

Part II Organizational Action *(continued)*

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ [See attachment](#)

18 Can any resulting loss be recognized? ▶ [See attachment](#)

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ [See attachment](#)

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here
Signature ▶ *Jeff Elliott* Date ▶ 4/17/2020
Print your name ▶ Jeff Elliott Title ▶ Chief Financial Officer

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.

The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended (the “Code”), and includes a general summary regarding the application of certain U.S. federal income tax laws and regulations related to the effects of the Merger (as defined below) on securities. The information contained herein does not constitute tax advice and does not purport to be complete or describe the tax consequences that may apply to particular persons or categories of persons. Holders of Paradigm Diagnostics, Inc. capital stock are encouraged to consult their independent tax advisors regarding the particular consequences of the Merger to them (including the applicability and effect of all federal, state, local and non-U.S. laws).

Item 14. Describe the organization action and, if applicable, the date of the action or the date against which shareholders’ ownership is measured for the action.

On March 3, 2020, pursuant to the terms and conditions of the previously announced Agreement and Plan of Merger, dated as of February 11, 2020, (the “Merger Agreement”) by and among Exact Sciences Corporation (“Exact Sciences”), Palos Acquisition Corp. (“Merger Sub”) and Paradigm Diagnostics (“Paradigm”), Merger Sub merged with and into Paradigm with Paradigm continuing as the surviving corporation of the merger and a wholly owned subsidiary of Exact Sciences (the “Merger”).

As a result of the Merger:

- Each share of Paradigm common stock outstanding prior to the effective time of the Merger was cancelled and converted into the right to receive .00935 of a share of common stock of Exact Sciences (“Exact Stock”), of which .0017 shares were held back and .000032 shares were used to pay representative expenses;
- Each share of Paradigm Series A-1 preferred stock outstanding prior to the effective time of the Merger was cancelled and converted into the right to receive .01509 of a share of Exact Stock, of which .0017 shares were held back and .000032 shares were used to pay representative expenses;
- Each share of Paradigm Series A-2 preferred stock outstanding prior to the effective time of the Merger was cancelled and converted into the right to receive .01092 of a share of Exact Stock, of which .0017 shares were held back and .000032 shares were used to pay representative expenses; and
- Each share of Paradigm Series B preferred stock outstanding prior to the effective time of the Merger was cancelled and converted into the right to receive .02195 of a share of Exact Stock, of which .0017 shares were held back and .000032 shares were used to pay representative expenses.

The Exact Stock held back (as indicated above) (each a “Holdback Share”) will be released if certain conditions are satisfied on the fifteen-month anniversary of the Merger (the “Holdback Release”).

In lieu of fractional shares of Exact Stock, in the Merger exchanging shareholders received cash based on the pro rata portion of a full share of Exact Stock with a value of \$88.91.

Item 15. Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.

The Merger is intended to qualify as a tax-free reorganization within the meaning of section 368(a); however, the treatment of the Holdback Shares is somewhat uncertain. One possible approach is described below, which treats the maximum Holdback Shares as having been received, but you should consult your independent tax advisor to determine the appropriate method of determining your basis in Exact Stock.

Paradigm shareholders will generally recognize gain (but not loss) on a particular Paradigm share in an amount equal to the lesser of: (i) the amount by which the value of the Exact Stock (including the Holdback Share), plus the cash used to pay representative expenses, exceeds such shareholder's tax basis in the particular Paradigm share surrendered therefor; and (ii) the cash used to pay representative expenses with respect to the particular Paradigm share (excluding any cash received in lieu of a fractional share in each of (i) and (ii)).

The tax basis of the Exact Stock received by a shareholder (including any fractional shares deemed received and redeemed for cash) received in exchange for a particular Paradigm share will be the same as the tax basis of the particular Paradigm share surrendered in exchange therefor, (a) decreased by the amount of cash used to pay representative expenses with respect to the particular Paradigm share (excluding any cash received in lieu of a fractional share), and (b) increased by the amount of gain recognized in the Merger with respect to the particular Paradigm share (excluding gain recognized with respect to a fractional share).

The receipt of Holdback Shares, if any, may affect the basis determined above. For example, if no Exact Stock is disposed prior to the Holdback Release, a shareholder's basis in its Exact Stock would be reallocated, pro rata, among the Exact Stock actually received on March 3, 2020, and the Holdback Shares received, but excluding the Holdback Shares treated as interest under section 483. For additional considerations concerning the allocation of basis upon any Holdback Release see Rev. Proc. 84-42, 1984-1 C.B. 521; Prop. Reg. § 1.453-1(f)(2)(iv), Ex. (4); Treas. Reg. §1.483-4(b), Ex (2).

Item 16. Describe the calculation of the change in basis and the date that supports the calculation, such as market values of securities and the valuation dates.

For purposes of determining the gain recognized in the Merger, it is reasonable to value of the Exact Stock (including Holdback Shares) at \$74.68 per share. See Line 15 for potential adjustments resulting from any Holdback Release.

Item 17. List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.

Sections 356(a), 358(a)-(b) and 368(a) of the Code.

Item 18. Can any resulting loss be recognized?

The Merger is not expected to constitute a taxable transaction, except to the extent cash was received for fractional shares. Shareholders should consult their tax advisor to determine the tax impact of this transaction with respect to their individual facts and circumstances for tax year 2020.

Item 19. *Provide any other information necessary to implement the adjustment, such as the reportable tax year.*

The Merger was completed on March 3, 2020. For a Paradigm shareholder whose taxable year is the calendar year, the reportable tax year is 2020.