make the FDIC guarantee payments after it is required to do so, the FDIC guarantee payments on the senior notes could be delayed from the date the payment is due under the terms of the senior notes.

You May Lose the Right to Payment under the FDIC Guarantee If the Trustee Fails to Follow the FDIC Claims Process. In order to recover payment under the FDIC guarantee in the event that we have failed to pay on either series of the senior notes and the PNC guarantee, the trustee must make a written demand, with the required proof of claim, to the FDIC within 60 days of the occurrence of our failure to pay. If the trustee fails to follow the FDIC claims process pursuant to the Program, holders may be deprived of all rights and remedies with respect to the FDIC guarantee claim.

The Determination of the FDIC on any Matter Relating to the FDIC Claims Process Will Be Final and Binding on Holders of the Senior Notes and Us, Subject to Judicial Review. The determination by the FDIC on any matter relating to the FDIC claims process will be a final administrative determination, which will be final and binding on all concerned, including the holders of the senior notes. Holders of the senior notes will have the right to challenge the FDIC s determination only by commencing an action in the U.S. District Court for the District of Columbia or New York within 60 days after the FDIC makes its determination.

The FDIC Guarantee Program Is New and Subject to Change. The FDIC Guarantee Program is new and no claims have been made or paid under it as of the date of this prospectus supplement. The Program is governed by the Final Rule adopted by the FDIC on November 21, 2008, and the Final Rule may be amended and is subject to evolving interpretation by the FDIC after the date of this prospectus supplement. Thus, the ability to obtain payment on the senior notes under the FDIC guarantee is subject to rules, procedures and practices of the FDIC that could be changed at any time and from time to time in the future. The summary of the FDIC guarantee and the risks of investing in reliance on that guarantee, as set forth in this prospectus supplement, is based solely on the Final Rule adopted by the FDIC as of the date of this prospectus supplement.

Use of proceeds

We will apply the net proceeds from the sale of the senior notes for general corporate purposes.

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Certain terms of the senior notes

The senior notes offered by this prospectus supplement will be issued by PNC Funding under an Indenture dated as of December 1, 1991, among PNC, PNC Funding and The Bank of New York Mellon, which was formerly known as The Bank of New York, as successor to JPMorgan Chase Bank, which was formerly known as The Chase Manhattan Bank, as Trustee, as supplemented by a Supplemental Indenture dated as of February 15, 1993, a Second Supplemental Indenture dated as of February 15, 2000 and a Third Supplemental Indenture to be dated prior to the issue date of the senior notes. References to the Indenture in this section will mean the Indenture as so supplemented. The accompanying prospectus provides a more complete description of the Indenture. The senior notes will be Senior Debt Securities, as such term is defined in the accompanying prospectus. The following description of the particular terms of the senior notes supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the Senior Debt Securities in the accompanying prospectus, to which description we refer you. The accompanying prospectus sets forth the meaning of certain capitalized terms used herein and not otherwise defined.

General

The 2011 Notes issued in this offering will initially be limited to $500,000,000 aggregate principal amount. The 2011 Notes will mature on June 22, 2011. The 2012 Notes issued in this offering will initially be limited to $2,000,000,000 aggregate principal amount. The 2012 Notes will mature on June 22, 2012. Each of the 2011 Notes and the 2012 Notes is a separate series under the Indenture and has the terms described therein and herein.

If PNC Funding becomes obligated to pay additional amounts to non-U.S. investors due to changes in U.S. withholding tax requirements, PNC Funding may redeem the senior notes before their stated maturity at a price equal to 100% of the principal amount redeemed *plus* accrued interest to the redemption date. There is no sinking fund for the senior notes. The senior notes are not convertible into, or exchangeable for, equity securities of PNC or PNC Funding. The senior notes will rank equally with all of PNC Funding s other senior unsecured indebtedness. At September 30, 2008, PNC Funding had $4.6 billion of senior unsecured indebtedness.

Interest

The 2011 Notes will bear interest at the rate of 1.875% per annum. The 2012 Notes will bear interest at the rate of 2.300% per annum. Interest on the senior notes will accrue from and including December 22, 2008 and will be payable semi-annually in arrears on June 22 and December 22 of each year (each an interest payment date), commencing June 22, 2009. Interest will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Interest on the senior notes will accrue from and including December 22, 2008, to, but excluding, the first interest payment date and then from, and including, the immediately preceding interest payment date to which interest has been paid or duly provided for to, but excluding, the next interest payment date or the maturity date, as the case may be. Each of these periods is referred to as an interest period for the senior notes. If an interest payment date or the maturity date for the senior notes falls on a day that is not a business day, PNC Funding will postpone the interest payment or the payment of principal and interest at maturity to the next succeeding business day, but the payments made on such dates will be treated as being made on the date that the payment was first due and the holders of the senior notes will not be entitled to any further interest or other payments with respect to such postponements.

When we use the term business day , we mean any day except a Saturday, a Sunday or a legal holiday in the City of New York or the City of Pittsburgh on which banking institutions are authorized or obligated by law, regulation or executive order to close. The interest payable on the senior notes on any interest payment date, subject to certain exceptions, will be paid to the person in whose name the senior notes are registered at the close of business on June 7 and December 7, whether or not a business day, immediately preceding the interest payment date. However, interest that PNC Funding pays on the maturity date will be paid to the person to whom the principal will be payable. Interest will be payable by wire transfer in immediately available funds in U.S. dollars at the office of the principal paying agent in New York, New York or at PNC Funding s option in the event the senior notes are not represented by Global Notes (as defined below) by check mailed to the address of the person specified for payment in the preceding sentences.

Defaults

The events of default applicable to either series of the senior notes will be defined as any one of the following events:

(1) failure (a) by us to pay interest on the senior notes for 30 days after the payment is due and (b) by the FDIC in the payment of interest on such series of senior notes in accordance with the FDIC s Temporary Liquidity Guarantee Program (12 C.F.R. Part 370) described below;

(2) failure (a) by us to pay the principal of, or premium, if any, on the senior notes when due and (b) by the FDIC in the payment of principal of, or premium, if any, on, such series of senior notes in accordance with the Temporary Liquidity Guarantee Program (12 C.F.R. Part 370) described below;

(3) failure to perform any other covenant or warranty in the indenture that applies to the senior notes for 90 days after we have received written notice of the failure to perform in the manner specified in the indenture; or

(4) the occurrence of certain events relating to bankruptcy, insolvency or reorganization of either of us or any principal subsidiary bank.

If any event of default specified in clause (1) or (2) above with respect to either series of the senior notes occurs and is continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of the outstanding senior notes of such series may declare the principal amount of, premium, if any, and accrued interest on all such series of senior notes to be due and payable immediately. In case of any other event of default, there is no right to declare the principal amount of, premium, if any, or accrued interest on such series of senior notes immediately due and payable. As a result, the remedies available to the holders of senior notes and the trustee under the Indenture upon the occurrence of an event of default are substantially limited.

The provisions set forth in this Defaults section supersede the provisions set forth in the accompanying prospectus.

Each series of senior debt securities created pursuant to the Indenture prior to the date hereof that is not subject to an FDIC guarantee permits either the trustee or the holders of not less than 25% in principal amount of the outstanding senior debt securities of that series to declare the principal amount of and accrued interest on all senior debt securities of that series to be due and payable immediately upon the occurrence of events of default as defined in the Indenture. As a result of the limited acceleration events described above, the senior notes offered by us pursuant to this prospectus supplement will not have the benefit of the acceleration rights applicable to our other senior debt securities issued prior to the date hereof.

Guarantees of The PNC Financial Services Group, Inc.

The senior notes are unconditionally guaranteed by PNC. The PNC guarantee of the senior notes will rank equally with the existing and future senior unsecured indebtedness of PNC. At September 30, 2008, the outstanding senior indebtedness of PNC was approximately $4.6 billion, which as of that date consisted entirely of the guarantee of senior indebtedness of PNC Funding. The senior notes are not guaranteed by the subsidiaries of PNC. Because PNC is a holding company, the PNC guarantee is effectively subordinated to all indebtedness and other liabilities (including trade payables and deposits) of PNC s subsidiaries.

Further issuances

PNC Funding may from time to time, without the consent of the holders of the senior notes, create and issue further senior notes having the same terms and conditions as the senior notes equal in rank to the senior notes offered by this prospectus supplement in all respects (or in all respects except for the payment of interest accruing prior to the issue date of the further senior notes or except in some cases for the first payment of interest following the issue date of the further senior notes). These further senior notes may be consolidated and form a single series with the senior notes and will have the same terms as to status or otherwise as the senior notes.

Delivery and form

The senior notes will be represented by one or more permanent global certificates (each a Global Note and collectively, the Global Notes) deposited with, or on behalf of, The Depositary Trust Company (DTC) and registered in the name of Cede & Co. (DTC s partnership nominee). The senior notes will be available for purchase in denominations of $2,000 and integral multiples of $1,000 in excess thereof in book-entry form only. Unless and until certificated senior notes are issued under the limited circumstances described in the accompanying prospectus, no beneficial owner of a senior note shall be entitled to receive a definitive certificate representing senior notes. So long as DTC or any successor depositary (collectively, the Depositary) or its nominee is the registered owner of the Global Notes, the Depositary, or such nominee, as the case may be, will be considered to be the sole owner or holder of the senior notes for all purposes of the Indenture. Beneficial interests in the Global Notes will be represented through book-entry accounts of financial institutions acting on behalf of beneficial owners as direct and indirect participants in DTC. Investors may elect to hold interests in the Global Notes through DTC either directly if they are participants in DTC or indirectly through organizations that are participants in DTC.

Clearance and settlement procedures

Initial settlement for the senior notes will be made in immediately available funds. Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled in immediately available funds.

Payment and paying agents

The Bank of New York Mellon will act as PNC Funding s principal paying agent with respect to the senior notes through its offices presently located at 101 Barclay Street-8W, New York, New York 10286. PNC Funding may at any time rescind the designation of a paying agent, appoint a successor paying agent or approve a change in the office through which any paying agent acts. Payments of interest and principal may be made by wire-transfer in immediately available funds in U.S. dollars for senior notes held in book-entry form or, at PNC Funding s option in the event the senior notes are not represented by Global Notes, by check mailed to the address of the person entitled to the payment as it appears in the senior note register. Payment of principal will be made upon the surrender of the relevant senior notes at the offices of the principal paying agent.

Payment of additional amounts

We intend to make all payments on the senior notes without deducting U.S. withholding taxes. If we are required by law to do so on payments to non-U.S. investors, however, we will pay additional amounts on those payments to the extent described in this subsection.

We will pay additional amounts on a senior note only if the beneficial owner of the senior note is a United States alien. The term United States alien means any person who, for U.S. federal income tax purposes is:

- a non-resident alien individual;
- a foreign corporation;

- a foreign partnership one or more of the members of which is, for U.S. federal income tax purposes, a foreign corporation, a nonresident alien individual or a nonresident alien fiduciary of a foreign estate or trust; or

- a nonresident alien fiduciary of an estate or trust that is not subject to U.S. federal income tax on a net income basis on income or gain from a senior note.

If the beneficial owner of a senior note is a United States alien, we will pay additional amounts that may be necessary so that every net payment of interest or principal on that senior note will not be less than the amount provided for in that senior note. By net payment, we mean the amount we or our paying agent pays after deducting

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or withholding an amount for or on account of any present or future tax, assessment or other governmental charge imposed with respect to that payment by a U.S. taxing authority.

Our obligation to pay additional amounts is subject to several important exceptions, however. We will **not** pay additional amounts for or on account of any of the following:

- any tax, assessment or other governmental charge imposed solely because at any time there is or was a connection between the beneficial owner or between a fiduciary, settlor, beneficiary or member of the beneficial owner, if the beneficial owner is an estate, trust or partnership and the United States (other than the mere receipt of a payment or the ownership or holding of a senior note), including because the beneficial owner or the fiduciary, settlor, beneficiary or member at any time, for U.S. federal income tax purposes:
  - is or was a citizen or resident or is or was treated as a resident of the United States;
  - is or was present in the United States;
  - is or was engaged in a trade or business in the United States;
  - has or had a permanent establishment in the United States;
  - is or was a domestic or foreign personal holding company, a passive foreign investment company or a controlled foreign corporation;
  - is or was a corporation that accumulates earnings to avoid U.S. federal income tax; or
  - is or was a ten percent shareholder of PNC Funding Corp.;
- any tax, assessment or other governmental charge imposed solely because of a change in applicable law or regulation, or in any official interpretation or application of applicable law or regulation, that becomes effective more than 15 days after the day on which the payment becomes due or is duly provided for, whichever occurs later;
- any estate, inheritance, gift, sales, excise, transfer, wealth or personal property tax, or any similar tax, assessment or other governmental charge;
- any tax, assessment or other governmental charge imposed solely because the beneficial holder or any other person fails to comply with any certification, identification or other reporting requirement concerning the nationality, residence, identity or connection with the United States of the holder or any beneficial owner of the senior note, if compliance is required by statute or by regulation of the U.S. Treasury department or by an applicable income tax treaty to which the United States is a party, as a precondition to exemption from such tax, assessment or other governmental charge;
- any tax, assessment or other governmental charge that can be paid other than by deduction or withholding from a payment on the senior notes;
- any tax, assessment or other governmental charge imposed solely because the payment is to be made by a particular paying agent (including PNC Funding) and would not be imposed if made by another paying agent;

by or on behalf of a holder who would be able to avoid withholding or deduction by presenting the senior note to another paying agent in a Member State of the European Union;

any tax, assessment or other governmental charge imposed solely because the holder (1) is a bank purchasing the senior note in the ordinary course of its lending business or (2) is a bank that is neither (A) buying the senior for investment purposes only nor (B) buying the senior note for resale to a third party that either is not a bank or holding the senior note for investment purposes only; or

any combination of the taxes, assessments or other governmental charges described above.

In addition, we will not pay additional amounts with respect to any payment of principal, or interest to any United States alien who is a fiduciary or a partnership, or who is not the sole beneficial owner of the payment, to the

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extent that we would not have to pay additional amounts to any beneficiary or settlor of the fiduciary or any member of the partnership, or to any beneficial owner of the payment, if that person or entity were treated as the beneficial owner of the senior note for these purposes.

When we refer to a U.S. taxing authority in this subsection and When we can redeem the Senior Notes below, we mean the United States of America or any state, other jurisdiction or taxing authority in the United States. When we refer to the United States , we mean the United States of America, including the states and the District of Columbia, together with the territories, possessions and all those areas subject to the jurisdiction of the United States of America.

When we refer to any payment of interest or principal on a senior note, this includes any additional amount that may be payable as described above in respect of that payment.

When we can redeem the Senior Notes

We will not be permitted to redeem the senior notes before their stated maturity, except as described below.
The senior notes will not be entitled to the benefit of any sinking fund that is, we will not deposit money on a regular basis into any separate custodial account to repay your senior note. In addition, you will not be entitled to require us to buy your senior note from you before its stated maturity.

We will be entitled, at our option, to redeem the outstanding senior notes in whole and not in part if at any time we become obligated to pay additional amounts on any senior notes on the next interest payment day, but only if our obligation results from a change in the laws or regulations of any U.S. taxing authority, or from a change in any official interpretation or application of those laws or regulations that becomes effective or is announced on or after December 22, 2008.

nominee candidates for election or re-election by our stockholders or, in the event of a vacancy on the Board of Directors, by the Board of Directors. The Corporate Governance and Nominating Committee met two times in person and two times by telephone during fiscal 2008. The Corporate Governance and Nominating Committee operates under a written charter adopted by the Board of Directors, a current copy of which is available at *http://www.exactsciences.com.*

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee for fiscal 2008 were Edwin M. Kania, Jr., Connie Mack, III, Lance Willsey and Patrick J. Zenner. None of Messrs. Kania or Mack or Dr. Willsey was at any time during the past year an officer or employee of the Company (or any of its subsidiaries), or was formerly an officer of the Company (or any of its subsidiaries). Mr. Zenner was interim Chief Executive Officer of the Company from July 2007 until March 2008, during which time he was not a member of the Compensation Committee. In July 2008, following his resignation as interim Chief Executive Officer of the Company, Mr. Zenner was appointed to the Compensation Committee. During the last year, no executive officer of the Company served as: (i) a member of the compensation committee (or other committee of the Board of Directors performing equivalent functions or, in the absence of any such committee, the entire Board of Directors) of another entity, one of whose executive officers served on the Compensation Committee of the Company; (ii) a director of another entity, one of whose executive officers served on the Compensation Committee of the Company; or (iii) a member of the Compensation Committee (or other committee of the Board of Directors performing equivalent functions or, in the absence of any such committee, the entire Board of Directors) of another entity, one of whose executive officers served as a director of the Company.

REPORT OF THE AUDIT COMMITTEE

The following Report of the Audit Committee shall not be deemed to be "soliciting material" or to be "filed" with the SEC nor shall this information be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that EXACT specifically incorporates it by reference into such filing.

The Audit Committee is comprised of Sally W. Crawford, Edwin M. Kania, Jr., Michael E. Singer and Lance Willsey. None of the members of the Audit Committee is an officer or employee of the Company, and the Board of Directors has determined that each member of the Audit Committee meets the independence requirements promulgated by The NASDAQ Stock Market and the SEC, including Rule 10A-3(b)(1) under the Exchange Act. The Audit Committee operates under a written charter adopted by the Board of Directors, a current copy of which is available at *http://www.exactsciences.com.*

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls and the certification of the integrity and reliability of the Company's internal controls procedures. In fulfilling its oversight responsibilities, the Audit Committee has reviewed the Company's audited balance sheets at December 31, 2008 and 2007 and the related statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2008, and has discussed them with both management and Ernst & Young LLP ("Ernst & Young"), the Company's independent registered public accounting firm. The Audit Committee has also discussed with the independent registered public accounting firm the matters required to be discussed by the Statement on Auditing Standards No. 61 (*Communications with Audit Committees*), as currently in effect. The Audit Committee has reviewed permitted services under rules of the SEC as currently in effect and discussed with Ernst & Young their independence from management and the Company, including the matters in the written disclosures and the letter from the independent registered public accounting firm required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence. The Audit Committee has also considered and discussed the compatibility of non-audit services provided by Ernst & Young with that firm's independence. In addition, the Audit Committee discussed the rules of the SEC that pertain to the Audit Committee and the roles and responsibilities of Audit Committee members.

The Audit Committee reviewed management's report on its assessment of the effectiveness of the Company's internal control over financial reporting. The Audit Committee also meets with the independent registered public accounting firm, with and without management present, to discuss the results of their examination and the overall quality of the Company's financial reporting.

Based on its review of the financial statements and the aforementioned discussions, the Audit Committee concluded that it would be reasonable to recommend, and on that basis did recommend, to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

The Audit Committee also reviewed the Company's quarterly financial statements during 2008, and discussed them with both the management of the Company and the Company's independent registered public accounting firm prior to including such interim financial statements in the Company's quarterly reports on Form 10-Q.

In connection with the Company's Annual Report on Form 10-K for the year ended December 31, 2008, and quarterly reports on Form 10-Q, the Audit Committee discussed the results of the Company's certification process with the responsible executive officers relating to the certification of financial statements under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002.

Respectfully submitted by the Audit Committee.

THE AUDIT COMMITTEE:

Sally W. Crawford, *Chairperson*
Edwin M. Kania, Jr.
Michael E. Singer
Lance Willsey

REPORT OF THE COMPENSATION COMMITTEE

The following Report of the Compensation Committee shall not be deemed to be "soliciting material" or to be "filed" with the SEC nor shall this information be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that EXACT specifically incorporates it by reference into such filing.

The Compensation Committee of the Board of Directors, which is comprised of independent directors within the meaning of applicable rules of The NASDAQ Stock Market, Inc. and non-employee directors within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, is responsible for developing executive compensation policies and advising the Board of Directors with respect to such policies and administering the Company's cash incentive, stock option and employee stock purchase plans. Connie Mack, III, Edwin M. Kania, Jr., Michael E. Singer, Lance Willsey and Patrick J. Zenner are the current members of the Compensation Committee.

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis (the "CD&A") for the year ended December 31, 2008 with management. In reliance on the reviews and discussions referred to above, the Compensation Committee recommended to the Board of Directors, and the Board of Directors has approved, that the CD&A be included in the proxy statement for the year ended December 31, 2008 for filing with the SEC.

THE COMPENSATION COMMITTEE:

Edwin M. Kania, Jr., *Chairman*
Connie Mack, III
Michael E. Singer
Lance Willsey
Patrick J. Zenner

COMPENSATION AND OTHER INFORMATION CONCERNING DIRECTORS AND OFFICERS

Compensation Discussion and Analysis

Overview

Our compensation philosophy is based on a desire to balance retention of executive talent with pay for performance-based incentive compensation. In this regard, we have designed our compensation programs to reward our named executive officers for continued service and our sustained financial and operating performance. We also believe that the compensation of our named executive officers should align our executives' interests with those of our stockholders and focus executive behavior on the achievement of both near-term corporate targets as well as long-term business objectives and strategies. It is the responsibility of the Compensation Committee of our Board of Directors to administer our compensation practices to ensure that they are competitive and include incentives that are designed to appropriately drive our performance. Our Compensation Committee reviews and approves all of our executive compensation policies, including executive officer salaries, bonuses and equity awards.

Objectives of Our Executive Compensation Programs

Our compensation programs for our executive officers are designed to achieve the following objectives:

- Focus executive behavior on achievement of our annual and long-term objectives and strategy;
- Provide a competitive compensation package that enables us to attract and retain, on a long-term basis, talented executives;
- Provide a total compensation structure that the Compensation Committee believes is at least comparable with similarly-sized companies in the biotechnology industry for which we would compete for talent and which consists of a mix of base salary, cash incentives and equity; and
- Align the interests of management and stockholders by providing management with longer-term incentives through equity ownership.

Our executive compensation program consists of three primary elements: salary, long-term equity interest, primarily in the form of stock options, and a cash incentive program based on both corporate and individual performance. All of our executive officers are also eligible for certain benefits offered to employees generally, including, for fiscal 2008, life, health, disability and dental insurance, as well as participation in our 401(k) plan and 2000 Employee Stock Purchase Plan. We do not believe it is necessary for the attraction or retention of management talent to provide executive officers with compensation in the form of perquisites. We have also entered into agreements with certain executive officers that provide for certain retention benefits following a change in control or other significant transaction of the Company as well as severance benefits upon termination of employment without cause or for good reason following a change in control of the Company. In addition, the Compensation Committee considers and approves, from time to time, other compensatory arrangements with our executive officers.

It is the responsibility of the Compensation Committee to administer our compensation practices, to ensure that they are competitive, financially prudent and that they include incentives that are designed to appropriately drive performance. To achieve this, the Compensation Committee periodically reviews commercially available, industry specific survey data for companies of generally similar employee size and complexity in the biotechnology and biopharmaceutical industries as a general guide for establishing its pay and equity practices and structures. The Compensation Committee, along with the Board of Directors, also reviews corporate and individual objectives for each of its executives, to confirm that appropriate goals have been established and to track performance against them. Following the completion of each fiscal year, the Compensation Committee uses this information, along with the recommendations of the Chief Executive Officer (except for his own compensation), to determine compensation for executive officers. In making these recommendations, the Compensation Committee takes into account both our overall performance and the individual performance of our executive officers, consulting with the Chief Executive Officer and the Board of Directors on these evaluations as appropriate. In addition, in 2009, the Compensation Committee engaged DolmatConnell & Partners to assist in the development of the compensation packages to our new President and Chief Executive Officer, Kevin Conroy, and Chief Financial Officer, Maneesh Arora.

In connection with base salary and long-term equity compensation decisions for 2008, our former Senior Vice President, Chief Financial Officer, Treasurer and Secretary provided the Compensation Committee with market compensation data from biotechnology companies with a similar employee headcount and market capitalization as ours, as reported by Equilar, a company that provides compensation benchmarking data for publicly traded companies, in a survey using data compiled from proxy statements filed during 2008 relating primarily to 2007 compensation. The report included data aggregated from approximately 40 companies in the biotechnology and biopharmaceutical industries. The Compensation Committee also gathered input from our Chief Executive Officer on the individual performance level of each executive reporting to him. The Compensation Committee also takes into account the compensation data provided to it regarding the executive's historical compensation, including historical equity incentive award data for each executive, in determining long-term compensation awards to executives.

In March 2008, we announced the retention of an investment bank to assist our Board of Directors in its evaluation of strategic alternatives for the business, including, but not limited to, a sale or merger with another entity. In connection with this announcement and to better align executive compensation with the achievement of corporate goals, the Compensation Committee determined to forego our cash incentive program for 2008, and instead entered into amended and restated employee retention agreements with our executive officers that, in part, provided for cash bonuses equal to one year of the executive's respective annual base salary upon consummation of a such a strategic alternative.

Recent Compensation Actions

Resignation of Named Executive Officers

On April 2, 2009, Jeffrey R. Luber and Charles R. Carelli, Jr. resigned as our President and Chief Executive Officer and our Chief Financial Officer, respectively. In connection with the termination of their employment, Messrs. Luber and Carelli were entitled to (i) severance payments equal to eighteen (18) months and fifteen (15) months, respectively, in the form of salary continuation at a rate equivalent to their respective base salaries as of the date of termination; (ii) continued health insurance premium payments for such respective periods; and (iii) nine (9) months accelerated vesting of unvested stock options, in each case under their respective employee retention agreements.

On March 31, 2009, we entered into release agreements with Messrs. Luber and Carelli that provided, in exchange for a general release in favor of us, for the accelerated payment of our salary continuation obligations in an aggregate amount of $472,500 and $287,500, respectively (such amount, equal to eighteen months and fifteen months, respectively, of their base salaries as of the date of termination). In addition, the release agreements also provided for the repurchase by us of options held by Messrs. Luber and Carelli with respect to an aggregate of 895,000 shares of common stock. This repurchase is in lieu of accelerated vesting and an extension of the option exercise period under each executive's respective employee retention agreement. We paid Messrs. Luber and Carelli approximately $39,000 and $11,000, respectively, to repurchase Mr. Luber's options to purchase 620,000 shares and Mr. Carelli's options to purchase 275,000 shares. The purchase price of the outstanding options represented a 75 percent discount from the estimated fair value of the vested options as of March 31, 2009. Messrs. Luber and Carelli retained the balance of their existing options, which will remain exercisable for two years following, and are subject to nine months acceleration of vesting upon, the termination of their respective employment with us.

Appointment of New Chief Executive Officer and New Chief Financial Officer

Our Board of Directors appointed Kevin T. Conroy as our new President and Chief Executive Officer, effective April 2, 2009.

In connection with his appointment, we entered into an employment agreement with Mr. Conroy that provides for a base salary of $340,000 and for a target bonus opportunity equal to 50 percent of his base salary, with the exact amount of any such bonus to be based upon the achievement of corporate and individual performance goals to be determined by the Compensation Committee of the Board of Directors. Mr. Conroy was also granted an option to purchase 2.5 million shares of our common stock at an exercise price of $0.83 (the closing price of our common stock on the NASDAQ Capital Market on the date Mr. Conroy was hired). Twenty-five percent of the shares underlying the stock option will become exercisable on the one-year anniversary of the date of grant, with the remainder vesting quarterly over the subsequent three years.

In the event of termination by us without cause or by Mr. Conroy for good reason, then Mr. Conroy will receive (i) salary continuation for a period of 18 months at his then-current base salary, (ii) any accrued but unpaid base salary as of the termination date, (iii) any accrued but unpaid bonus (including any performance-based bonus), (iv) 12 months' accelerated vesting of any unvested equity awards, and (v) the right to exercise any vested equity awards until the earlier of two years from the date of termination or the date such equity award expires. In the event of termination by us without cause or by Mr. Conroy for good reason, within 12 months before, or if Mr. Conroy remains employed with the Company on the effective date of, a "Change of Control" (as defined in the agreement), Mr. Conroy will receive a lump-sum payment equal to 24 months (which period will be reduced under certain circumstances) of his then-current base salary. Upon a Change of Control and subject to Mr. Conroy's agreement to remain employed by us (or by any successor), if requested, for a period of at least six months following such Change of Control at his then current base salary, all of Mr. Conroy's outstanding stock options would become fully vested and exercisable. The foregoing change of control payments shall be subject to increase to cover any excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended.

Our Board of Directors appointed Maneesh Arora as Senior Vice President and Chief Financial Officer of the Company, effective April 2, 2009. In connection with his appointment, we entered into an employment agreement with Mr. Arora that provides for a base salary of $240,000 and for a target bonus opportunity equal to 40 percent of his base salary, with the exact amount of any such bonus to be based upon the achievement of corporate and individual performance goals to be determined by the Compensation Committee. Mr. Arora was also granted an option to purchase 1.25 million shares of our common stock, at an exercise price of $0.83 (the closing price of our common stock on the NASDAQ Capital Market on the date Mr. Arora was hired). Twenty-five percent of the shares underlying the stock options will become exercisable on the one-year anniversary of the date of grant, with the remainder vesting quarterly over the subsequent three years.

In the event of termination by us without cause or by Mr. Arora for good reason, then Mr. Arora will receive (i) salary continuation for a period of 15 months at his then-current base salary, (ii) any accrued but unpaid base salary as of the termination date, (iii) any accrued but unpaid bonus (including any performance-based bonus), (iv) 12 months' accelerated vesting of any unvested equity awards, and (v) the right to exercise any vested equity awards until the earlier of two years from the date of termination or the date such equity award expires. In the event of termination by us without cause or by Mr. Arora for good reason, within 12 months before, or if Mr. Arora remains employed on the effective date of, a "Change of Control" (as defined in the agreement), Mr. Arora will receive a lump-sum payment equal to 18 months (which period will be reduced under certain circumstances) of his then-current base salary. Upon a Change of Control and subject to Mr. Arora's agreement to remain employed by us (or any successor), if requested, for a period of at least six months following such Change of Control at his then current base salary, all of Mr. Arora's outstanding stock options would become fully vested and exercisable.

In connection with the employment of Messrs. Conroy and Arora, the Compensation Committee also developed a long-term incentive plan which provides for minimum cash payments to Messrs. Conroy and Arora upon certain changes of control of the Company.

The compensation packages for Messrs. Conroy and Arora were determined by the Compensation Committee with assistance from DolmatConnell & Partners, a compensation consultant, and pursuant to negotiations with Messrs. Conroy and Arora. We believe that these compensation packages are appropriate in light of the intense competition for top executives in the biotechnology field and among similarly situated companies, and that the terms of these arrangements are consistent with our executive compensation goals, including the balancing of short-term and long-term compensation to properly motivate our executive officers.

Our Executive Compensation Programs

Our executive compensation primarily consists of salary, long-term equity interest, primarily in the form of stock options, and a cash incentive program based on both corporate and individual performance. As noted under "Objectives of Our Executive Compensation Programs" above, in 2008, we did not provide a cash incentive plan for our executive officers. In January 2009, we also paid one-time transaction bonuses to our then-current executive officers pursuant to employee retention agreements entered into in April 2008. These transaction bonuses were paid in connection with the consummation of the strategic transaction with Genzyme Corporation on January 27, 2009 (as described in our Form 8-K filed January 28, 2009). In April 2009, we also adopted a long-term incentive plan that provides for minimum cash payments to our executive officers upon certain changes of control of the Company.

As part of our regular review to ensure competitive pay levels for our named executive officers we pay close attention to:

- the amount of compensation generally paid by similarly situated companies to their executives with similar roles and responsibilities;

the roles and responsibilities of our named executive officers; the individual experience and skills of, and expected contributions from, our named executive officers;

and the amount of historical compensation paid to our named executive officers.

In addition to the criteria above, the actual amount and allocation of total compensation (i.e., base salary, incentive bonuses and equity awards) paid or issued to our executive officers also reflects the timing and circumstances of when the executive joined us. For instance, the compensation package of our current President and Chief Executive Officer, who joined us in March 2009, partially reflects a negotiated employment and compensation package based on current market conditions and our state of transition following our strategic transaction with Genzyme Corporation in January 2009. Each of the primary elements of our executive compensation is discussed in detail below, including a description of the particular element and how it fits into our overall executive compensation and a discussion of the amounts of compensation paid to our named executive officers in 2008 under each of these elements. In the descriptions below, we have identified particular compensation objectives that we have designed elements of our executive compensation to serve; however, we have designed our compensation programs to complement each other and collectively serve all of our executive compensation objectives described above. Accordingly, whether or not specifically mentioned below, we believe that, as a part of our overall executive compensation, each element to a greater or lesser extent serves each of our objectives.

Annual Cash Compensation

Base Salary

The Compensation Committee believes that our executive officers, including our President and Chief Executive Officer, are paid salaries in line with their qualifications, experience and responsibilities. Salaries are structured so that they are at least comparable with salaries paid by the peer companies reviewed by the Compensation Committee in the biotechnology and biopharmaceutical industry with whom we compete for talent. Salaries are reviewed generally on an annual basis to ensure we remain competitive with our peers and further our objective of attracting and retaining highly qualified personnel.

Fiscal 2008 base salaries were determined by the Compensation Committee after considering the base salary level of the executive officers in prior years and taking into account for each executive officer the amount of base salary as a component of total compensation. Base salary levels for each of our executive officers were also based upon evaluations and recommendations made by the former interim Chief Executive Officer. These recommendations include an assessment of the individual's responsibilities, experience, individual performance and contribution to our performance, and also generally take into account the competitive environment for attracting and retaining executives consistent with our business needs. In light of the considerations discussed above, and within the context of the overall objectives of our compensation programs, the Compensation Committee increased for 2008 the base salary of Mr. Luber from $285,000 to $315,000, and the base salary of Mr. Carelli from $215,000 to $230,000. Mr. Zenner, who served as our interim Chief Executive Officer from July 2007 to March 2008, received no compensation for his service as our interim Chief Executive Officer during 2008. Instead, Mr. Zenner received a grant of 25,000 shares of restricted common stock in September 2007 as compensation for his services as interim Chief Executive Officer through March 2008.

Incentive Bonuses

The Compensation Committee believes that some portion of overall cash compensation for executive officers should be "at risk," i.e., contingent upon successful implementation of our strategy and goals. In prior years, the granting of a cash bonus was based on an evaluation of achievement against predetermined corporate objectives and individual performance, generally on a fiscal-year basis, in accordance with our Executive Incentive Plan, which is approved annually by the Compensation Committee. To better align cash incentives with our corporate objective of seeking a strategic transaction, for 2008 the Compensation Committee did not establish corporate or individual performance goals for our named executive officers under our Executive Incentive Plan. Instead, for 2008, the Compensation Committee entered into amended and restated employee retention agreements with our executive officers that provided, in part, for cash bonuses upon consummation of a sale or other change in control of the company, a sale of the company's assets and other significant corporate transactions. On January 27, 2009, we entered into a strategic transaction with Genzyme Corporation (as described in our Form 8-K filed on January 28, 2009), pursuant to which we sold and licensed certain of our intellectual property in the fields of prenatal and reproductive health to Genzyme for $18.5 million and sold three million shares of our common stock to Genzyme for $6.0 million. In connection with the consummation of this transaction, the Compensation Committee awarded Messrs. Luber and Carelli transaction bonuses equal to each executive's annual base salary as of the date of payment, $315,000 and $230,000, respectively.

Our current President and Chief Executive Officer, Mr. Conroy, will be eligible to earn an annual cash bonus in 2010 of up to 50 percent of his base salary and our current Senior Vice President and Chief Financial Officer, Mr. Arora, will be eligible to earn an annual cash bonus in 2010 of up to 40 percent of his base salary with the exact amount, in each case, determined by the Compensation Committee.

Long-Term Incentives

Our executive officers (and other employees) are eligible to receive restricted stock, stock option grants and other stock awards that are intended to promote success by aligning employee financial interests with long-term shareholder value. These stock-based incentives, which in recent years have consisted solely of stock option grants, are based on various factors primarily relating to the responsibilities of the individual officer or employee, their past performance, anticipated future contributions and prior option grants. In general, the Compensation Committee bases its decisions to grant stock-based incentives on recommendations of management and the Compensation Committee's analysis of third-party compensation information, with the intention of keeping the executives' overall compensation, including the equity component of that compensation, at a competitive level with the comparator companies reviewed by the Compensation Committee in the biotechnology and biopharmaceutical industries. The Compensation Committee also considers the number of shares of common stock outstanding, the number of shares of common stock authorized for issuance under its equity compensation plans, the number of options and shares held by the executive officer for whom an award is being considered and the other elements of the officer's compensation, as well as our compensation objectives and policies described above. As with the determination of base salaries and short term incentive payments, the Compensation Committee exercises subjective judgment and discretion in view of the above criteria.

During fiscal year 2008, the Compensation Committee made stock option grants to each of the named executive officers, with the exception of Mr. Zenner (who received a restricted stock award in 2007 for his service as interim Chief Executive Officer through March 2008), generally targeted at the market median of the comparator companies reviewed by the Compensation Committee in the biotechnology industry, with adjustments to reflect roles within the Company, individual performance and the overall incentive opportunity provided each officer. The stock options granted to our named executive officers under our 2000 Stock Option and Incentive Plan have an exercise price equal to the fair market value of the common stock at the time of grant. On February 21, 2008, Messrs. Luber and Carelli were granted options to acquire 175,000 and 90,000 shares, respectively. Stock options granted in 2008 vest in equal monthly installments over a three year period beginning one month following the grant date. We believe that time-based vesting of stock options enables us to retain our leadership team in an extremely competitive environment.

The Compensation Committee believes that these equity incentives provide the executive officers with the opportunity to acquire long-term stock ownership positions, and help to align the executives' interests with stockholders' interests. The Compensation Committee believes that this directly motivates executive officers to maximize long-term stockholder value.

Equity Grant Practices

We generally provide our executive officers with equity in one of three ways: new hire stock option grants, annual stock options grants or special grants.

The number of stock options granted to our executive officers as a part of our annual employee stock option grant is determined at either the last Compensation Committee meeting of the fiscal year preceding the year in which the grant will be made or the first Compensation Committee meeting of the grant year. The number of stock options granted is based on a Compensation Committee-approved grant matrix relating to the position level of the executive and the level of individual performance as determined by the Chief Executive Officer in consultation with the Compensation Committee. Award recommendations outside of the matrix may also be proposed, subject to Compensation Committee approval. The grant date for the annual option grant is predetermined and approved by the Compensation Committee as the third Thursday in February each year and the strike price is the closing price of our common stock on that date.

New hire stock option grants are provided on the date an executive officer commences employment with us. The amounts of such awards are generally recommended by the Chief Executive Officer and are subject to the advance approval of the Compensation Committee. New hire options are priced using the closing price of our common stock on the first day of employment of the executive officer. In connection with the employment of Mr. Conroy, our current President and Chief Executive Officer, and Mr. Arora, our current Senior Vice President and Chief Financial Officer, the Compensation Committee engaged DolmatConnell & Partners to assist it in developing the equity awards negotiated with Messrs. Conroy and Arora. Messrs Conroy and Arora were granted options to purchase 2.5 million and 1.25 million share of our common stock, respectively, twenty-five percent of which shall vest and become exercisable on the one-year anniversary of the date of grant, with the remainder vesting quarterly over the subsequent three years, subject to acceleration upon termination of employment or a change in control of the Company.

Special stock option grants can be recommended by the Chief Executive Officer and approved by the Compensation Committee at any meeting or by written consent. In the event that a special stock option grant is awarded by written consent, it is priced based on the closing price of our common stock on the date that we receive the last Compensation Committee member's signature. All options awarded at a Compensation Committee meeting are priced either on the date of the meeting or at such other subsequent date as may be authorized by the Compensation Committee.

Other Compensation

We also permit executive officers and other employees to purchase common stock at a discount through our 2000 Employee Stock Purchase Plan. Employees, including executive officers, may also participate in our 401(k) Plan. In 2006, the Compensation Committee approved an amended EXACT Sciences 401(k) Plan that provides for the investment of a portion of plan assets in shares of our common stock. The Compensation Committee also approved a discretionary matching Company contribution to the plan for fiscal 2008. The matching contribution was made using Company stock in an amount equal to 50 percent of an employee's total salary deferrals into the plan. This matching contribution resulted in stock contributions valued at $7,750 to each of Messrs. Luber and Carelli in 2008. The Compensation Committee reviewed these additional benefits, together with the primary compensation elements of salary, long-term incentives and cash incentives, in determining the total compensation for our executive officers. The Compensation Committee believes that these elements of compensation were reasonable in the aggregate. In connection with the retention of Messrs. Conroy and Arora, the Compensation Committee in its discretion may revise, amend or add to the executive officers' benefits if it deems it advisable.

Employee Retention Agreements

Messrs. Luber and Carelli were parties to employee retention agreements which provided for certain severance benefits that may be triggered as a result of the termination of their respective employment under certain circumstances. In April 2008, these agreements were amended and restated to, among other things, increase severance benefits, provide for retention bonuses upon a change in control or other significant corporate transaction, and provide gross-up payments for excise tax obligations imposed by Section 4999 of the Code as discussed elsewhere in this Compensation Discussion and Analysis. Under these agreements, in the event that we terminated his employment other than for cause, Mr. Luber and Mr. Carelli would each have received severance payments in the form of salary continuation at his then-current base salary for 18 months and 15 months, respectively. In addition to the severance and retention bonus provisions, the employee retention agreements provided for acceleration of vesting of stock options and an extension of the exercisability of such options in certain circumstances. The benefits provided by the executive retention agreements were intended to ensure that each executive officer focused his attention on our management, including a willingness to undertake a reasonable degree of business risk in an effort to create shareholder value. We believe these retention bonuses and other severance and change of control benefits would have helped our executive officers remain focused on our corporate goals and objectives in the event of a change in control transaction. See "Potential Benefits Upon Termination or Change in Control" below for a description of benefits to which Messrs. Luber and Carelli would have been entitled in certain circumstances, as well as a description of the benefits they received upon the termination of their employment in April 2009.

Compliance with Internal Revenue Code Section 162(m)

In general, under Section 162(m) of the Code, we cannot deduct, for federal income tax purposes, compensation in excess of $1,000,000 paid to certain executive officers. This deduction limitation does not apply, however, to compensation that constitutes "qualified performance-based compensation" within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder. We have considered the limitations on deductions imposed by Section 162(m) of the Code, and it is our present intention that, with the exception of stock awards made to such executives pursuant to the 2000 Stock Option and Incentive Plan after the date of our 2004 annual meeting of stockholders, and for so long as it is consistent with the Compensation Committee's overall compensation objective, tax deductions attributable to executive compensation will generally not be subject to the deduction limitations of Section 162(m). We recognize that tax deductions attributable to executive compensation under the 2000 Stock Option and Incentive Plan after the date of the 2004 annual meeting of stockholders may be subject to the deduction limitations of Section 162(m).

Summary Compensation Table for 2008

The following table represents summary information regarding the compensation of each of Jeffrey R. Luber, our former President and Chief Executive Officer, Patrick J. Zenner, our former interim Chief Executive Officer, and Charles R. Carelli, Jr. our former Senior Vice President, Chief Financial Officer, Treasurer and Secretary the year ended December 31, 2008. Our current President and Chief Executive Officer, Kevin Conroy, and current Chief Financial Office, Maneesh Arora, were first employed by the Company in 2009.

Summary Compensation Table

(a) Name and Principal Position	(b) Year	(c) Salary	(d) Bonus	(e) Stock Awards(1)	(f) Option Awards(2)	(g) Non-Equity Incentive Plan Compensation	(i) All Other Compensation	(j) Total
Jeffrey R. Luber(3)	2008	$ 315,000	$ (4)	$	$ 317,288	$	$ 7,750(5)	$ 640,038
Former President, Chief	2007	263,205	192,500(6)		221,086	70,000(7)	7,750(8)	754,541
Executive Officer	2006	235,061			282,017		20,198(9)	537,276
and Director								
Charles R. Carelli, Jr.(10)								
	2008	230,000	(4)		190,776		21,879(5)	442,655
Former Senior Vice	2007	195,930	140,000(6)		125,304	50,000(7)	21,803(8)	533,037
President, Chief Financial	2006	172,923			55,070		19,311(9)	247,304
Officer, Treasurer								
and Secretary								
Patrick J. Zenner(11)								
	2008			32,267(12)				32,267
Former Interim Chief	2007			29,521(12)				29,521
Executive Officer								

(1) Represents the dollar amount recognized for financial statement reporting purposes for the year ended December 31, 2008 in accordance with SFAS No. 123(R).

(2) Represents the dollar amount recognized for financial statement reporting purposes for the year ended December 31, 2008 in accordance with SFAS No. 123(R) and, accordingly, includes amounts from options granted prior to 2008. See the information appearing in footnote 8 to our consolidated financial statements included as part of our Annual Report on Form 10-K for the year ended December 31, 2008 for certain assumptions made in the valuation of options granted in the years ended December 31, 2008, 2007 and 2006.

(3) Jeffrey R. Luber's employment as our President and Chief Executive Officer terminated effective April 2, 2009, at which time he ceased to be an executive officer. Kevin Conroy is our current President and Chief Executive Officer.

(4) On January 27, 2009, upon, and as a result of, the consummation of the strategic transaction with Genzyme Corporation as described in our Form 8-K filed on January 28, 2009 and in footnote 15 to our consolidated financial statements included as part of our Annual Report on Form 10-K for the year ended December 31, 2008, our Board of Directors awarded bonuses to certain of our employees pursuant to the terms of their respective employee retention agreements. The transaction bonuses included cash bonuses of $315,000 to Mr. Luber, our former President and Chief Executive Officer, and $230,000 to Charles R. Carelli, Jr., our former Senior Vice President, Chief Financial Officer, and Treasurer.

(5) Amount represents the value of our 2008 401(k) plan company match to be contributed in shares of our common stock on May 15, 2009.

(6) Amounts represent retention bonuses of $122,500 and $90,000, respectively, earned for continued service to the Company pursuant to employee retention agreements entered into in October 2006, with respect to Messrs. Luber and Carelli. Messrs. Luber and Carelli entered into amended and restated employee retention agreements in April 2008. In addition, during 2007 we achieved three of the five corporate goals under our Executive Incentive Plan. Based on this achievement and their respective individual performances, Mr. Luber was awarded an incentive bonus award of $70,000 and Mr. Carelli was awarded an incentive bonus award of $50,000 under our Executive Incentive Plan. No other named executive officers were awarded cash incentive bonuses for 2007, as they did not meet the eligibility requirements under our Executive Incentive Plan.

(7) For 2007, based on the efforts of Messrs. Luber and Carelli in connection with the inclusion of our colorectal screening technology in national colorectal cancer screening guidelines, and in recognition of the achievement of this corporate goal during the first quarter of 2008, the Compensation Committee awarded Messrs. Luber and Carelli an additional discretionary award of $70,000 and $50,000, respectively. These discretionary awards represent half of the additional amounts that Mr. Luber and Mr. Carelli would have been entitled to had this corporate objective been achieved prior to the end of 2007.

(8) Amount represents $7,750 related to the value of our 2007 401(k) plan company match contributed in shares of our common stock.

(9) Amount represents $7,500 related to the value of our 2006 401(k) plan company match contributed in shares of our common stock.

(10) Charles R. Carelli Jr.'s employment as our Senior Vice President, Chief Financial Officer, and Treasurer terminated effective April 2, 2009, at which time he ceased to be an executive officer. Maneesh Arora is our current Senior Vice President and Chief Financial Officer. Mr. Carelli will remain employed by us as a non-executive employee through April 30, 2009.

(11) Patrick J. Zenner served as our interim Chief Executive Officer for the period from July 18, 2007 through March 18, 2008. Mr. Zenner continues to serve on our board of directors. Compensation received by Mr. Zenner as a director is outlined under the heading "Director Compensation" below.

(12) Represents a restricted common stock award of 25,000 shares of our common stock as payment for serving as interim Chief Executive Officer during 2007. The award vested monthly over one year from the date of grant, September 4, 2007.

Grants of Plan-Based Awards in 2007

The following table presents each stock option grant in 2008 to the individuals named in the summary compensation table.

Grants of Plan-Based Awards

(a)	(b)	(c)	(d)	(e)	(i)	(j)	(k)	(l)
		Estimated Possible Payouts Under Non-Equity Incentive Plan Awards						
Name	Grant Date	Threshold	Target(1)	Maximum	Number of Securities Underlying Options	Number of Shares of Stock or Units	Exercise Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Jeffrey R. Luber	2/21/2008				175,000		$ 1.83	$ 204,750
Charles R. Carelli, Jr.	2/21/2008				90,000		$ 1.83	$ 105,300
Patrick J. Zenner								

Each of the options in the foregoing table were granted under our 2000 Stock Option and Incentive Plan, and the options expire on the tenth anniversary of the grant date. Each option becomes exercisable in equal monthly installments over a three year period beginning one month following the grant date. In accordance with the process for determination of fair market value under the plan, the exercise price for each option is equal to the closing price of our common stock, as quoted on the NASDAQ Stock Market, on the date of grant.

Outstanding Equity Awards at December 31, 2008

The following table presents information about unexercised options that were held by each of the individuals listed in the summary compensation table as of December 31, 2008.

(a)	(b)	(c)	(e)	(f)	(g)	(h)
	Number of Securities Underlying Unexercised Options				Number of Shares of Stock That Have Not Vested	Market Value of Shares of Stock That Have Not Vested
Name	Exercisable	Unexercisable	Option Exercise Price	Option Expiration Date		
Jeffrey R. Luber	50,000		$ 14.33	11/18/2012		
	80,000		$ 7.72	2/11/2014		
	60,000		$ 3.61	12/23/2014		
	19,166	834(1)	$ 4.22	2/17/2015		
	51,944	3,056(2)	$ 2.61	2/16/2016		
	26,666	3,334(3)	$ 3.07	4/11/2016		
	45,833	29,167(4)	$ 2.77	2/15/2017		
	104,166	145,834(5)	$ 2.90	9/4/2017		
	36,457	138,543(6)	$ 1.83	2/21/2018		
	474,232	320,768(8)				
Charles R. Carelli, Jr.						
	20,000		$ 3.28	11/9/2014		
	25,624	4,376(7)	$ 2.65	7/29/2015		
	23,611	1,389(2)	$ 2.61	2/16/2016		
	22,222	2,778(3)	$ 3.07	4/11/2016		
	45,833	29,167(4)	$ 2.77	2/15/2017		
	41,666	58,334(5)	$ 2.90	9/4/2017		
	18,749	71,251(6)	$ 1.83	2/21/2018		
	197,705	167,295(8)				
Patrick J. Zenner (9)						

(1) Option was granted on February 17, 2005 and became exercisable with respect to 25 percent of the shares underlying the option on the first anniversary of the grant date and $^{1}/_{48}$th per month for each month of service thereafter.

(2) Option was granted on February 16, 2006 and became exercisable in equal monthly installments over a three year period beginning one month following the grant date.

(3) Option was granted on April 11, 2006 and became exercisable in equal monthly installments over a three year period beginning one month following the grant date.

(4)

Option was granted on February 15, 2007 and became exercisable in equal monthly installments over a three year period beginning one month following the grant date.

(5) Option was granted on September 4, 2007 and became exercisable in equal monthly installments over a three year period beginning one month following the grant date.

(6) Represents options granted on February 21, 2008, as of December 31, 2008. In connection with the termination of their employment with us in April 2009, Messrs. Luber and Carelli retained fully exercisable options to purchase 80,207 shares and 43,124 shares, respectively, subsequent to the termination of their respective employment with us on. Such remaining exercisable options reflect nine months acceleration of vesting upon the termination of their respective employment with us and the expiration date reflects an extension of the termination date of such options for two years following the termination of their respective employment with us, in each case, in accordance with their respective employee retention agreements.

(7) Option was granted on July 29, 2005 and became exercisable with respect to 25 percent of the shares underlying the option on the first anniversary of the grant date and $^1/_{48}$th per month for each month of service thereafter.

(8) In connection with the termination of their employment with us, on March 31, 2009, we repurchased 620,000 options and 275,000 options held by Messrs. Luber and Carelli, respectively, in lieu of accelerated vesting and an extension of the option exercise period arising from their respective employee retention agreements. We paid Messrs. Luber and Carelli approximately $39,000 and $11,000, respectively, to repurchase such options. The purchase price of the outstanding options represented a 75 percent discount from the estimated fair value of the vested options as of March 31, 2009.

(9) Mr. Zenner holds restricted stock and stock options in his capacity as a member of our board of directors, the details of which are included under the heading Director Compensation below.

Option Exercises in 2008

None of the individuals listed in the summary compensation table exercised any stock options in 2008. Effective March, 31, 2009, we repurchased options held by Messrs. Luber and Carelli to purchase an aggregate of 895,000 shares of common stock. This repurchase was in lieu of accelerated vesting and an extension of the option exercise period under their respective employee retention agreements. We paid Messrs. Luber and Carelli approximately $39,000 and $11,000, respectively, to repurchase Mr. Luber's options to purchase 620,000 shares and Mr. Carelli's options to purchase 275,000 shares. The purchase price of the outstanding options represented a 75 percent discount from the estimated fair value of the vested options as of March 31, 2009.

Pension Benefits

None of our named executive officers participate in or have account balances in qualified or non-qualified defined benefit plans sponsored by us.

Nonqualified Deferred Compensation

None of our named executive officers participate in or have account balances in non-qualified defined contribution plans or other deferred compensation plans maintained by us.

Potential Benefits Upon Termination or Change in Control

Severance and Change in Control Arrangements in General

Messrs. Luber and Carelli each signed an amended and restated employee retention agreement in April 2008 which provided that, in the event that we terminated his employment other than for cause, we would make severance payments equal to 18 months and 15 months, respectively, in the form of salary continuation to Mr. Luber and Mr. Carelli at a rate equivalent to their base salaries as of the date of termination. Such severance payments would also be due to Messrs. Luber and Carelli upon a change in control and termination without cause, or for "good reason", which was defined in the employee retention agreements as a material diminution in job responsibility, a substantial reduction in compensation or a certain geographic movement during the two-year period following the change in control. In addition, pursuant to the employee retention agreements, Mr. Luber and Mr. Carelli would each have been entitled to a retention bonus in an amount equal to such executive's then-current annual base salary upon the closing of a transaction resulting in a change in control of EXACT or other significant transaction as determined by the Board of Directors. Retention bonus amounts would be due in a lump sum at the closing of such a transaction. Mr. Luber and Mr. Carelli received no additional death and disability benefits other than those provided to employees generally.

Cash Payments and Stock Option Vesting Acceleration Following Certain Termination Events

Our 2000 Stock Option and Incentive Plan provides that all outstanding options granted will have their vesting accelerated by one year following a change in control. In addition, the 2000 Stock Option and Incentive Plan provides that if we experience a change in control and the employment of a plan participant is terminated without cause, or if such participant terminates his or her employment for certain reasons, generally referred to as "good reason", including a substantial reduction in compensation or geographic movement during the one-year period following the change in control, then all unvested stock options held by such participant become fully-vested and immediately exercisable. Notwithstanding any provisions to the contrary included in our 2000 Stock Option Plan, the employee retention agreements with Messrs. Luber and Carelli provide for acceleration of vesting of certain stock options as described in the tables below.

Termination Payments to Our Former President and Chief Executive Officer and Former Senior Vice President, Chief Financial Officer, Treasurer and Secretary

On April 2, 2009, Jeffrey R. Luber and Charles R. Carelli, Jr. resigned as our President and Chief Executive Officer and our Chief Financial Officer, respectively. In connection with the termination of their employment, Messrs. Luber and Carelli were entitled to (i) severance payments equal to eighteen (18) months and fifteen (15) months, respectively, in the form of salary continuation at a rate equivalent to their respective base salaries as of the date of termination; (ii) continued health insurance premium payments for such respective periods; and (iii) nine (9) months accelerated vesting of unvested stock options, in each case under their respective employee retention agreements.

On March 31, 2009, we entered into release agreements with Messrs. Luber and Carelli that provided, in exchange for a general release in favor of us, for the accelerated payment of our salary continuation obligations in an aggregate amount of $472,500 and $287,500, respectively (such amount, equal to eighteen months and fifteen months, respectively, of their base salaries as of the date of termination). In addition, the release agreements also provided for the repurchase by us of options held by Messrs. Luber and Carelli with respect to an aggregate of 895,000 shares of common stock. This repurchase is in lieu of accelerated vesting and an extension of the option exercise period under each executive's respective employee retention agreement. We paid Messrs. Luber and Carelli approximately $39,000 and $11,000, respectively, to repurchase Mr. Luber's options to purchase 620,000 shares and Mr. Carelli's options to purchase 275,000 shares. The purchase price of the outstanding options represented a 75 percent discount from the estimated fair value of the vested options as of March 31, 2009. Messrs. Luber and Carelli retained the balance of their existing options, which will remain exercisable for two years following, and are subject to nine months acceleration of vesting upon, the termination of their respective employment with us.

A summary of the actual termination benefits provided to Messrs. Luber and Carelli in connection with their termination of employment as of their respective termination dates is below.

	Mr. Luber	Mr. Carelli
Aggregate Severance Payment	$ 472,500(1)	$ 287,500(2)
Retention Bonus		
Accelerated Portion of Stock Options	(3)	(3)
Health Care Benefits	22,700(4)	17,700(4)
Tax Gross-Up		
	$ 495,200	$ 305,200

(1) Amount represents 18 months of severance paid to Mr. Luber on March 31, 2009 in connection with his termination without cause.

(2) Amount represents 15 months of severance paid to Mr. Carelli on March 31, 2009 in connection with his termination without cause.

(3) The closing price of our common stock on the NASDAQ Capital Market on December 31, 2008 of $0.57 per share was lower than the exercise price of any unexercisable stock options for which vesting would have been accelerated, and, therefore, the value of the accelerated portion of stock options is $0. Pursuant to their respective employee retention agreements with us dated April 18, 2008, Mr. Luber and Mr. Carelli were entitled to the acceleration of nine months of their unexercisable stock options upon an involuntary termination without cause without a change in control. Additionally, pursuant to Messrs. Luber and Carelli's respective employee retention agreements, the expiration date of all of their then-exercisable stock options has been extended for two years from their respective termination dates.

(4) Amount represents the estimated value of health and dental benefits due to Messrs. Luber and Carelli for a period of 18 months and 15 months, respectively, pursuant to their respective employee retention agreements.

A summary of options repurchased on March 31, 2009 from Mr. Luber and options retained subsequent to Mr. Luber's termination is below.

Options Repurchased

Option Grant Date	Grant Price	Number of Securities Underlying Unexercised Options As of March 31, 2009 Exercisable	Unexercisable	Total Options Repurchased
11/18/2002	$14.33	50,000		50,000
2/11/2004	$ 7.72	80,000		80,000
12/23/2004	$ 3.61	60,000		60,000
2/17/2005	$ 4.22	20,000		20,000
2/16/2006	$ 2.61	55,000		55,000
4/11/2006	$ 3.07	29,166	834	30,000
2/15/2007	$ 2.77	52,083	22,917	75,000
9/4/2007	$ 2.90	125,000	125,000	250,000
		471,249	148,751	620,000

Options Retained

Option Grant Date	Grant Price	Number of Options Retained	Expiration Date
2/21/2008	$1.83	80,207	1/2/2011

A summary of options repurchased on March 31, 2009 from Mr. Carelli and options retained subsequent to Mr. Carelli's termination is below.

Options Repurchased

Option Grant Date	Grant Price	Number of Securities Underlying Unexercised Options As of March 31, 2009 Exercisable	Unexercisable	Total Options Repurchased
11/9/2004	$ 3.28	20,000		20,000
7/29/2005	$ 2.65	27,499	2,501	30,000
2/16/2006	$ 2.61	25,000		25,000
4/11/2006	$ 3.07	24,305	695	25,000
2/15/2007	$ 2.77	52,083	22,917	75,000
9/4/2007	$ 2.90	50,000	50,000	100,000
		198,887	76,113	275,000

Options Retained

Option Grant Date	Grant Price	Number of Options Retained	Expiration Date
2/21/2008	$ 1.83	43,124	1/31/2011

Termination Arrangements for our Former President and Chief Executive Officer

The following table outlines certain cash payments and benefits that Jeffrey R. Luber, our former President and Chief Executive Officer, would be entitled to receive under the triggering events described below, assuming that his employment terminated on December 31, 2008 and based on the terms of the amended and restated employee retention agreement entered into in April 2008 between us and Mr. Luber. The following table also provides the intrinsic value (that is, the value based upon our stock price on December 31, 2008, minus the exercise price) of stock options that would become exercisable or vested as a result of these acceleration events as of December 31, 2008 in connection with a change in control. In addition, the table provides an estimate of the tax gross-up payment we would have made to Mr. Luber in connection with his excise tax obligations related to severance payments. The actual amounts that we paid Mr. Luber upon the termination of his employment with us on April 2, 2009 are discussed above under "Termination Payments to Our Former President and Chief Executive Officer and Former Senior Vice President, Chief Financial Officer, Treasurer and Secretary."

	Involuntary Termination Without Cause; No Change In Control	Change In Control Without Termination	Change In Control And Termination Without Cause Or For Good Reason
Aggregate Salary Continuation	$ 472,500(1)	$	$ 472,500(1)
Retention Bonus		315,000(2)	315,000(2)
Accelerated Portion of Stock Options	(3)	(4)	(5)
Health Care Benefits	22,700(6)		22,700(6)
Tax Gross-Up			285,635(7)
	$ 495,200	$ 315,000	$ 1,095,835

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(1)
Amount represents 18 months of salary continuation due to Mr. Luber upon the triggering event described in the column heading. Pursuant to the terms of his employee retention agreement, in connection with the termination of his employment on April 2, 2009, this amount was paid to Mr. Luber as described above.

(2)
Amount represents a retention bonus equal to one year of base salary to be paid in a lump sum upon the closing of a change in control or other significant transaction as determined by the Board of Directors. In connection with the consummation of the Genzyme strategic transaction, this bonus was paid to Mr. Luber in January 2009.

(3)
The closing price of our common stock on the NASDAQ Capital Market on December 31, 2008 of $0.57 per share was lower than the exercise price of any unexercisable stock options for which vesting would have been accelerated, and, therefore, the value of the accelerated portion of stock options is $0. Pursuant to his employee retention agreement with us dated April 18, 2008,

Mr. Luber would have been entitled to the acceleration of nine months of his unexercisable stock options as of December 31, 2008 upon an involuntary termination without cause without a change in control. Additionally, pursuant to Mr. Luber's employee retention agreement, the expiration date of all of Mr. Luber's then-exercisable stock options would be extended to two years from his termination date. See above for a description of our repurchase of certain options granted to and certain options retained by Mr. Luber.

(4) The closing price of our common stock on the NASDAQ Capital Market on December 31, 2008 of $0.57 per share was lower than the exercise price of any unexercisable stock options for which vesting would have been accelerated, and, therefore, the value of the accelerated portion of stock options is $0. Pursuant to Mr. Luber's employee retention agreement, Mr. Luber would have been entitled to the acceleration of fifty percent of his unexercisable stock options as of December 31, 2008 upon a change in control without termination. If Mr. Luber's employment is terminated without cause or for "good reason" within the two-year period following a change in control, all outstanding options held by Mr. Luber would have become exercisable. Additionally, pursuant to Mr. Luber's employee retention agreement, the expiration date of all of Mr. Luber's then exercisable stock options would be extended to two years from his termination date. See above for a description of our repurchase of certain options granted to and certain options retained by Mr. Luber.

(5) The closing price of our common stock on the NASDAQ Capital Market on December 31, 2008 of $0.57 per share was lower than the exercise price of any unexercisable stock options for which vesting would have been accelerated, and, therefore, the value of the accelerated portion of stock options is $0. Mr. Luber would have been entitled to acceleration of all of his unexercisable stock options as of December 31, 2008 upon a change in control and termination without cause or for good reason. Additionally, pursuant to Mr. Luber's employee retention agreement, the expiration date of all of Mr. Luber's then exercisable stock options would be extended to two years from his termination date. See above for a description of our repurchase of certain options granted to and certain options retained by Mr. Luber.

(6) Amount represents the estimated value of health and dental benefits due to Mr. Luber for a period of 18 months based on the triggering event in the column heading.

(7) Amount represents an estimate, as of December 31, 2008, of the tax gross up payment that would be due to Mr. Luber for federal excise taxes due under Section 4999 of the Internal Revenue Code. We or our successor would also be responsible for paying such excise tax gross up amount upon Mr. Luber's termination without cause or for good reason, as defined in Mr. Luber's employee retention agreement, within two years of a change in control. For purposes of calculating this tax gross up amount as of December 31, 2008, and to the extent that that any excise tax gross up payment would have been due to Mr. Luber at some future date pursuant to Mr. Luber's employee retention agreement, it was assumed that Mr. Luber pays federal income taxes at the highest marginal rate of federal income taxation applicable to individuals for the calendar year in which the gross up payment is to be made, and state and local income taxes at the highest marginal rates of individual taxation in the state and locality of Mr. Luber's residence on the date of Mr. Luber's termination of service with us, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

Termination Arrangements for Our Former Senior Vice President, Chief Financial Officer, Treasurer and Secretary

The following table outlines certain cash payments and benefits that Charles R. Carelli, Jr., our former Senior Vice President, Chief Financial Officer, Treasurer and Secretary, would be entitled to receive under the triggering events described below, assuming that his employment terminated on December 31, 2008 and based on the terms of the amended and restated employee retention agreement entered into in April 2008 between us and Mr. Carelli. The following table also provides the intrinsic value (that is, the value based upon our stock price on December 31, 2008, minus the exercise price) of stock options that would become exercisable or vested as a result of these acceleration events as of December 31, 2008 in connection with a change in control. In addition, the table provides an estimate of the tax gross-up payment we would have made to Mr. Carelli in connection with his excise tax obligations related to severance payments. The actual amounts that we paid Mr. Carelli upon the termination of his employment with us on April 2, 2009 are discussed above under "Termination Payments to Our Former President and Chief Executive Officer and Former Senior Vice President, Chief Financial Officer, Treasurer and Secretary."

	Involuntary Termination Without Cause; No Change In Control	Change In Control Without Termination	Change In Control And Termination Without Cause Or For Good Reason
Aggregate Salary Continuation	$ 287,500(1)	$	$ 287,500(1)
Retention Bonus		230,000(2)	230,000(2)
Accelerated Portion of Stock Options	(3)	(4)	(5)
Health Care Benefits	17,700(6)		17,700(6)
Tax Gross-Up			178,388(7)
	$ 305,200	$ 230,000	$ 713,588

(1) Amount represents 15 months of salary continuation due to Mr. Carelli upon the triggering event described in the column heading. Pursuant to the terms of his employee retention agreement, in connection with the termination of his employment on April 30, 2009, this amount was paid to Mr. Carelli as described above.

(2) Amount represents a retention bonus equal to one year of base salary to be paid in a lump sum upon the closing of a change in control or other significant transaction as determined by the Board of Directors. In connection with the consummation of the Genzyme strategic transaction, this bonus was paid to Mr. Carelli in January 2009.

(3) The closing price of our common stock on the NASDAQ Capital Market on December 31, 2008 of $0.57 per share was lower than the exercise price of any unexercisable stock options for which vesting would have been accelerated, and, therefore, the value of the accelerated portion of stock options is $0. Pursuant to his employee retention agreement with us dated April 18, 2008, Mr. Carelli would have been entitled to the acceleration of nine months of his unexercisable stock options as of December 31, 2008 upon an involuntary termination without cause without a change in control. Additionally, pursuant to Mr. Carelli's employee retention agreement, the expiration date of all of his then-exercisable stock options would be extended to two years from his

termination date. See above for a description of our repurchase of certain options granted to and certain options retained by Mr. Carelli.

(4)

The closing price of our common stock on the NASDAQ Capital Market on December 31, 2008 of $0.57 per share was lower than the exercise price of any unexercisable stock options for which vesting would have been accelerated, and, therefore, the value of the accelerated portion of stock options is $0. Pursuant to Mr. Carelli's employee retention agreement, Mr. Carelli would have been entitled to the acceleration of fifty percent of his unexercisable stock options as of December 31, 2008 upon a change in control without termination. If Mr. Carelli's employment is terminated without cause or for "good reason" within the two-year period following a change in control, all outstanding options held by Mr. Carelli would have become exercisable. Additionally, pursuant to Mr. Carelli's employee retention agreement, the expiration date of all of Mr. Carelli's then exercisable stock options would be extended to two years from his termination date. See above for a description of our repurchase of certain options granted to and certain options retained by Mr. Carelli.

(5)

The closing price of our common stock on the NASDAQ Capital Market on December 31, 2008 of $0.57 per share was lower than the exercise price of any unexercisable stock options for which vesting would have been accelerated, and, therefore, the value of the accelerated portion of stock options is $0. Mr. Carelli would have been entitled to acceleration of all of his unexercisable stock options as of December 31, 2008 upon a change in control and termination without cause or for good reason. Additionally, pursuant to Mr. Carelli's employee retention agreement, the expiration date of all of Mr. Carelli's then exercisable stock options would be extended to two years from his termination date. See above for a description of our repurchase of certain options granted to and certain options retained by Mr. Carelli.

(6)

Amount represents the estimated value of health and dental benefits due to Mr. Carelli for a period of 15 months based on the triggering event in the column heading.

(7)

Amount represents an estimate, as of December 31, 2008, of the tax gross up payment that would be due to Mr. Carelli for federal excise taxes due under Section 4999 of the Internal Revenue Code. We or our successors would also be responsible for paying such excise tax gross up amount upon Mr. Carelli's termination without cause or for good reason, as defined in Mr. Carelli's employee retention agreement, within two years of a change in control. For purposes of calculating this tax gross up amount as of December 31, 2008, and to the extent that that any excise tax gross up payment would have been due to Mr. Carelli at some future date pursuant to Mr. Carelli's employee retention agreement, it was assumed that Mr. Carelli pays federal income taxes at the highest marginal rate of federal income taxation applicable to individuals for the calendar year in which the gross up payment is to be made, and state and local income taxes at the highest marginal rates of individual taxation in the state and locality of Mr. Carelli's residence on the date of Mr. Carelli's termination of service with us, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes.

None of our other executive officers would have received any payments or benefits upon a termination of employment on December 31, 2008, as Mr. Zenner was not entitled to any such payments and Messrs. Conroy and Arora were not employed by us in 2008.

Director Compensation

Compensation Policy for Non-Employee Directors in 2008

We maintain a compensation package for our non-employee directors, or Director Compensation Policy, to enable us to attract and retain, on a long-term basis, high-caliber directors who are not employees or officers of us or our subsidiaries.

Pursuant to the Director Compensation Policy in effect prior to December 11, 2008, all non-employee directors received annual compensation for board service in shares of our common stock, as indicated in the table below.

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

Any newly elected non-employee director (i.e., each director joining the Board of Directors for the first time) elected between August 9, 2007 and December 11, 2008 was granted an option to purchase 10,000 shares of common stock (adjusted for stock splits) pursuant to our 2000 Plan, on the date they were elected to the Board of Directors, this grant vested one-third on the first year anniversary of the date of grant, and then ratably thereafter on a monthly basis over a period of twenty-four months.

In addition to the grants for newly elected non-employee directors, each non-employee director was granted an option to purchase 15,000 shares of common stock (adjusted for stock splits), pursuant to the 2000 Plan, on the date of the first meeting of the Board of Directors following each annual meeting of stockholders, or the Annual Option Grant. The first Annual Option Grant received by a non-employee director during his/her tenure on the Board of Directors vested 100% on the date of the annual meeting of stockholders next following the date of grant. All subsequent Annual Option Grants received by a non-employee director during his/her service on the Board of Directors with us vested ratably over a period of twelve months from the date of each such grant. In the event that a non-employee director was elected to the Board of the Directors other than in connection with an annual meeting of stockholders, the number of options granted to such director under the first Annual Option Grant received by such non-employee director was reduced by 1,250 shares for each month since our last annual meeting of stockholders to the date of such non-employee director's election to the Board of Directors.

Pursuant to the Director Compensation Policy, in 2008, each of Ms. Crawford, Messrs. Kania, Mack, and Zenner and Dr. Willsey received Annual Option Grants to purchase 15,000 shares of common stock under the 2000 Plan. In addition, Mr. Zenner received 15,000 shares of common stock and Messrs. Kania and Mack, Ms. Crawford and Dr. Willsey each received 10,000 shares of common stock as an annual retainer under the Director Compensation Policy.

On December 11, 2008, the Board of Directors amended and restated the Director Compensation Policy. On January 1st of each year, each non-employee director shall be paid an annual retainer equal to the following dollar value worth of restricted stock of our company ("Restricted Stock") as measured by the closing sale price of our common stock on the first trading day following January 1, which shall vest in full one year from the date of grant, subject to full acceleration of vesting upon a change in control of the Company:

	Annual Retainer ($ value of Restricted Stock)
Chairman of the Board	$ 37,500
Chairman of a Committee	$ 35,000
Director	$ 25,000

In addition, on the date of the first meeting of the Board of Directors following each annual meeting of our stockholders, each non-employee director shall be granted $15,000 worth of Restricted Stock as measured by the closing sale price of our common stock on the first trading day following the date of such meeting of the Board of Directors, which shall vest in full one year from the date of grant, and which shall be subject to full acceleration of vesting upon an Acquisition.

Upon his or her initial election to the Board of Directors, a new director shall receive $25,000 worth of Restricted Stock as measured by the closing sale price of our common stock on the first trading day following the date of initial election, which shall vest in full one year from the date of grant, and which shall be subject to 12 months acceleration of vesting upon an Acquisition.

The initial election grant and initial annual retainer for 2009 to Michael E. Singer consisted of 130,000 shares of Restricted Stock which vest 100% on the first anniversary of the date of grant.

All vesting under the Restricted Stock grants described in this policy immediately ceases upon cessation of service as a director for any reason.

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

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

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

The following table provides compensation information for the one-year period ended December 31, 2008 for each non-employee member of our Board of Directors. No member of our Board employed by us receives separate compensation for services rendered as a member of our Board.

Director Compensation in 2008

(a) Name	(b) Fees Earned or Paid in Cash	(c) Stock Awards	(d) Option Awards(4),(5),(6)	(h) Total
Sally W. Crawford	$	$ 7,100(1)	$ 21,399	$ 28,499
Edwin M. Kania		7,100(1)	21,399	28,499
Connie Mack, III		7,100(1)	21,399	28,499
Michael E. Singer		6,175(2)		6,175
Lance Willsey, MD		7,100(2)	21,399	28,499
Patrick J. Zenner		10,650(3)	21,399	32,049

(1) Represents the dollar amount of compensation expense recognized in our consolidated financial statements during the year ended December 31, 2008 in accordance with SFAS No. 123(R) in connection with a common stock award of 10,000 shares of our common stock on July 18, 2008. This award was fully vested when granted on July 18, 2008 and was made as payment of an annual retainer to serve on our board.

(2) Represents the dollar amount of compensation expense recognized in our consolidated financial statements during the year ended December 31, 2008 in accordance with SFAS No. 123(R) in connection with Mr. Singer's initial common stock award of 130,000 shares of restricted common stock. Mr. Singer was granted such shares upon joining our board of directors on December 12, 2008. This award vests 100 percent on the one-year anniversary of the date of grant.

(3) Represents the dollar amount of compensation expense recognized in our consolidated financial statements during the year ended December 31, 2008 in accordance with SFAS No. 123(R) in connection with a common stock award of 15,000 shares of our common stock on July 18, 2008. This award was fully vested when granted on July 18, 2008 and was made as payment of an annual retainer to serve on our board. Mr. Zenner's compensation for his service as our interim Chief Executive Officer during 2008 is included in the Summary Compensation Table for named executive officers above.

(4) Represents the dollar amount of compensation expense recognized in our consolidated financial statements during the year ended December 31, 2008 in accordance with SFAS No. 123(R) and, accordingly, includes amounts from options granted prior to 2008. See the information appearing in footnote 8 to our consolidated financial statements included as part of our Annual Report on Form 10-K for the year ended December 31, 2008 for certain assumptions made in the valuation of options granted in the years ended December 31, 2008, 2007 and 2006.

(5)

The members of our board of directors who held such position on December 31, 2008 held the following aggregate number of unexercised options as of such date:

Name	Number of Securities Underlying Unexercised Options
Sally W. Crawford	110,000
Edwin M. Kania	110,000
Connie Mack, III	105,000
Michael E. Singer	
Lance Willsey, MD	110,000
Patrick J. Zenner	100,000

(6)

The following table presents the fair value of each grant of stock options in 2008 to the members of our board of directors, computed in accordance with SFAS 123(R):

(a)	(b)	(j)	(k)	(l)
Name	Grant Date	Number of Securities Underlying Options	Exercise Price of Option Awards	Grant Date Fair Value of Options
Sally W. Crawford	7/18/2008	15,000	$ 0.71	$ 7,175
Edwin M. Kania	7/18/2008	15,000	$ 0.71	$ 7,175
Connie Mack, III	7/18/2008	15,000	$ 0.71	$ 7,175
Lance Willsey, MD	7/18/2008	15,000	$ 0.71	$ 7,175
Patrick J. Zenner	7/18/2008	15,000	$ 0.71	$ 7,175

EQUITY COMPENSATION PLAN INFORMATION

We maintain the following three equity compensation plans under which our equity securities are authorized for issuance to our employees and/or directors; the 1995 Stock Option Plan, the 2000 Stock Option and Incentive Plan and the 2000 Employee Stock Purchase Plan. Each of the foregoing equity compensation plans was approved by our stockholders. The following table presents information about these plans as of December 31, 2008.

Plan Category	Number Of Securities To Be Issued Upon Exercise Of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price Of Outstanding Options, Warrants And Rights	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Outstanding)
Equity compensation plans approved by security holders	3,703,899	$ 3.99	3,979,635
Equity compensation plans not approved by security holders	None	None	None
Total	3,703,899	$ 3.99	3,979,635

No further grants are being made under the 1995 Stock Option Plan.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Other than compensation agreements and other arrangements which are described in "Compensation Discussion & Analysis," in 2008, there has not been, and there is not currently proposed, any transaction or series of similar transactions to which we were or will be a party in which the amount involved exceeded or will exceed $120,000 in which any director, executive officer, holder of five percent or more of any class of our capital stock or any member of their immediate family had or will have a direct or indirect material interest.

In April 2007, our Board of Directors adopted a written related person transaction approval policy, which sets forth our polices and procedures for the review, approval or ratification of any transaction required to be reported in our filings with the Securities and Exchange Commission. Our policy with regard to related person transactions is that all future related person transactions between us and any related person (as defined in Item 404 of Regulation S-K) or their affiliates, in which the amount involved is equal to or greater then $120,000, be reviewed by our Secretary and approved in advance by our Audit Committee.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The following table sets forth the aggregate fees billed or expected to be billed by Ernst & Young LLP for 2008 and 2007 for audit and non-audit services, including "out-of-pocket" expenses incurred in rendering these services. The nature of the services provided for each category is described following the table.

	Year Ended December 31,	
	2008	**2007**
Audit fees(1)	$210,000	$302,490
Total fees	$210,000	$302,490

(1) Audit fees include fees for professional services rendered for the audit of our consolidated annual statements, quarterly reviews, consents and assistance with and review of documents filed with the SEC.

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

Pre-approval Policies and Procedures

The Audit Committee has adopted a formal policy that requires that all services to be provided by Ernst & Young, including audit services and permitted non-audit services, must be pre-approved by the Audit Committee. The Audit Committee approved all audit and permitted non-audit services provided by Ernst & Young during fiscal year 2008 pursuant to this policy. As permitted by the SEC's rules, the Audit Committee has authorized one of its members to pre-approve audit, audit-related, tax and non-audit services, provided that such approved service is reported to the full Audit Committee at its next meeting. Proposed services that have not been pre-approved pursuant to the Audit Committee's Pre-Approval Policy must be specifically pre-approved by the Audit Committee before they may be provided by Ernst & Young. Any pre-approved services exceeding the pre-approved monetary limits require specific approval by the Audit Committee.

HOUSEHOLDING OF ANNUAL MEETING MATERIALS

Some banks, brokers and other nominee record holders may be participating in the practice of "householding." This means that only one copy of our annual report and proxy statement will be sent to stockholders who share the same last name and address. Householding is designed to reduce duplicate mailings and save significant printing and postage costs.

If you receive a household mailing this year and would like to receive additional copies of our annual report and/or proxy statement, please submit your request in writing to: EXACT Sciences Corporation, 100 Campus Drive, Marlborough, Massachusetts 01752, Attention: Secretary or by calling EXACT at (508) 683-1200. Any stockholder who wants to receive separate copies of the proxy statement in the future, or who is currently receiving multiple copies and would like to receive only one copy for his or her household, should contact his or her bank, broker, or other nominee record holder.

STOCKHOLDER PROPOSALS

Proposals of stockholders intended for inclusion in the proxy statement to be furnished to all stockholders entitled to vote at the next annual meeting of our stockholders, pursuant to Rule 14a-8 promulgated under the Exchange Act by the SEC, must be received at our principal executive offices no later than December 30, 2009. Stockholders who wish to make a proposal at the next annual meeting of our stockholders other than one that will be included in our proxy statement must notify us between March 19, 2010 and April 18, 2010. In order to avoid controversy as to the date on which we received a proposal, it is suggested that proponents submit their proposals by Certified Mail Return Receipt Requested. In addition, such proposals must satisfy the procedures set forth in Rule 14a-8 under the Exchange Act. In addition, shareholders wishing to nominate a director should comply with the procedures set forth herein under "Policies Regarding Director Nominations *Procedures for Recommendation of Director Nominees by Stockholders*" located on page 11.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers and persons who own more than ten percent of a registered class of our equity securities, collectively known as the Reporting Persons, to file reports of ownership and changes in ownership with the SEC. Such persons are required by regulations of the SEC to furnish us with copies of all such filings. Based solely on our review of copies of such filings, we believe that all Reporting Persons complied on a timely basis with all Section 16(a) filing requirements during the year ended December 31, 2008.

EXPENSES AND SOLICITATION

The cost of solicitation of proxies will be borne by us, and in addition to soliciting stockholders by mail, our directors, officers and other employees may, without receiving additional compensation, solicit proxies personally or by telephone. Solicitation by our directors, officers and other employees may also be made of some of our stockholders in person or by mail, telephone or telegraph following the original solicitation. We may request banks, brokers and other custodians, nominees and fiduciaries to forward proxy soliciting materials to the owners of our stock held in their names and, if so, will reimburse such banks, brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket costs incurred in connection with the distribution of such proxy materials. We may also retain an independent proxy solicitation firm to assist in the solicitation of proxies.

OTHER BUSINESS

The Board of Directors knows of no business that will be presented for consideration at the annual meeting other than those items stated above. If any other business should come before the annual meeting, votes may be cast pursuant to proxies in respect to any such business in the best judgment of the person or persons acting under the proxies.

EXACT Sciences Corporation
Proxy for Annual Meeting of Stockholders
July 17, 2009

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON JULY 17, 2009. THE PROXY STATEMENT AND ANNUAL REPORT TO STOCKHOLDERS ARE AVAILABLE AT

http://www.amstock.com/ProxyServices/ViewMaterial.asp?CoNumber=11534.

SOLICITED BY THE BOARD OF DIRECTORS

The undersigned hereby appoints Kevin T. Conroy and Maneesh Arora together, and each of them singly, proxies, with full power of substitution to vote all shares of stock of EXACT Sciences Corporation (the "Company") which the undersigned is entitled to vote at the Annual Meeting of Stockholders of EXACT Sciences Corporation to be held on Friday, July 17, 2009, at 10:00 a.m. local time, at the offices of Goodwin Procter LLP, Exchange Place, 53 State Street, Boston, MA 02109 and at any adjournments or postponements thereof, upon matters set forth in the Notice of Annual Meeting of Stockholders and Proxy Statement dated April 29, 2009, a copy of which has been received by the undersigned.

SEE REVERSE SIDE

CONTINUED AND TO BE SIGNED ON REVERSE SIDE

ý Please mark votes as in this example.

THIS PROXY, WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED BY THE UNDERSIGNED STOCKHOLDER(S). IF NO DIRECTION IS GIVEN, THIS PROXY WILL BE VOTED FOR THE ELECTION OF DIRECTORS.

1. To elect two members to the board of directors to serve for three-year terms as Class III Directors, each such director to serve for such term and until his or her respective successor has been duly elected and qualified, or until his or her earlier death, resignation or removal. **The Board recommends a vote FOR all nominees.**

NOMINEES: Sally W. Crawford and Edwin M. Kania, Jr.

For All	**Withhold For All**	**For All Except**	To withhold authority to vote for any individual nominee, mark "For All Except" and write the nominee's name on the line below.
o	**o**	**o**	______________________________

2. To transact such other business as may properly come before the annual meeting and any adjournment thereof.

o MARK HERE FOR ADDRESS CHANGE AND NOTE BELOW

____

____

Please sign exactly as name appears below. Joint owners must both sign. Attorney, executor, administrator, trustee or guardian must give full title as such. A corporation or partnership must sign its full name by authorized person.

____

Signature of Stockholder

Date: ______________________, 2009

____

Signature if held jointly

PLEASE COMPLETE, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED ENVELOPE

I/We will attend the annual meeting. **o YES o NO**

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