NUVEEN QUALITY PREFERRED INCOME FUND 2
Form N-CSRS
April 08, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21137

Nuveen Quality Preferred Income Fund 2

(Exact name of registrant as specified in charter)

Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606

(Address of principal executive offices) (Zip code)

Jessica R. Droeger
Nuveen Investments
333 West Wacker Drive
Chicago, IL 60606

(Name and address of agent for service)

Registrant's telephone number, including area code: (312) 917-7700

Date of fiscal year end: July 31

Date of reporting period: January 31

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. ss. 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

Nuveen Investments
Closed-End
Exchange-Traded
Funds

SEMIANNUAL REPORT January 31, 2004

NUVEEN QUALITY PREFERRED INCOME FUND
JTP

NUVEEN QUALITY PREFERRED INCOME FUND 2
JPS

NUVEEN QUALITY PREFERRED INCOME FUND 3
JHP

Photo of: Man holding up small boy.
Photo of: 2 women with 2 girls looking at seashells.

HIGH CURRENT INCOME
FROM A PORTFOLIO OF
INVESTMENT-GRADE
PREFERRED SECURITIES

Logo: NUVEEN Investments

FASTER INFORMATION
RECEIVE YOUR
NUVEEN FUND REPORT
ELECTRONICALLY

By registering for electronic delivery, you will receive an e-mail as soon as your Nuveen Fund information is available. Click on the link and you will be taken directly to the report. Your Fund report can be viewed and saved on your computer. Your report will arrive faster via e-mail than by traditional mail.

Registering is easy and only takes a few minutes (see instructions at right).

SOME COMMON CONCERNS:

WILL MY E-MAIL ADDRESS BE DISTRIBUTED TO OTHER COMPANIES?

No, your e-mail address is strictly confidential and will not be used for anything other than notification of shareholder information.

WHAT IF I CHANGE MY MIND AND WANT TO RECEIVE INVESTOR MATERIALS THROUGH REGULAR MAIL DELIVERY AGAIN?

If you decide you do not like receiving your reports electronically, it's a simple process to go back to regular mail delivery.

IF YOUR NUVEEN FUND DIVIDENDS AND STATEMENTS

COME FROM YOUR FINANCIAL ADVISOR OR BROKERAGE ACCOUNT,

FOLLOW THE STEPS OUTLINED BELOW:

1 Go to WWW.INVESTORDELIVERY.COM and follow the simple instructions, using the address sheet that accompanied this report as a guide.

2 You'll be taken to a page with several options. Select the NEW ENROLLMENT-CREATE screen and follow the simple instructions.

3 Click Submit. Confirm the information you just entered is correct, then click Submit again.

4 You should get a confirmation e-mail within 24 hours. If you do not, go back through these steps to make sure all the information is correct.

5 Use this same process if you need to change your registration information or cancel internet viewing.

IF YOUR NUVEEN FUND DIVIDENDS AND STATEMENTS

COME DIRECTLY TO YOU FROM NUVEEN,

FOLLOW THE STEPS OUTLINED BELOW:

1 Go to WWW.NUVEEN.COM

2 Select ACCESS YOUR ACCOUNT. Select the E-REPORT ENROLLMENT section. Click on Enrollment Today.

3 You'll be taken to a screen that asks for your Social Security number and e-mail address. Fill in this information, then click Enroll.

4 You should get a confirmation e-mail within 24 hours. If you do not, go back through these steps to make sure all the information is correct.

5 Use this same process if you need to change your registration information or cancel internet viewing.

Logo: NUVEEN Investments

Photo of: Timothy R. Schwertfeger

Timothy R. Schwertfeger
Chairman of the Board

Sidebar text: We remain convinced that maintaining a well-balanced portfolio is an important way to help you reduce overall investment risk.

Dear SHAREHOLDER

I am pleased to report that over the period ended January 31, 2004, the three Nuveen Quality Preferred Income Funds continued to provide you with attractive monthly income, strong total return, and the opportunity for enhanced diversification within your investment portfolio. For more specific information about the performance of the Funds, please see the Portfolio Managers' Perspective and Performance Overview sections of this report.

In the current environment, we remain convinced that a well-balanced portfolio, structured and monitored with the help of an investment professional, can be an important tool in helping to reduce overall investment risk and position yourself to achieve your long-term financial goals. In this context, the preferred securities in your Nuveen Fund can represent an important element of diversification within an overall portfolio crafted to perform well through a variety of market conditions.

As in past letters, I'd also like to direct your attention to the inside front cover of this report, which explains the quick and easy process to begin receiving Fund reports like this via e-mail and the internet. Thousands of Nuveen Fund shareholders already have signed-up, and they are getting their Fund information faster and more conveniently than ever. I urge you to consider joining them.

Since 1898, Nuveen Investments has offered financial products and solutions that incorporate careful research, diversification, and the application of conservative risk-management principles. We are grateful that you have chosen us as a partner as you pursue your financial goals. We look forward to continuing to earn your trust in the months and years ahead.

Sincerely,

/s/ Timothy R. Schwertfeger

Timothy R. Schwertfeger
Chairman of the Board

March 15, 2004

Nuveen Closed-End Exchange-traded funds (JTP, JPS, JHP)

Managers' Perspective

The Funds are managed by a team of specialists at Spectrum Asset Management, Inc., an affiliate of Principal CapitalSM. Mark Lieb, Bernie Sussman and Phil Jacoby, who have more than 50 years of combined experience in the preferred securities markets, lead the team. Here Mark, Bernie and Phil talk about general economic conditions, their management strategy and the performance of the Funds for the period ended January 31, 2004.

WHAT WAS THE GENERAL MARKET ENVIRONMENT FOR PREFERRED SECURITIES FOR THE PERIOD ENDED JANUARY 31, 2004?

For most of this period, market conditions were favorable and, as a result, preferred securities were among the best performers within the fixed-income sector for the 12 months ended January 31, 2004. Both individual and institutional investors were aggressive buyers of preferred securities during this period because, in our opinion, of the attractive yields that preferred securities offered relative to alternative investments. The credit quality environment, especially among the financial industry-oriented issuers, was positive, reflecting improvement in the general economy and in the equity markets. New issuance of preferred securities was robust over the period, with a total of $42.1 billion coming to market during 2003. As of December 31, 2003, the size of the hybrid preferred securities market, in which the Funds primarily invest, was approximately $219 billion.

IN THIS ENVIRONMENT, HOW DID THE FUNDS PERFORM?

Each of the Funds performed well during the 12 months ended January 31, 2004. Their performances, as well as the performance of several widely-followed market indexes, are shown in the nearby chart.

TOTAL RETURN ON NET ASSET VALUE
12 MONTHS ENDED JANUARY 31, 2004

JTP	18.56%
JPS	19.77%
JHP	18.14%
Lehman Aggregate Bond Index1	4.85%
Merrill Lynch Preferred Stock Hybrid Securities Index2	9.39%

For this performance period, each Fund provided a better total return than the unleveraged, unmanaged Lehman Aggregate Bond Index and the unleveraged, unmanaged Merrill Lynch Preferred Stock Hybrid Securities Index.

The Funds' strong performances were a function of several factors. First, as already noted, the hybrid preferred securities market - which represents the type of securities in which the Funds primarily invest - performed well over the period. Second, the Funds benefited from their use of leverage. Leveraging can add volatility to a Fund's net asset value and share price. However, this strategy also can provide opportunities for net asset value appreciation and enhanced income for common shareholders. Third, the Funds maintained a relatively heavy weighting in financial industry issues when compared with the indexes. Financial issues tended to outperform many other sectors

1 The Lehman Brothers Aggregate Bond Index is an unmanaged index that includes all investment-grade, publicly issued, fixed-rate, dollar-denominated, nonconvertible debt issues and commercial mortgage backed securities with maturities of at least one year and outstanding par values of $150 million or more.

2 The Merrill Lynch Preferred Stock Hybrid Securities Index, an unmanaged index of investment-grade, exchange-traded preferred stocks with outstanding market values of at least $30 million and at least one year to maturity.

over this measurement period. In addition, the Funds also benefited in varying degrees from their holdings of mandatory convertible securities and from several specific trades that took advantage of market inefficiencies.

All three Funds continued to provide attractive monthly income through the period. Each Fund seeks to pay dividends at a rate that reflects the past and projected performance of the Fund. To permit a Fund to maintain a more stable monthly dividend, the Fund may pay dividends at a rate that may be more or less than the amount of net investment income actually earned by the Fund during the period. If the Fund has cumulatively earned more than it has paid in dividends, it will hold the excess in reserve as undistributed net investment income (UNII) as part of the Fund's net asset value. Conversely, if the Fund has cumulatively paid in dividends more than it has earned, the excess will constitute negative UNII which will likewise be reflected in the Fund's net asset value. Each Fund will, over time, pay all its net investment income as dividends to shareholders. As of January 31, 2004, all three Funds had negative UNII.

As of January 31, 2004, JTP was trading at a premium to its net asset value, while JPS and JHP were trading at discounts. For additional performance information, please see the individual Performance Overview pages for your Fund in this report.

WHAT KEY STRATEGIES AND TACTICS WERE USED TO MANAGE THE FUNDS DURING THE PERIOD ENDED JANUARY 31, 2004?

For each of these Funds, our strategic goal was to maximize the income generated from a well-diversified, high quality portfolio of preferred securities. In addition, we tried to enhance the total return of each Fund by looking to exploit price inefficiencies between preferred securities valuations and more senior corporate debt, as well as between $25 par, listed preferred securities and $1,000 par, unlisted preferred securities of the same issuer.

We also sought to lessen the potential effects of higher future interest rates on the values of the Funds' holdings by focusing on higher coupon, "cushioned" issues that trade at a premium to par and are priced on a yield-to-call basis. We believed that these securities, generally available in the secondary market, represented better value in many cases than some of the current coupon, new issues that came to market during the period.

NUVEEN QUALITY PREFERRED INCOME FUND

Performance
OVERVIEW As of January 31, 2004

JTP

Portfolio Statistics

Share Price	$15.87
Common Share Net Asset Value	$15.21
Premium/(Discount) to NAV	4.34%
Latest Dividend	$.1050
Market Yield	7.94%
Net Assets Applicable to Common Shares ($000)	$979,873

Top Five Industries	% of Total Investments
Banking	22%
Real Estate Investment Trusts	14%
Banking - Foreign	13%
Utilities	6%
Insurance - P&C- Foreign	6%

Top Five Issuers	% of Total Investments
Wachovia Corporation	3.4%
ING Groep NV	3.2%
Abbey National Public Limited Company	3.0%
Zurich Financial Services	2.8%
HSBC National Public Limited Company	2.7%

Average Annual Total Return
(Inception 6/25/02)

	on Share Price	on NAV
1-Year	12.05%	18.56%
Since Inception	12.19%	12.63%

Bar Chart:
2003-2004 MONTHLY DIVIDENDS PER SHARE

Feb	0.105
Mar	0.105
Apr	0.105
May	0.105
Jun	0.105
Jul	0.105
Aug	0.105
Sep	0.105
Oct	0.105
Nov	0.105
Dec	0.105
Jan	0.105

Line Chart:
SHARE PRICE PERFORMANCE

1/31/03	15.42
	15.35
	15.28
	15.29

	15.22
	15.05
	14.98
	14.69
	14.94
	15.11
	15.17
	15.29
	15.14
	15.45
	15.64
	15.68
	15.79
	15.76
	15.73
	15.8
	16.02
	15.79
	15.26
	14.13
	14.7
	14.06
	14.28
	14.61
	14.86
	14.9
	14.86
	14.9
	15.09
	15
	15.18
	15.49
	15.47
	15.52
	15.42
	15.51
	15.6
	15.55
	15.8
	15.96
	15.97
	15.8
1/31/04	15.87

Weekly Closing Price
Past performance is not predictive of future results.

Nuveen Quality Preferred Income Fund 2

Performance
OVERVIEW As of January 31, 2004

JPS

Portfolio Statistics
==

Share Price	$15.89
Common Share Net Asset Value	$16.15
Premium/(Discount) to NAV	-1.61%
Latest Dividend	$.1050
Market Yield	7.93%
Net Assets Applicable to Common Shares ($000)	$1,929,733

Top Five Industries	% of Total Investments
Banking	21%
Banking - Foreign	15%
Real Estate Investment Trusts	11%
Financial	8%
Utilities	7%

Top Five Issuers	% of Total Investments
Wachovia Corporation	3.6%
Abbey National Public Limited Company	3.1%
ING Groep NV	3.0%
Everest Reinsurance Holdings Inc.	2.9%
ABN AMRO Bank NV	2.4%

Average Annual Total Return
(Inception Date 9/24/02)

	on Share Price	on NAV
1-Year	14.53%	19.77%
Since Inception	13.13%	18.33%

Bar Chart:
2003-2004 MONTHLY DIVIDENDS PER SHARE1

Feb	0.105
Mar	0.105
Apr	0.105
May	0.105
Jun	0.105
Jul	0.105
Aug	0.105

Sep	0.105
Oct	0.105
Nov	0.105
Dec	0.105
Jan	0.105

Line Chart:
SHARE PRICE PERFORMANCE

1/31/03	15.15
	15.34
	15.25
	15.17
	15.18
	15.06
	14.98
	14.58
	14.97
	15.06
	15.12
	15.24
	15.21
	15.44
	15.67
	15.8
	15.78
	15.85
	15.7
	15.8
	15.94
	15.83
	15.28
	14.39
	14.83
	14.21
	14.66
	14.7
	14.87
	14.96
	14.95
	14.96
	15.17
	15.13
	15.2
	15.43
	15.49
	15.53
	15.54
	15.6
	15.72
	15.68
	15.94
	16
	16
	15.84
1/31/04	15.89

Weekly Closing Price
Past performance is not predictive of future results.

1 The Fund paid shareholders a short-term capital gains distribution in

December 2003 of $0.0992 per share.

Nuveen Quality Preferred Income Fund 3

Performance
OVERVIEW As of January 31, 2004

JHP

Portfolio Statistics	
Share Price	$15.48
Common Share Net Asset Value	$15.52
Premium/(Discount) to NAV	-0.26%
Latest Dividend	$.1030
Market Yield	7.98%
Net Assets Applicable to Common Shares ($000)	$366,806

Top Five Industries	% of Total Investments
Banking	20%
Real Estate Investment Trusts	10%
Banking - Foreign	10%
Insurance - P&C- Foreign	9%
Financial	8%

Top Five Issuers	% of Total Investments
Wachovia Corporation	3.6%
ING Groep NV	3.4%
Zurich Financial Services	2.9%
SAFECO Corporation	2.5%
PNCBank Corporation	2.4%

Average Annual Total Return

(Inception Date 12/18/02)

	on Share Price	on NAV
1-Year	12.62%	18.14%
Since Inception	11.49%	16.36%

Bar Chart:
2003-2004 MONTHLY DIVIDENDS PER SHARE1

Feb	0.103
Mar	0.103
Apr	0.103
May	0.103
Jun	0.103
Jul	0.103
Aug	0.103
Sep	0.103
Oct	0.103
Nov	0.103
Dec	0.103
Jan	0.103

Line Chart:
SHARE PRICE PERFORMANCE

1/31/03	15.05
	15.18
	15.14
	15.06
	15.11
	15.09
	14.98
	14.77
	14.82
	15
	15.03
	15.1
	15.12
	15.3
	15.38
	15.55
	15.7
	15.47
	15.53
	15.52
	15.64
	15.76
	15.11
	14.07
	14.6
	14.18
	14.25
	14.56
	14.68
	14.71
	14.75
	14.61
	14.9
	14.99

	15.15
	15.14
	15.32
	15.12
	15.31
	15.21
	15.42
	15.21
	15.85
	15.89
	15.73
	15.74
1/31/04	15.48

Weekly Closing Price
Past performance is not predictive of future results.

1 The Fund paid shareholders a short-term capital gains distribution in December 2003 of $0.1232 per share.

Shareholder
MEETING REPORT

The Shareholder Meeting was held in Chicago, Illinois on October 22, 2003.

	JTP		JPS	
APPROVAL OF THE BOARD MEMBERS WAS REACHED AS FOLLOWS:	Common and FundPreferred shares voting together as a class	FundPreferred shares voting together as a class	Common and FundPreferred shares voting together as a class	FundPreferre shares votin togethe as a clas
William E. Bennett				
For	62,553,535	--	116,860,508	-
Withhold	395,810	--	75,179	-
Total	62,949,345	--	116,935,687	-
Robert P. Bremner				
For	62,547,199	--	116,862,833	-
Withhold	402,146	--	72,854	-
Total	62,949,345	--	116,935,687	-
Lawrence H. Brown				
For	62,561,266	--	116,868,395	-
Withhold	388,079	--	67,292	-
Total	62,949,345	--	116,935,687	-
Jack B. Evans				

For	62,567,638	--	116,871,218	-
Withhold	381,707	--	64,469	-
Total	62,949,345	--	116,935,687	-
Anne E. Impellizzeri				
For	62,519,267	--	116,863,331	-
Withhold	430,078	--	72,356	-
Total	62,949,345	--	116,935,687	-
William L. Kissick				
For	62,542,920	--	116,861,248	-
Withhold	406,425	--	74,439	-
Total	62,949,345	--	116,935,687	-
Thomas E. Leafstrand				
For	62,557,761	--	116,868,018	-
Withhold	391,584	--	67,669	-
Total	62,949,345	--	116,935,687	-
Peter R. Sawers				
For	62,536,110	--	116,863,153	-
Withhold	413,235	--	72,534	-
Total	62,949,345	--	116,935,687	-

Shareholder
MEETING REPORT (continued)

	JTP		JPS	
APPROVAL OF THE BOARD MEMBERS WAS REACHED AS FOLLOWS: (CONTINUED)	Common and FundPreferred shares voting together as a class	FundPreferred shares voting together as a class	Common and FundPreferred shares voting together as a class	FundPreferre shares votin togethe as a clas
William J. Schneider				
For	--	15,052	--	28,49
Withhold	--	6	--	2
Total	--	15,058	--	28,52
Timothy R. Schwertfeger				
For	--	15,052	--	28,49
Withhold	--	6	--	2
Total	--	15,058	--	28,52

Judith M. Stockdale				
For	62,529,584	--	116,865,698	-
Withhold	419,761	--	69,989	-
Total	62,949,345	--	116,935,687	-
Sheila W. Wellington				
For	62,517,074	--	116,859,998	-
Withhold	432,271	--	75,689	-
Total	62,949,345	--	116,935,687	-

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Nuveen Quality Preferred Income Fund (JTP)
Portfolio of
INVESTMENTS January 31, 2004 (Unaudited)

SHARES	DESCRIPTION(1)
	PREFERRED SECURITIES - 70.3% (48.4% OF TOTAL INVESTMENTS)
	AUTOMOBILE - 0.1%
32,900	Ford Motor Company, Series F, 8.000% (CBTCS)
	AUTOMOBILE - FOREIGN - 1.0%
382,050	Magna International, Inc., Series B, 8.875%
	AUTOMOBILE PARTS - 1.0%
382,000	Delphi Trust I, 8.250%
	BANKING - 9.9%
15,000	ABN AMRO Capital Fund Trust VI, 6.250%
1,000	ABN AMRO North America, Series 144A, 6.590% (a)
102,800	ASBC Capital I, 7.625%
7,200	BAC Capital Trust I, 7.000%
64,000	BAC Capital Trust II, 7.000%
145,000	BAC Capital Trust III, 7.000%

24,000	BAC Capital Trust IV, 5.875%
68,300	Bank One Capital II, 8.500%
59,400	Bank One Capital Trust VI, 7.200%
60,100	BNY Capital Trust V, Series F, 5.950%
24,800	Chase Capital Trust VIII, Series H, 8.300%
198,200	Chittenden Capital Trust I, 8.000%
19,200	Citigroup Capital Trust VI, 6.875%
103,000	Citigroup Capital Trust VII, 7.100%
50,900	Citigroup Capital Trust VIII, 6.950%
	Citigroup Inc.:
20,000	Series F, 6.365% (a)
69,400	Series H, 6.231% (a)
45,000	Series M, 5.864% (a)
120,000	Cobank ABC, Series 144A, 7.000% (a)
123,800	Comerica Capital Trust I, 7.600%
224,795	Compass Capital Trust III, 7.350%
28,400	First Union Capital II, Series II, 7.500% (CORTS)
8,600	First Union Institutional Capital II, 8.200% (CORTS)
87,000	Fleet Capital Trust VI, 8.800%
32,100	Fleet Capital Trust VII, 7.200%
57,900	Harris Preferred Capital Corporation, Series A, 7.375%
32,600	JPM Capital Trust I, Series 2001-1, Class A-1, 7.850% (CBTCS)
77,200	JPMorgan Chase Capital Trust IX, Series I, 7.500%
29,000	JPMorgan Chase Capital Trust X, 7.000%
20,000	JPMorgan Chase Trust, Series 2002-6, Class A, 7.125% (SATURNS)

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Nuveen Quality Preferred Income Fund (JTP) (continued)
Portfolio of Investments January 31, 2004 (Unaudited)

SHARES	DESCRIPTION(1)
	BANKING (continued)
	KeyCorp:

15,300	Series 2001-7, 7.750% (CORTS)
29,800	Series B, 8.250% (CORTS)
59,400	KeyCorp, 7.500% (PCARS)
49,300	National Commerce Capital Trust II, 7.700%
37,747	PNC Capital Trust, 6.125%
29,200	Regions Finance Trust I, 8.000%
35,700	SunTrust Capital Trust V, 7.050%
174,400	USB Capital Trust III, 7.750%
418,405	USB Capital Trust IV, 7.350%
39,000	USB Capital Trust V, 7.250%
12,500	VNB Capital Trust I, 7.750%
19,000	Washington Mutual Capital Trust I, Series 2001-22, Class A-1, 7.650% (CORTS)
7,700	Wells Fargo Capital Trust IV, 7.000%
28,200	Wells Fargo Capital Trust V, 7.000%
92,100	Wells Fargo Capital Trust VII, 5.850%
340,000	Zions Capital Trust B, 8.000%

	BANKING - FOREIGN - 2.7%
11,000	Abbey National plc, 7.250%
67,800	Abbey National plc, Series B, 7.375%
208,800	ABN AMRO Capital Fund Trust II, 7.125%
100,000	ABN AMRO Capital Fund Trust V, 5.900%
52,300	Banco Totta & Acores Finance, Series A, 8.875%
104,600	BCH Capital Ltd., Series B, 9.430%
265,650	BSCH Finance Ltd., Series Q, 8.625%
37,000	Espirito Santo Overseas, 8.500%
55,300	National Westminster Bank plc, Series A, 7.875%
75,000	Royal Bank of Scotland Group plc, 5.750%
22,900	Westpac Capital Trust I, 8.000%

	BROKERAGE - 3.9%
50,100	Bear Stearns Capital Trust III, 7.800%

110,000	Lehman Brothers Capital Trust I, 8.000%
118,100	Lehman Brothers Holdings Capital Trust II, Series J, 7.875%
113,149	Lehman Brothers Holdings Capital Trust III, Series K, 6.375%
35,200	Lehman Brothers Holdings Capital Trust IV, Series L, 6.375%
	Lehman Brothers Holdings Inc.:
30,000	Series D, 5.670% (a)
90,000	Series F, 6.500% (a)
38,500	Merrill Lynch Capital Trust II, 8.000%
186,900	Merrill Lynch Preferred Capital Trust, 7.750%
23,300	Merrill Lynch Preferred Capital Trust IV, 7.120%
49,300	Merrill Lynch Preferred Capital Trust V, 7.280%
92,000	Morgan Stanley Capital Trust II, 7.250%
188,400	Morgan Stanley Capital Trust III, 6.250%
301,095	Morgan Stanley Capital Trust IV, 6.250%

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SHARES	DESCRIPTION(1)
	ENERGY - FOREIGN - 1.3%
46,100	EnCana Corporation, 9.500%
48,100	Suncor Energy Inc., 9.125%
153,600	Talisman Energy Inc., 9.000%
257,100	Talisman Energy Inc., 8.900%
	ENTERTAINMENT - 0.3%
119,000	Viacom Inc., 7.300%
	FINANCIAL - 2.7%
30,176	CIT Group Incorporated, Series CIT, 7.750% (CORTS)
586,300	Countrywide Capital Trust IV, 6.750%
74,000	Financial Security Assurance Holdings, 6.250%

42,000	General Electric Capital Corporation, 6.100%
51,600	General Motors Acceptance Corporation, 7.350%
127,000	Household Capital Trust V, Series X, 10.000%
59,500	Household Capital Trust VI, 8.250%
17,000	Household Capital Trust VII, 7.500%
	FINANCIAL - FOREIGN - 4.7%
55,900	ING Capital Funding Trust, 7.700%
26,300	ING Capital Funding Trust II, 9.200%
563,900	ING Group NV, 7.050%
1,015,458	ING Group NV, 7.200%
	FOOD - 0.7%
19,100	ConAgra Capital LC, Series B, 5.000%
65,000	Dairy Farmers of America Inc., Series 144A, 7.875% (a)
	FOOD - FOREIGN - 1.4%
535,800	Grand Metropolitan Delaware LP, 9.420%
	GAS - 0.3%
32,300	AGL Capital Trust II, 8.000%
93,400	Dominion CNG Capital Trust I, 7.800%
	GAS - FOREIGN - 0.3%
108,500	TransCanada Pipeline, 8.250%
	INSURANCE - FINANCIAL - 0.5%
64,500	AMBAC Financial Group Inc., 5.950%
88,774	AMBAC Financial Group Inc., 5.875%
26,100	MBIA Inc., 8.000%

	INSURANCE - LIFE - 2.6%
15,700	American General Capital III, 8.050%
20,700	American General Capital Trust I, 7.875%
144,000	Delphi Financial Group Inc., 8.000%
136,600	Great-West L&A Capital Trust I, Series A, 7.250%
77,100	Lincoln National Capital Trust V, Series E, 7.650%
26,900	Lincoln National Capital Trust VI, 6.750%
70,900	PLC Capital Trust III, 7.500%

SHARES	DESCRIPTION(1)
	INSURANCE - LIFE (continued)
410,000	PLC Capital Trust IV, 7.250%
58,600	Torchmark Capital Trust I, 7.750%
	INSURANCE - MULTILINE - 0.6%
112,600	Hartford Capital Trust III, Series C, 7.450%
42,700	Hartford Life Capital Trust II, Series B, 7.625%
24,600	Safeco Capital Trust I, 8.700% (CORTS)
26,700	Safeco Capital Trust I, Series 2001-4, 8.750% (CORTS)
	INSURANCE - PROPERTY AND CASUALTY - 0.2%
59,200	EverestRe Group Limited, 7.850%
	INSURANCE - PROPERTY AND CASUALTY - FOREIGN - 6.8%
13,900	Ace Capital Trust I, Series 1999, 8.875%
758,700	Ace Ltd., Series C, 7.800%

760,000	Converium Finance, 8.250%
101,000	PartnerRe Limited, 7.900%
250,000	PartnerRe Limited, Series C, 6.750%
	RenaissanceRe Holdings Ltd.:
73,505	Series A, 8.100%
40,000	Series B, 7.300%
	XL Capital Ltd.
385,354	Series A, 8.000%
24,000	Series B, 7.625%

OIL - FOREIGN - 0.9%

345,532	Nexen Inc., 7.350%

PHARMACEUTICALS - FOREIGN - 0.1%

54,300	Rhone-Poulenc Overseas, Series A, 8.125%

REAL ESTATE INVESTMENT TRUSTS - 20.6%

46,658	AMB Property Corporation, Series M, 6.750%
8,500	Archstone-Smith Trust, Series D, 8.750%
13,400	AvalonBay Communities Inc., Series H, 8.700%
608,700	BRE Properties, Series B, 8.080%
485,545	CarrAmerica Realty Corporation, Series E, 7.500%
	Developers Diversified Realty Corporation:
40,400	Series F, 8.600%
29,000	Series G, 8.000%
119,000	Series H, 7.375%
	Duke-Weeks Realty Corporation:
109,179	Series B, 7.990%
9,300	Series I, 8.450%
1,097,400	Equity Office Properties Trust, Series G, 7.750%
	Equity Residential Properties Trust:
30,400	Series B, 9.125%
22,100	Series D, 8.600%
19,000	Firstar Realty LLC, Series 144A, 8.875%
	First Industrial Realty Trust Inc.:
10,600	Series C, 8.625%
87,200	Series D, 7.950%
60,500	Series E, 7.900%

SHARES	DESCRIPTION(1)
	REAL ESTATE INVESTMENT TRUSTS (continued)
	HRPT Properties Trust:
218,300	Series A, 9.875%
1,096,700	Series B, 8.750%
	New Plan Excel Realty Trust:
22,000	Series D, 7.800%
416,000	Series E, 7.625%
101,000	Prologis Trust, Series G, 6.750%
204,400	PS Business Parks Inc., 7.000%
	Public Storage Inc.:
7,000	Series D, 9.500%
16,200	Series E, 10.000%
22,800	Series F, 9.750%
20,400	Series L, 8.250%
24,000	Series Q, 8.600%
99,000	Series R, 8.000%
200,000	Series S, 7.875%
18,180	Series U, 7.625%
345,600	Series V, 7.500%
	Simon Property Group Inc.:
20,500	Series F, 8.750%
176,200	Series G, 7.890%
	Vornado Realty Trust:
26,100	Series B, 8.500%
47,700	Series C, 8.500%
310,000	Wachovia Preferred Funding Corporation, 7.250%
	TELECOMMUNICATIONS - 2.5%
18,100	SBC Communications Inc., 7.000%
262,846	Telephone and Data Systems Inc., 7.600%
156,300	United States Cellular Corporation, 8.750%
473,000	Verizon Communications, 6.200% (CBTCS)
6,900	Verizon New England Inc., Series B, 7.000%
	UNITED STATES GOVERNMENT AGENCY - 0.8%

42,000	Federal Home Loan Mortgage Corporation, 5.000% (a)
189,515	SLM Corporation, 6.000%
33,400	Tennessee Valley Authority, Series D, 6.750%
	UTILITIES - 4.4%
248,300	Alabama Power Company, 5.830% (a)
13,300	Atlantic Capital Trust II, Series C, 7.375%
92,600	CPL Capital I, Series A, 8.000%
7,100	Delmarva Power Finance, 8.125%
55,600	Dominion Resources Capital Trust II, 8.400%
77,740	DTE Energy Trust I, 7.800%
20,800	Duke Energy Capital Trust I, Series Q, 7.200%
8,000	Duke Energy Capital Trust II, 7.200%
94,800	Energy East Capital Trust I, 8.250%
93,005	Entergy Louisiana Inc., 7.600%
132,051	Georgia Power Company, 5.900%
320,000	Interstate Power & Light Company, Series B, 8.375% (a)

SHARES	DESCRIPTION(1)
	UTILITIES (continued)
64,700	OGE Energy Capital Trust I, 8.375%
7,700	Ohio Power Company, 7.375%
40,000	Potomac Electric Power Company, Series 6, 2.280% (a)
60,800	PSO Capital Trust I, Series A, 8.000%
187,000	Virginia Power Capital Trust, 7.375%
	Total Preferred Securities (cost $644,031,915)

CONVERTIBLE PREFERRED SECURITIES - 8.4% (5.8% OF TOTAL INVESTMENTS)

	BANKING - 0.6%
154,000	Citigroup Global Markets, 2.000%
	GAS - 1.6%
299,400	Keyspan Corporation, 8.750%
	INSURANCE - PROPERTY AND CASUALTY - 0.2%
65,500	PMI Group Inc., 5.875%
	INSURANCE - PROPERTY AND CASUALTY - FOREIGN - 0.2%
32,000	PartnerRe Limited, 8.000%
	MEDICAL PRODUCTS - 0.7%
139,500	Baxter International Inc., 7.000%
	TELECOMMUNICATIONS - 1.5%
263,200	Alltel Corporation, 7.750%
64,300	Citizens Communications Company, 6.750%
	UTILITIES - 3.6%
266,200	Ameren Corporation, 9.750%
21,200	American Electric Power, 9.250%
260,200	Dominion Resources Inc., 8.750%
30,000	FPL Group Inc., 8.000%
153,600	Public Service Enterprise Group, 10.250%
	Total Convertible Preferred Securities (cost $74,840,787)

CAPITAL PREFERRED - HYBRID SECURITIES - 2.8% (1.9% OF TOTAL INVESTMENTS)

BANKING - FOREIGN - 1.1%

	10	BBVA Privanza International Gibraltar, Series 144A, 7.764%
		TELECOMMUNICATIONS - 1.7%
	13,250	Centaur Funding Corporation, Series 144A, Series B, 9.080%
		Total Capital Preferred - Hybrid Securities (cost $21,548,162)

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	PRINCIPAL AMOUNT (000)	DESCRIPTION(1)
		CAPITAL PREFERRED SECURITIES - 51.4% (35.4% OF TOTAL INVESTMENTS)
		BANKING - 20.7%
$	2,000	AgFirst Farm Credit Bank, 7.300%, 10/15/49
	1,000	ABN AMRO North America Holding Capital, 6.523%, 12/31/49
	2,500	BankAmerica Capital II, Series 2, 8.000%, 12/15/26
	2,000	BankAmerica Institutional Capital Trust, Series B, 7.700%, 12/31/26
	1,000	BankAmerica Institutional Trust, 8.070%, 12/31/26
	5,700	BankBoston Capital Trust II, Series B, 7.750%, 12/15/26
	6,000	Barnett Capital I, 8.060%, 12/01/26
	2,000	BT Capital Trust, Series B1, 7.900%, 1/15/27
	7,900	BT Preferred Capital Trust II, 7.875%, 2/25/27
	5,000	Chase Capital Trust I, Series A, 7.670%, 12/01/26
	3,000	Corestates Capital Trust I, Series 144A, 8.000%, 12/15/26
	1,000	First Chicago NBD Institutional Capital, 7.950%, 12/01/26
	500	First Empire Capital Trust II, 8.277%, 6/01/27
	1,500	First Midwest Bancorp Inc., Series 144A, 6.950%, 12/01/33
	26,463	First Union Institutional Capital Securities I, 8.040%, 12/01/26
	19,500	JPM Capital Trust II, 7.950%, 2/01/27
	2,000	KeyCorp Institutional Capital Trust A, 7.826%, 12/01/26

11,150	NB Capital Trust II, 7.830%, 12/15/26
1,000	North Fork Capital Trust I, Capital Securities, 8.700%, 12/15/26
8,000	Peoples Heritage Capital Trust I, Series B, 9.060%, 2/01/27
19,000	PNC Institutional Capital Securities, 7.950%, 12/15/26
17,500	Reliance Capital Trust I, Series B, 8.170%, 5/01/28
1,400	Republic New York Capital II, Capital Securities, 7.530%, 12/04/26
23,000	Summit Capital Trust I, Capital Securities, 8.400%, 3/15/27
1,000	Union Planters Capital Trust A, 8.200%, 12/15/26
4,000	Wachovia Capital Trust I, Capital Securities, Series 144A, 7.640%, 1/15/27
1,050	Wells Fargo Capital Securities, 7.950%, 12/01/26
1,000	Zions Institutional Capital Trust, Series A, 8.536%, 12/15/26
	BANKING - FOREIGN - 9.5%
30,000	Abbey National Capital Trust I, 8.963%, 6/30/20
1,200	Barclays Bank plc, Series 144A, 8.550%, 6/15/49
7,242	Dresdner Funding Trust I, 8.151%, 6/30/31
25,000	HSBC Capital Funding LP, Debt, 10.176%, 6/30/50
5,000	Sparebanken Rogaland, Series 144A Notes, 6.443%, 5/01/49
	ENERGY - 2.4%
20,900	Phillips 66 Capital Trust II, 8.000%, 1/15/37
	FINANCIAL - 0.2%
2,000	Keycorp Capital III, 7.750%, 7/15/29
	FINANCIAL - FOREIGN - 0.9%
9,000	AB Svensk Exportkredit, 6.375%, 10/27/49

PRINCIPAL AMOUNT (000)	DESCRIPTION(1)
	GAS - 1.4%
$ 4,000	KN Capital Trust I, Preferred Securities, 8.560%, 4/15/27
7,860	KN Capital Trust III, 7.630%, 4/15/28
	INSURANCE - FINANCIAL - 0.8%
7,500	Berkeley Capital Trust, 8.197%, 12/20/45
	INSURANCE - LIFE - 0.9%
3,000	American General Institutional Capital, 8.125%, 3/15/46
4,000	MIC Financing Trust I, 8.375%, 2/01/27
	INSURANCE - LIFE - FOREIGN - 3.0%
24,410	Sun Life Canada Capital Trust, Capital Securities, 8.526%, 5/06/47
	INSURANCE - MULTILINE - 6.5%
20,525	Safeco Capital Trust I, Capital Securities, 8.072%, 7/15/37
35,095	Zurich Capital Trust I, 8.376%, 6/01/37
	INSURANCE - PROPERTY AND CASUALTY - FOREIGN - 1.3%
7,570	Ace Capital Trust II, 9.700%, 4/01/30
2,000	RenaissanceRe Capital Trust, 8.540%, 3/01/27
	REAL ESTATE - OTHER - 0.8%
8,000	Mangrove Bay, Series 144A, Class 3, 6.102%, 7/15/33
	SAVINGS AND LOAN - 0.6%
5,000	Washington Mutual Capital Trust I, 8.375%, 6/01/27

	SAVINGS AND LOAN - THRIFT - 1.7%
8,500	Dime Capital Trust I, Series A, 9.330%, 5/06/27
5,000	Great Western Financial Trust II, Series A, 8.206%, 2/01/27
	UNITED STATES GOVERNMENT AGENCY - 0.2%
1,800	Farm Credit Bank of Texas, 7.561%, 11/05/49
	UTILITIES - 0.5%
5,000	PECO Energy Capital Trust IV, 5.750%, 6/15/33
	Total Capital Preferred Securities (cost $459,851,480)
	CAPITAL PREFERRED - EURO-MARKET LISTED SECURITIES - 6.8% (4.7% OF TOTAL INVESTMEN
	BANKING - FOREIGN - 6.2%
11,500	CA Preferred Funding Trust, 7.000%, 1/30/49
25,500	HBOS Capital Funding, 6.850%, 3/01/49
8,850	Lloyds TSB Bank plc, Subordinate Note, 6.900%, 11/22/49
14,000	RBS Capital Trust, Series B, 6.800%, 12/31/49
	FINANCIAL - FOREIGN - 0.6%
5,500	Old Mutual Capital Funding, Notes, 8.000%, 6/22/53
	Total Capital Preferred - Euro-Market Listed Securities (cost $68,076,551)

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PRINCIPAL AMOUNT (000)	DESCRIPTION(1)
	CORPORATE BONDS - 4.9% (3.4% OF TOTAL INVESTMENTS)
	AUTOMOBILE - 1.8%
$ 5,000	Ford Motor Company, 8.900%, 1/15/32
3,400	Ford Motor Company, 7.400%, 11/01/46

5,700	Ford Motor Company, 7.700%, 5/15/97
1,260	General Motors Corporation, Senior Debentures, 8.375%, 7/15/33
1,470	General Motors Corporation, 7.375%, 5/23/48
	BANKING - 0.3%
3,000	Suntrust Bank, Subordinate Note, 5.450%, 12/01/17
	FINANCIAL - 2.7%
24,500	General Motors Acceptance Corporation, Notes, 8.000%, 11/01/31
	INSURANCE - PROPERTY AND CASUALTY - 0.1%
500	Zurich Reinsurance Centre Holdings Inc., Senior Notes, 7.125%, 10/15/23
	Total Corporate Bonds (cost $41,377,931)
	SHORT-TERM INVESTMENTS - 0.5% (0.4% OF TOTAL INVESTMENTS)
5,372	State Street Bank Repurchase Agreement, 0.920%, dated 1/30/04, due 2/02/04, repurchase price $5,372,882, collateralized by U.S. Treasury Bonds
	Total Short-Term Investments (cost 5,372,470)
	Total Investments (cost $1,315,099,296) - 145.1%
	Other Assets Less Liabilities - (0.2)%
	FundPreferred Shares, at Liquidation Value - (44.9)%
	Net Assets Applicable to Common Shares - 100%

(1) All percentages shown in the Portfolio of Investments are based on net assets applicable to Common shares unless otherwise noted.

(a) Security is eligible for the Dividends Receivable Deduction.

(CBTCS) Corporate Backed Trust Certificates.

(CORTS) Corporate Backed Trust Securities.

(PCARS) Public Credit and Repackaged Securities.

See accompanying notes to financial statements.

Nuveen Quality Preferred Income Fund 2 (JPS)
Portfolio of
Investments January 31, 2004 (Unaudited)

SHARES	DESCRIPTION(1)
	PREFERRED SECURITIES - 66.3% (47.1% OF TOTAL INVESTMENTS)
	AUTOMOBILE - 0.0%
30,000	Ford Motor Company, Series F, 8.000% (CBTCS)
	AUTOMOBILE - FOREIGN - 0.0%
35,500	Magna International Inc., Series B, 8.875%
	AUTOMOBILE PARTS - 1.1%
766,000	Delphi Trust I, 8.250%
	BANKING - 8.7%
152,060	ASBC Capital I, 7.625%
135,900	BAC Capital Trust I, 7.000%
168,500	BAC Capital Trust II, 7.000%
218,300	BAC Capital Trust III, 7.000%
66,500	BAC Capital Trust IV, 5.875%
81,600	BancWest Capital I, 9.500%
68,500	Bank One Capital II, 8.500%
41,400	Bank One Capital V, 8.000%
154,400	Bank One Capital Trust VI, 7.200%
39,700	BankNorth Capital Trust II, 8.000%
17,800	BNY Capital Trust IV, Series E, 6.875%
54,100	BNY Capital Trust V, Series F, 5.950%
22,800	Chase Capital Trust V, Series E, 7.030%
2,500	Chase Capital Trust VII, Corporate Debt Derivative, 7.000%

76,800	Chase Capital Trust VIII, Series H, 8.300%
14,700	Chittenden Capital Trust I, 8.000%
52,100	Citigroup Capital Trust VI, 6.875%
148,100	Citigroup Capital Trust VII, 7.100%
360,000	Citigroup Capital Trust VIII, 6.950%
	Citigroup Inc.:
23,000	Series F, 6.365% (a)
40,000	Series H, 6.231% (a)
45,000	Series M, 5.864% (a)
230,000	Cobank ABC, 144A, 7.000% (a)
239,700	Comerica Capital Trust I, 7.600%
380,125	Compass Capital Trust III, 7.350%
63,300	First Union Capital II, Series II, 7.500% (CORTS)
31,300	First Union Institutional Capital II, 8.200% (CORTS)
128,300	Fleet Capital Trust VI, 8.800%
79,700	Harris Preferred Capital Corporation, Series A, 7.375%
74,700	JPM Capital Trust, 7.200% (CBTCS)
6,400	JPM Capital Trust I, Series 2001-1, Class A-1, 7.850% (CBTCS)

SHARES	DESCRIPTION(1)
	BANKING (continued)
204,100	JPMorgan Chase Capital Trust IX, Series I, 7.500%
13,400	JPMorgan Chase Capital Trust X, 7.000%
43,000	JPMorgan Chase Trust, Series 2002-6, Class A, 7.125% (SATURNS)
33,900	KeyCorp, 7.500% (PCARS)
	KeyCorp:
28,000	Series 2001-7, 7.750% (CORTS)
91,300	Series B, 8.250% (CORTS)
239,800	National Commerce Capital Trust II, 7.700%
40,000	PNC Capital Trust, 6.125%

34,400	Regions Finance Trust I, 8.000%
131,900	SunTrust Capital Trust IV, 7.125%
81,800	SunTrust Capital Trust V, 7.050%
610,000	USB Capital Trust III, 7.750%
209,600	USB Capital Trust IV, 7.350%
78,100	USB Capital Trust V, 7.250%
87,600	VNB Capital Trust I, 7.750%
41,000	Washington Mutual Capital Trust I, Series 2001-22, Class A-1, 7.650% (CORTS)
15,700	Wells Fargo Capital Trust IV, 7.000%
26,400	Wells Fargo Capital Trust V, 7.000%
20,000	Wells Fargo Capital Trust VI, 6.950%
139,100	Wells Fargo Capital Trust VII, 5.850%
539,200	Zions Capital Trust B, 8.000%

	BANKING - FOREIGN - 3.9%
780,300	ABN AMRO Capital Fund Trust II, 7.125%
84,500	ABN AMRO Capital Fund Trust VI, 6.250%
35,400	Banco Totta & Acores Finance, Series A, 8.875%
621,000	Banesto Holdings, Series A-144A, 10.500%
340,500	BCH Capital Ltd., Series B, 9.430%
446,100	BSCH Finance Ltd., Series Q, 8.625%
27,400	Espirito Santo Overseas, 8.500%
50,000	HSBC USA Inc., Series F, 2.860% (a)
105,200	National Westminster Bank plc, Series A, 7.875%
60,000	Royal Bank of Scotland Group plc, 5.750%
139,100	Westpac Capital Trust I, 8.000%

	BROKERAGE - 3.1%
94,900	Bear Stearns Capital Trust III, 7.800%
63,800	Lehman Brothers Capital Trust I, 8.000%
102,800	Lehman Brothers Holdings Capital Trust II, Series J, 7.875%

273,100	Lehman Brothers Holdings Capital Trust III, Series K, 6.375%
102,900	Lehman Brothers Holdings Capital Trust IV, Series L, 6.375%
	Lehman Brothers Holdings Inc.:
42,000	Series C, 5.940% (a)
66,100	Series D, 5.670% (a)
71,000	Series F, 6.500% (a)
23,900	Merrill Lynch Capital Trust, 7.000%

Nuveen Quality Preferred Income Fund 2 (JPS) (continued)
Portfolio of Investments January 31, 2004 (Unaudited)

SHARES	DESCRIPTION(1)
	BROKERAGE (continued)
91,800	Merrill Lynch Capital Trust II, 8.000%
60,300	Merrill Lynch Preferred Capital Trust, 7.750%
46,300	Merrill Lynch Preferred Capital Trust IV, 7.120%
95,000	Merrill Lynch Preferred Capital Trust V, 7.280%
3,300	Morgan Stanley, 7.050% (PPLUS)
80,408	Morgan Stanley Capital Trust II, 7.250%
487,600	Morgan Stanley Capital Trust III, 6.250%
451,600	Morgan Stanley Capital Trust IV, 6.250%
16,000	Morgan Stanley Dean Witter, Series C, 7.250%
	ENERGY - FOREIGN - 0.3%
51,500	EnCana Corporation, 9.500%
43,100	Suncor Energy Inc., 9.125%
75,100	Talisman Energy Inc., 8.900%
67,300	Talisman Energy Inc., 9.000%
	ENTERTAINMENT - 0.1%
71,400	Viacom Inc., 7.300%

	FINANCIAL - 6.2%
32,600	CIT Group Incorporated, 7.750% (CORTS)
978,000	Countrywide Capital Trust IV, 6.750%
41,000	Financial Security Assurance Holdings, 6.875%
1,059,618	Financial Security Assurance Holdings, 6.250%
199,700	General Electric Capital Corporation, 6.625%
702,300	General Electric Capital Corporation, 6.100%
526,700	Household Capital Trust V, Series X, 10.000%
617,096	Household Capital Trust VI, 8.250%
30,900	Household Capital Trust VII, 7.500%
250,000	Household Finance Corporation, 6.875%
16,000	Philadelphia Authority for Industrial Development, Pennsylvania Pension, 6.550%
42,000	SLM Corporation, Series A, 6.970% (a)
	FINANCIAL - FOREIGN - 4.3%
18,800	CSFB USA, Series 2002-10, 7.000% (SATURNS)
28,800	ING Capital Funding Trust, 7.700%
63,600	ING Capital Funding Trust II, 9.200%
1,476,400	ING Group NV, 7.200%
1,406,655	ING Group NV, 7.050%
	FOOD - 0.7%
125,000	Dairy Farmers of America Inc., 144A, 7.875% (a)
	FOOD - FOREIGN - 0.1%
106,100	Grand Metropolitan Delaware LP, 9.420%
	GAS - 0.2%
39,900	AGL Capital Trust II, 8.000%
92,500	Dominion CNG Capital Trust I, 7.800%

SHARES	DESCRIPTION(1)
	GAS - FOREIGN - 0.2%
151,100	TransCanada Pipeline, 8.250%
	INSURANCE - FINANCIAL - 0.3%
68,400	AMBAC Financial Group Inc., 5.950%
136,700	AMBAC Financial Group Inc., 5.875%
22,200	MBIA Inc., 8.000%
	INSURANCE - LIFE - 1.7%
28,200	American General Capital Trust I, 7.875%
33,200	American General Capital Trust III, 8.050%
472,557	Delphi Financial Group Inc., 8.000%
25,900	Great-West L&A Capital Trust I, Series A, 7.250%
60,200	Lincoln National Capital Trust V, Series E, 7.650%
25,000	Lincoln National Capital Trust VI, 6.750%
88,600	PLC Capital Trust III, 7.500%
440,940	PLC Capital Trust IV, 7.250%
57,200	Torchmark Capital Trust I, 7.750%
	INSURANCE - MULTILINE - 0.6%
247,600	Hartford Capital Trust III, Series C, 7.450%
52,700	Hartford Life Capital Trust II, Series B, 7.625%
78,900	Safeco Capital Trust I, 8.700% (CORTS)
59,700	Safeco Capital Trust I, Series 2001-4, 8.750% (CORTS)
	INSURANCE - PROPERTY AND CASUALTY - 4.1%

2,827,000	EverestRe Group Limited, 7.850%
5,500	W.R. Berkley, 8.250% (CORTS)

	INSURANCE - PROPERTY AND CASUALTY - FOREIGN - 6.7%
967,600	Ace Ltd., Series C, 7.800%
1,505,600	Converium Finance, 8.250%
230,081	PartnerRe Limited, 7.900%
439,320	PartnerRe Limited, Series C, 6.750%
	RenaissanceRe Holdings Ltd.:
304,360	Series A, 8.100%
136,500	Series B, 7.300%
	XL Capital Ltd.:
554,400	Series A, 8.000%
537,617	Series B, 7.625%

	OIL - FOREIGN - 0.8%
549,271	Nexen Inc., 7.350%

	PHARMACEUTICALS - FOREIGN - 0.1%
80,000	Rhone-Poulenc Overseas, Series A, 8.125%

	REAL ESTATE INVESTMENT TRUSTS - 13.7%
14,000	Archstone-Smith Trust, Series D, 8.750%
91,900	AvalonBay Communities Inc., Series H, 8.700%
8,700	BRE Properties, Series B, 8.080%
857,995	CarrAmerica Realty Corporation, Series E, 7.500%

SHARES	DESCRIPTION(1)

	REAL ESTATE INVESTMENT TRUSTS (continued)
	Developers Diversified Realty Corporation:
279,800	Series G, 8.000%
103,000	Series H, 7.375%
186,650	Duke Realty Investment Corporation, Series B, 7.990%
37,900	Duke-Weeks Realty Corporation, Series I, 8.450%
293,000	Equity Office Properties Trust, Series G, 7.750%
	Equity Residential Properties Trust:
81,800	Series B, 9.125%
40,000	Series C, 9.125%
59,750	Series D, 8.600%
1,000	Series N, 6.480%
	First Industrial Realty Trust Inc.:
16,700	Series C, 8.625%
111,100	Series D, 7.950%
99,800	Series E, 7.900%
2,300	Gables Residential Trust, Series D, 7.500%
	HRPT Properties Trust:
206,200	Series A, 9.875%
1,516,825	Series B, 8.750%
153,000	Kimco Realty Corporation, Series F, 6.650%
	New Plan Excel Realty Trust:
147,350	Series D, 7.800%
763,000	Series E, 7.625%
90,328	Prologis Trust, Series G, 6.750%
54,170	PS Business Parks Inc., 7.000%
	Public Storage Inc.:
5,000	Series D, 9.500%
11,000	Series F, 9.750%
13,700	Series L, 8.250%
12,700	Series M, 8.750%
43,800	Series Q, 8.600%
88,295	Series R, 8.000%
12,900	Series S, 7.875%
72,065	Series T, 7.625%
62,200	Series U, 7.625%
130,300	Series V, 7.500%
250,000	Regency Centers Corporation, 7.450%
	Simon Property Group Inc.:
29,800	Series F, 8.750%
321,041	Series G, 7.890%
	Vornado Realty Trust:
33,200	Series B, 8.500%
40,700	Series C, 8.500%
2,461,900	Wachovia Preferred Funding Corporation, 7.250%

	TELECOMMUNICATIONS - 2.4%
4,000	BellSouth Capital Funding Corporation, 7.375%
4,200	BellSouth Inc., 7.000% (CORTS)
26,200	SBC Communications Inc., 7.000%
119,700	Telephone and Data Systems Inc., 7.600%
1,315,700	United States Cellular Corporation, 8.750%
200,000	Verizon Communications, 6.200% (CBTCS)

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SHARES	DESCRIPTION(1)

sp;Craw

degree in English from Smith College and an MS in communications from Boston University.

Ms. Crawford brings to the Board of Directors executive leadership skills and marketing expertise acquired as an executive in the healthcare industry. In addition, her longstanding quality service as a member of our Board, as well as her significant experience in the healthcare industry and serving on the boards of directors of other companies, gives her a deep understanding of the healthcare industry and of the role of the board of directors.

James E. Doyle, age 69, is currently Of Counsel at Foley & Lardner LLP, an international law firm, as well as partner of Doyle & Boyce Strategies, a consultant to several national foundations. Prior to his current positions, Gov. Doyle served two terms as the 44th governor of the state of Wisconsin from 2003 to 2011. Prior to his gubernatorial service, Gov. Doyle served three terms as the attorney general of the state of Wisconsin from January 1991 to January 2003. In connection with his service as attorney general, Gov. Doyle served as president of the National Association of Attorneys General from 1997 to 1998. Gov. Doyle also previously served as the District Attorney of Dane County, Wisconsin and worked in private practice. His extensive public service also includes stints in the Peace Corps as a teacher in Tunisia and as an attorney in a federal legal services office on the Navajo Indian Reservation. Gov. Doyle earned a bachelor's degree from the University of Wisconsin Madison and a law degree from Harvard Law School.

Gov. Doyle brings to the Board of Directors proven leadership and managerial capabilities acquired through his extensive public and private sector experience. He also provides the Board with deep knowledge of governmental and legal affairs.

Daniel J. Levangie, age 64, has served as a director since July 2010. He is an experienced executive with senior operating experience in the field of medical devices and in vitro diagnostics, and is currently President of Insulet Delivery Solutions and co-founder and manager of ATON Partners, a private investment and management consulting firm. Prior to co-founding ATON Partners, Mr. Levangie was chief executive officer of Dune Medical Devices, Inc. and co-founder and managing partner of Constitution Medical Investors, Inc., a Boston-based private investment and product development firm acquired by Roche Diagnostics Corporation in July 2013. Prior to the above, Mr. Levangie held a variety of executive management positions with Cytyc Corporation, until the acquisition of Cytyc by Hologic, Inc. in October 2007. These positions include executive vice president and chief operating officer, chief executive officer and president of Cytyc Health Corporation, executive vice president and chief commercial officer and president, Cytyc Surgical Products Division. Prior to joining Cytyc Corporation in 1992, Mr. Levangie held a number of sales, marketing and management positions with Abbott Laboratories, a diversified healthcare company. Mr. Levangie is currently a director of CereVasc, LLC. He previously served as a director of Insulet Corporation, a medical device company (Nasdaq: PODD), Liposcience, Inc., a diagnostics company (Nasdaq: LIPO), ev3, Inc., a medical device company, and Hologic, Inc., a diagnostic, imaging systems and surgical products company (Nasdaq: HOLX). Mr. Levangie is a member of the Advisory Board of the Barnett Institute of Northeastern

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University and is a trustee of Excel Charter School. Mr. Levangie earned a bachelor's degree in pharmacy from Northeastern University.

Mr. Levangie brings a wealth of executive, managerial and leadership experience in the healthcare industry to our Board. He has significant board of director experience from his service on the boards of directors of numerous medical device and biotechnology companies.

Katherine S. Napier, age 60, has served as a director since April 2009. She serves as chief executive officer of Arbonne International, a skin care, cosmetics and nutritional company, a position she has held since August 2009. From July 2002 to March 2006, she served as senior vice president of marketing at McDonald's Corporation, a leading global foodservice retailer. Before joining McDonald's, Ms. Napier held a variety of positions with Procter & Gamble, a manufacturer and distributor of a broad range of consumer products, where during a 23-year career she rose from assistant brand manager to vice president and general manager of the company's North American pharmaceutical business and the corporate women's health platform. Ms. Napier currently serves on the Board of Trustees of Xavier University. She previously served as a director of Hill-Rom Holdings, Inc., a worldwide manufacturer and provider of medical technologies and related services (NYSE: HRC), Mentor Corporation, a medical device company, Alberto-Culver Company, a personal care products company, and Third Wave Technologies, Inc., a molecular diagnostics company. Ms. Napier earned a bachelor's degree in economics and studio fine arts from Georgetown University and an MBA in marketing and finance from Xavier University.

Ms. Napier's extensive executive, managerial and leadership experience, including many years in the pharmaceutical industry, positions her well to serve as a member of our Board. Her business acumen and experience on the boards of directors of numerous companies make her a valuable addition to the Board.

Lionel N. Sterling, age 77, has served as a director since July 2010. Since 1987, he has served as president of Equity Resources, Inc., a private investment firm. He previously co-founded and served as managing partner of the private investment firm Whitehead/Sterling. He also has served as chairman of the board of directors of Rayovac Corporation, executive vice president and director of United Brands Company, and sector executive and chief financial officer of American Can Company. He also held various investment and operating positions at ITT Corporation and Donaldson, Lufkin & Jenrette Inc. Mr. Sterling currently serves as a director of GlucoTec, Inc., a medical software firm focusing on in-hospital Insulin control. He previously served as a director of i-STAT Corporation, a medical diagnostics company, Third Wave Technologies, Inc., a molecular diagnostics company, and Molecular Insight Pharmaceuticals, Inc., a clinical-stage biopharmaceutical company. Mr. Sterling earned a bachelor's degree from Brooklyn College and an MBA from New York University.

Mr. Sterling brings financial and investment expertise to our Board acquired through his finance education and his experience as a chief financial officer and as an operating executive. He also possesses valuable directorship experience from having served on the boards of directors of numerous companies, including a clinical-stage biopharmaceutical company and a molecular diagnostics company.

David A. Thompson, age 73, has served as a director since July 2010 and as lead independent director since March 2014. He was the chairman and lead independent director of Third Wave Technologies, Inc., a molecular diagnostics company, from 2005 until its acquisition by Hologic, Inc. in July 2008. Prior to that, he retired in 1995 from Abbott Laboratories, a diversified healthcare company, where he worked for more than 30 years. He held several corporate officer positions within Abbott,

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including senior vice president and president diagnostic division, vice president human resources, vice president corporate materials management and vice president operations. Mr. Thompson previously served as the lead director of St. Jude Medical, Inc., a medical technology and services company (NYSE: STJ), and as a director of each of Hycor Biomedical, Inc., a medical diagnostic products company, LifeCell Corporation, a biological products company, NABI, a biopharmaceutical company, and TriPath Imaging, Inc., an automated imaging company. Mr. Thompson earned a bachelor's degree from South Dakota State University.

Mr. Thompson brings to the Board extensive executive and leadership experience in the healthcare industry in general and the molecular diagnostics industry in particular. His prior service as lead independent director for other companies provides a valuable perspective to our Board.

Michael S. Wyzga, age 59, served as the President and Chief Executive Officer and a member of the board of directors of Radius Health, Inc., a biopharmaceutical company focused on developing new therapeutics for the treatment of osteoporosis and other women's health conditions, from December 2011 to November 2013. Prior to that, Mr. Wyzga served in various senior management positions at Genzyme Corporation, a global biotechnology company. Mr. Wyzga joined Genzyme in February 1998 and most recently served as Executive Vice President, Finance from May 2003 until November 2011 and as Chief Financial Officer from July 1999 until November 2011. Mr. Wyzga currently serves as a director of Akebia Therapeutics, Inc. (Nasdaq: AKBA), a pharmaceutical company, and Oncomed Pharmaceuticals, Inc. (Nasdaq: OMED), a pharmaceutical company, and previously served as a director of Prosensa Holding N.V. (formerly Nasdaq: RNA), a biotechnology company, and Idenix Pharmaceuticals, Inc. (formerly Nasdaq: IDIX), a pharmaceutical company. Mr. Wyzga received a BS from Suffolk University and an MBA from Providence College.

Mr. Wyzga brings a wealth of financial and managerial experience in the biotechnology and biopharmaceutical industries to the Board with key insight into financial and strategic initiatives as well as extensive public company board service within our industry.

INFORMATION CONCERNING EXECUTIVE OFFICERS

Set forth below is background information relating to our executive officers:

Name	Age	Position
Kevin T. Conroy	49	President, Chief Executive Officer and Chairman of the Board of Directors
Maneesh K. Arora	46	Senior Vice President, Chief Operating Officer and Director
Graham P. Lidgard, Ph.D.	66	Senior Vice President and Chief Science Officer
William J. Megan	58	Senior Vice President, Finance and Principal Financial Officer

Kevin T. Conroy is discussed above under *Information Concerning Directors and Nominees for Director.*

Maneesh K. Arora is discussed above under *Information Concerning Directors and Nominees for Director.*

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Graham P. Lidgard, Ph.D. has served as our Senior Vice President and Chief Science Officer since August 2009. He joined us from Nanogen Inc., a medical diagnostics products company, where he was senior vice president of research and development from 2003 to 2009. Prior to joining Nanogen, Dr. Lidgard led the research and development organization at Gen-Probe Inc., a molecular diagnostics company, which developed that company's Procleix blood screening products and Aptima sexually transmitted disease products, as well as the system development group at Gen-Probe that developed its fully automated Tigris system. Prior to joining Gen-Probe in 1995, Dr. Lidgard was co-founder and vice president of product development of Matritech Inc., a developer of diagnostic products for the early detection of bladder cancer. Before he co-founded Matritech, Dr. Lidgard held senior positions at Ciba Corning Diagnostics Corp.'s worldwide diagnostics group. While at Ciba Corning, he was involved in the development of more than 70 510(k)-cleared products. He led the program for the development of the magnetic particle chemiluminescent technology that became the ACS:180 and Centaur systems. Dr. Lidgard earned a bachelor's degree and a doctorate in biological chemistry from the University of Manchester in England.

William J. Megan has served as our Senior Vice President, Finance since August 2013. He joined us from Telephone & Data Systems, Inc. ("TDS"), where he was President of an IT infrastructure outsourcing subsidiary from 2009 to 2012. From 2001 until 2011, Mr. Megan worked for a telecom subsidiary of TDS, where he was first Controller and, in 2005, named Chief Financial Officer. In this role, Mr. Megan was responsible for the financial functions, as well as business strategy, business development, investor relations, legal affairs and risk management. Prior to TDS, Mr. Megan was a Director in the management consulting practice of PricewaterhouseCoopers, LLP, delivering financial and strategic solutions for enterprise and middle market clients across diverse industry segments. Mr. Megan earned a bachelor's degree in economics from the University of Wisconsin Madison and an MBA from Cornell University. Mr. Megan is a CFA charterholder.

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CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

Board Independence

The Board of Directors has determined that each of Thomas D. Carey, Sally W. Crawford, James E. Doyle, Daniel J. Levangie, Katherine S. Napier, Lionel N. Sterling, David A. Thompson and Michael S. Wyzga is an independent director within the meaning of the director independence standards of The NASDAQ Stock Market, Inc. ("NASDAQ"). Furthermore, the Board has determined that all of the members of the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee are independent within the meaning of the director independence standards of NASDAQ and the rules of the SEC applicable to each such committee.

Executive Sessions of Independent Directors

Executive sessions of our independent directors are generally scheduled following each regularly scheduled in-person meeting of the Board of Directors. Executive sessions do not include any non-independent directors and are led by the lead independent director, David A. Thompson, who is independent.

Board Leadership Structure

Mr. Conroy serves as both the Chairman of the Board and the Chief Executive Officer of the Company. The Board does not have a general policy regarding the separation of the roles of Chairman and Chief Executive Officer. Our bylaws permit these positions to be held by the same person, and the Board believes that it is in the best interests of the Company to retain flexibility in determining whether to separate or combine the roles of Chairman and Chief Executive Officer based on our circumstances. Our Corporate Governance and Nominating Committee Charter provides that at any time that the Company does not have an independent Chairman of the Board, the chairperson of the Corporate Governance and Nominating Committee shall also serve as our lead independent director. As such, David A. Thompson serves as our lead independent director.

The Board has determined that it is appropriate for Mr. Conroy to serve as both Chairman and Chief Executive Officer because combining the roles of Chairman and Chief Executive Officer (1) enhances the alignment between the Board and management in strategic planning and execution as well as operational matters, (2) avoids the confusion over roles, responsibilities and authority that can result from separating the positions, and (3) streamlines board process in order to conserve time for the consideration of the important matters the Board needs to address.

Policy Governing Security Holder Communications with the Board of Directors

As set forth in our Corporate Governance Guidelines, a copy of which is available at www.exactsciences.com, security holders who wish to communicate directly with the Board, the independent directors of the Board or any individual member of the Board may do so by sending such communication by certified mail addressed to the Chairman of the Board, as a representative of the entire Board of Directors, the Lead Independent Director, as a representative of the independent directors of the Board, or to the individual director or directors, in each case, c/o Secretary, Exact Sciences Corporation, 441 Charmany Drive, Madison, Wisconsin 53719. The Secretary reviews any such security holder communication and forwards relevant communications to the addressee.

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Policies Regarding Director Nominations

The Board of Directors has adopted a policy concerning director nominations, a copy of which is available at www.exactsciences.com. Set forth below is a summary of certain provisions of this policy.

Director Qualifications

The Corporate Governance and Nominating Committee is responsible for identifying the appropriate qualifications, skills and characteristics desired of members of the Board of Directors in the context of the needs of the business and the current composition and needs of the Board of Directors.

Director candidates are considered based upon a variety of criteria, including demonstrated business and professional skills and experiences relevant to our business and strategic direction, concern for long-term stockholder interests, personal integrity and sound business judgment. The Board of Directors seeks members from diverse professional backgrounds who combine a broad spectrum of relevant industry and strategic experience and expertise that, in concert, offer us and our stockholders diversity of opinion and insight in the areas most important to us and our corporate mission. In addition, nominees for director are selected to have complementary, rather than overlapping, skill sets. However, the Corporate Governance and Nominating Committee does not have a formal policy concerning the diversity of the Board of Directors. All candidates for director nominee must have time available to devote to the activities of the Board of Directors. The Corporate Governance and Nominating Committee also considers the independence of candidates for director nominee, including the appearance of any conflict in serving as a director. Candidates for director nominees who do not meet all of these criteria may still be considered for nomination to the Board of Directors, if the Corporate Governance and Nominating Committee believes that the candidate will make an exceptional contribution to us and our stockholders.

Process for Identifying and Evaluating Director Nominees

The Board of Directors is responsible for selecting nominees for election to the Board of Directors by our stockholders. The Board of Directors delegates the selection process to the Corporate Governance and Nominating Committee, with the expectation that other members of the Board of Directors, and of management, may be requested to take part in the process as appropriate. Generally, the Corporate Governance and Nominating Committee identifies candidates for director nominees in consultation with management, through the use of search firms or other advisers, through the recommendations submitted by other directors or stockholders or through such other methods as the Corporate Governance and Nominating Committee deems appropriate. Once candidates have been identified, the Corporate Governance and Nominating Committee confirms that the candidates meet the qualifications for director nominees established by the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee may gather information about the candidates through interviews, detailed questionnaires, comprehensive background checks, or any other means that the Corporate Governance and Nominating Committee deems to be helpful in the evaluation process. The Corporate Governance and Nominating Committee then meets as a group to discuss and evaluate the qualities and skills of each candidate, both on an individual basis and taking into account the overall composition and needs of the Board of Directors. Based on the results of the evaluation process, the Corporate Governance and Nominating Committee recommends candidates for the Board of Directors' approval as director nominees for election to the Board of Directors. The

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Corporate Governance and Nominating Committee also recommends candidates for the Board of Directors' appointments to the standing committees of the Board of Directors.

Procedures for Recommendation of Director Nominees by Stockholders

The policy of the Corporate Governance and Nominating Committee is to consider properly submitted stockholder recommendations for director candidates. To submit a recommendation to the Corporate Governance and Nominating Committee for director nominee candidates, a stockholder must make such recommendation in writing and include:

- the name and address of the stockholder making the recommendation, as they appear on our books and records, and of such record holder's beneficial owner, if any;
- the class and number of shares of our equity that are owned beneficially and held of record by such stockholder and such beneficial owner including all "synthetic equity instruments" (e.g., derivatives, swaps, hedges, etc.), voting rights, rights to fees, dividends, or other material rights;
- a description of the material terms of any agreements, arrangements or understandings (whether or not in writing) entered into between such stockholder or such beneficial owner and any other person for the purpose of acquiring, holding, disposing or voting of any shares of any class of our equity;
- the name of the individual recommended for consideration as a director nominee;
- why such recommended candidate meets our criteria and would be able to fulfill the duties of a director;
- how the recommended candidate meets applicable independence requirements established by the SEC and NASDAQ;
- the recommended candidate's beneficial ownership in our securities;
- any relationships between the recommended candidate and us which may constitute a conflict of interest; and
- all other information relating to the recommended candidate that would be required to be disclosed in solicitations of proxies for the election of directors or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act, including the recommended candidate's written consent to being named in the proxy statement as a nominee and to serving as a director if approved by the Board of Directors and elected.

Recommendations must be sent to the Chairman of the Corporate Governance and Nominating Committee, c/o Secretary, Exact Sciences Corporation, 441 Charmany Drive, Madison, Wisconsin 53719. The Secretary must receive any such recommendation for nomination not later than the close of business on the 120th day nor earlier than the close of business on the 150th day prior to the first anniversary of the date of the proxy statement delivered to stockholders in connection with the preceding year's annual meeting of stockholders; provided, however, that with respect to a special meeting of stockholders called by us for the purpose of electing directors to the Board of Directors, the Secretary must receive any such recommendation not earlier than the 90th day prior to such special meeting nor later than the later of (1) the close of business on the 60th day prior to such special

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meeting or (2) the close of business on the 10th day following the day on which a public announcement is first made regarding such special meeting. We will promptly forward any such nominations to the Corporate Governance and Nominating Committee. Once the Corporate Governance and Nominating Committee receives a recommendation for a director candidate, such candidate will be evaluated in the same manner as other candidates and a recommendation with respect to such candidate will be delivered to the Board of Directors.

Policy Governing Director Attendance at Annual Meetings of Stockholders

Our policy is to schedule a regular meeting of the Board of Directors on the same date as our annual meeting of stockholders and, accordingly, directors are encouraged to be present at such stockholder meetings. All of our board members serving on the Board of Directors at the time of the 2014 annual meeting attended the 2014 annual meeting of stockholders other than Lionel Sterling, who was unable to attend due to an illness.

Code of Business Conduct and Ethics

We have in place a Code of Business Conduct and Ethics (the "Code of Ethics") that applies to all of our directors, officers and employees. The Code of Ethics is designed to deter wrongdoing and promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in reports and documents that we file with, or submit to, the SEC and in other public communications that we make;
- compliance with applicable governmental laws, rules and regulations;
- the prompt internal reporting of violations of the Code of Ethics to an appropriate person identified in the Code of Ethics;
- accountability for adherence to the Code of Ethics; and
- anonymous reporting of violations of the Code of Ethics via reporting mechanisms approved by our Audit Committee.

A current copy of the Code of Ethics is available at www.exactsciences.com. A copy may also be obtained, free of charge, from us upon a request directed to Exact Sciences Corporation, 441 Charmany Drive, Madison, Wisconsin 53719, attention: Investor Relations. We intend to disclose any amendments to or waivers of a provision of the Code of Ethics by posting such information on our website available at www.exactsciences.com and/or in our public filings with the SEC.

THE BOARD OF DIRECTORS AND ITS COMMITTEES

Board of Directors

Our bylaws state that the number of directors constituting the entire Board of Directors shall be determined by resolution of the Board and that the Board has the authority to increase the number of directors, fill any vacancies on the Board and to decrease the number of directors to eliminate any vacancies. The number of directors currently fixed by our Board of Directors is ten, and, contingent

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upon the election of all of the nominees for the Board of Directors at the 2015 Annual Meeting, one position will remain vacant as a result of Sally W. Crawford's decision not to stand for re-election to the Board of Directors. The Board of Directors plans to fill this vacancy as soon as practicable following the 2015 Annual Meeting.

Our Board of Directors met nine times during the year ended December 31, 2014. All directors attended at least 75% of the aggregate of all meetings of the Board of Directors and all committees of the Board of Directors on which he or she served during 2014. The Board of Directors has standing Compensation, Audit, Corporate Governance and Nominating, and Innovation and Technology Committees. The Board of Directors and each standing committee retains the authority to engage its own advisors and consultants. Each standing committee has a charter that has been approved by the Board of Directors. A copy of each committee charter is available at www.exactsciences.com. Each committee reviews the appropriateness of its charter annually or at such other intervals as each committee determines.

The following table sets forth the current members of each standing committee of the Board:

Name	**Audit**	**Compensation**	**Corporate Governance and Nominating**	**Innovation and Technology**
Thomas D. Carey	**x**	**x**		
Sally W. Crawford	**x**	**Chair**		
James E. Doyle			**x**	**x**
Daniel J. Levangie			**x**	**Chair**
Katherine S. Napier		**x**		**x**
Lionel N. Sterling	**Chair**			
David A. Thompson			**Chair**	
Michael S. Wyzga	**x**			

Committees

Audit Committee. Our Audit Committee consists of Mr. Carey, Ms. Crawford, Mr. Sterling and Mr. Wyzga. The Board of Directors has determined that each member of the Audit Committee is independent within the meaning of the NASDAQ director independence standards and applicable rules of the SEC for audit committee members. The Board of Directors has elected Mr. Sterling as Chairperson of the Audit Committee and has determined that he qualifies as an "audit committee financial expert" under the rules of the SEC. The Audit Committee is responsible for assisting the Board of Directors in fulfilling its oversight responsibilities with respect to financial reports and other financial information. The Audit Committee (1) reviews, monitors and reports to the Board of Directors on the adequacy of the Company's financial reporting process and system of internal controls over financial reporting, (2) has the ultimate authority to select, evaluate and replace the independent auditor and is the ultimate authority to which the independent auditors are accountable, (3) in consultation with management, periodically reviews the adequacy of the Company's disclosure controls and procedures and approves any significant changes thereto, (4) provides the audit committee report for inclusion in our proxy statement for our annual meeting of stockholders and (5) recommends, establishes and monitors procedures for the receipt, retention and treatment of complaints relating to accounting, internal accounting controls or auditing matters and the receipt of confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters. The Audit Committee met five times during 2014.

Compensation Committee. The Compensation Committee presently consists of Mr. Carey, Ms. Crawford and Ms. Napier, each of whom is a non-employee director as defined in Rule 16b-3 of the Exchange Act. The Board of Directors has also determined that each member of the Compensation Committee is also an independent director within the meaning of NASDAQ's director independence standards. Ms. Crawford serves as Chairperson of the Compensation Committee. As a result of Ms. Crawford's decision not to stand for re-election to the Board of Directors, the Board of Directors has elected Ms. Napier to serve as Chairperson of the Compensation Committee effective as of the 2015 Annual Meeting. The Compensation Committee (1) discharges the responsibilities of the Board of Directors relating to the compensation of our directors and executive officers, (2) oversees the Company's procedures for consideration and determination of executive and director compensation, and reviews and approves all executive compensation, (3) administers and implements the Company's incentive compensation plans and equity-based plans, (4) reviews and recommends the Compensation Discussion and Analysis for inclusion in our proxy statement for our annual meeting of stockholders and (5) provides the compensation committee report for inclusion in our proxy statement for our annual meeting of stockholders. The Compensation Committee met five times during 2014.

Corporate Governance and Nominating Committee. Our Corporate Governance and Nominating Committee consists of Mr. Doyle, Mr. Levangie and Mr. Thompson. The Board of Directors has determined that each member of the Corporate Governance and Nominating Committee is an independent director within the meaning of the NASDAQ director independence standards and applicable rules of the SEC. Mr. Thompson serves as Chairperson of the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee (1) recommends to the Board of Directors persons to serve as members of the Board of Directors and as members of and chairpersons for the committees of the Board of Directors, (2) considers the recommendation of candidates to serve as directors submitted from our stockholders, (3) assists the Board of Directors in evaluating the performance of the Board of Directors and the Board committees, (4) advises the Board of Directors regarding the appropriate board leadership structure for the Company, (5) reviews and makes recommendations to the Board of Directors on corporate governance and (6) reviews the size and composition of the Board of Directors and recommends to the Board of Directors any changes it deems advisable. The Corporate Governance and Nominating Committee met five times during 2014.

Innovation and Technology Committee. Our Innovation and Technology Committee consists of Mr. Doyle, Mr. Levangie and Ms. Napier. Mr. Levangie serves as Chairperson of the Innovation and Technology Committee. The Innovation and Technology Committee (1) assists the Board of Directors in providing counsel to the Company's senior management on the strategic management of basic technology, innovation, medical affairs and regulatory issues, including the portfolio of development projects, management and tracking systems for critical projects, technology development and technical personnel development, (2) assists the Board of Directors and the Company in implementing appropriate advisory interactions, (3) reports and makes recommendations to the Board of Directors regarding the Company's approach to technical and commercial innovation, including the alignment between strategic commercial objectives and the Company's technology and product development plans, and the identification, evaluation and oversight of appropriate technology investments and (4) reports and makes recommendations to the Board of Directors regarding the Company's approach in assuring the Company's existing and new product technologies are commercialized according to the proper safety, health and regulatory compliance principles.

Compensation Committee Interlocks and Insider Participation

Thomas D. Carey, Sally W. Crawford and Katherine S. Napier served on the Compensation Committee in 2014. None of the directors who served on the Compensation Committee in 2014 served as one of our employees in 2014 or has ever served as one of our officers. During 2014, none of our executive officers served as a director or member of the compensation committee (or other committee performing similar functions) of any other entity of which an executive officer served on our Board of Directors or Compensation Committee.

Role of the Board of Directors in Risk Oversight

The Board of Directors administers its risk oversight function directly and through the Audit Committee, the Compensation Committee and the Innovation and Technology Committee. The Audit Committee regularly discusses with management the Company's major risk exposures, their potential financial impact on the Company, and the steps taken to monitor and control those risks and reviews with management annually a summary of risk management activities including an insurance review and management's precautionary plans for disaster protection. Additionally, the Audit Committee assists the Board in its oversight of the Company's compliance with legal and regulatory matters. The Compensation Committee, together with management, has reviewed the Company's compensation policies and practices and concluded that such policies and practices do not create risks that are reasonably likely to have a material adverse effect on the Company. The Innovation and Technology Committee consults with the Board of Directors concerning the risks related to the development, management and commercialization of the Company's product technologies.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is comprised of Thomas D. Carey, Sally W. Crawford, Lionel N. Sterling and Michael S. Wyzga. 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 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 consolidated balance sheets at December 31, 2014 and 2013 and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014, and has discussed them with both management and BDO USA, LLP ("BDO"), 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 Auditing Standard No. 16, *Communications with Audit Committees*, as adopted by the Public Company Accounting Oversight Board. The Audit Committee has reviewed permitted services under rules of the SEC as currently in effect and discussed with BDO their independence from management and the Company, including the matters in the

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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 BDO with that firm's independence.

Based on its review of the consolidated 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 consolidated financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

Respectfully submitted by the Audit Committee.

THE AUDIT COMMITTEE:

Lionel N. Sterling, *Chairperson*
Thomas D. Carey
Sally W. Crawford
Michael S. Wyzga

REPORT 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, 2014 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 Company's Annual Report on Form 10-K for the year ended December 31, 2014 and in this proxy statement.

THE COMPENSATION COMMITTEE:

Sally W. Crawford, *Chairperson*
Thomas D. Carey
Katherine S. Napier

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COMPENSATION AND OTHER INFORMATION CONCERNING DIRECTORS AND OFFICERS

Compensation Discussion and Analysis

Executive Summary

This Compensation Discussion and Analysis explains our executive compensation program as it relates to our "named executive officers," whose compensation information is presented in the following tables and discussion in accordance with SEC rules:

Name	Position
Kevin T. Conroy	Chairman, President and Chief Executive Officer
Maneesh K. Arora	Senior Vice President and Chief Operating Officer
Graham P. Lidgard	Senior Vice President and Chief Science Officer
William J. Megan	Senior Vice President, Finance

Our executive compensation program is designed to focus executive behavior on achievement of both our annual and long-term objectives and strategy as well as align the interests of management to those of our stockholders. To that end, executive compensation consists of three primary elements: salary, long-term equity interests and an annual cash bonus opportunity based on individual and corporate performance.

Based on our assessment of the performance of the executives and our compensation philosophy as described in this *Compensation Discussion and Analysis,* we took the following actions regarding 2014 compensation:

- Increased the base salaries of Mr. Conroy, Mr. Arora, Dr. Lidgard and Mr. Megan to $500,000, $400,000, $357,000 and $260,000, respectively, to recognize the high level of performance of these individuals and their importance to the Company. Mr. Megan's base salary was later increased to $275,000 in connection with his entry into an employment agreement with the Company on November 10, 2014;

- Increased Mr. Conroy's target bonus opportunity from 60% to 65% of base salary to recognize his exceptional performance, highlighted by the successful clinical trial for Cologuard, and increased Mr. Arora's target bonus opportunity from 50% to 55% of base salary to recognize his expanded role, high level of performance and importance to the Company; and

- Granted annual equity awards with time-based vesting terms to Mr. Conroy, Mr. Arora, Dr. Lidgard and Mr. Megan at the market 50th percentile, consisting of stock option awards covering 110,000, 63,000, 47,000 and 13,000 shares, respectively, and restricted stock unit awards covering 78,000, 44,000, 33,000 and 9,000 shares, respectively.

In February 2014, we granted Mr. Megan a restricted stock unit award covering 45,000 shares in addition to his annual equity awards described above. This additional grant to Mr. Megan was intended to serve as a retention award and to supplement the restricted stock unit award of 15,000 shares that Mr. Megan received when he was initially hired.

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Our executive compensation is discussed in greater detail in the sections that follow. The Compensation Committee will continue to evaluate our overall compensation structure and awards to ensure that they are reflective of the performance of our executive officers and our Company and are consistent with our compensation objectives.

Objectives of Our Executive Compensation Program

Our compensation program for our executive officers is 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 life sciences industry for which we would compete for talent and which consists of a mix of base salary, equity and cash incentives; and

- Align the interests of management and stockholders by providing management with long-term incentives through equity ownership.

Elements of Executive Compensation

Our executive compensation program consists of three primary elements: salary, long-term equity interests, and an annual cash bonus opportunity based on both corporate and individual performance. Pursuant to their employment agreements, certain of our executive officers participate in a long-term incentive plan that provides for certain cash payments upon certain changes of control of the Company. All of our executive officers are also eligible for certain benefits offered to employees generally, including, life, health, disability and dental insurance, as well as participation in our 401(k) plan and 2010 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.

Determining Executive Compensation

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 compensation data for companies of generally similar employee size, complexity and market capitalization in the biotechnology and diagnostics 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 and approves corporate objectives used in our executive compensation program to confirm that appropriate goals have been established and tracks performance against them. On an annual basis, the Compensation Committee reviews tally sheets reflecting each executive officer's compensation history with respect to each element of compensation, as well as projected payouts that would come due in connection with a termination or change of control.

The Compensation Committee conducts an annual review of performance and compensation during the first quarter of each year for the purpose of determining the compensation of executive officers other than the Chief Executive Officer. As part of this review, the Chief Executive Officer submits recommendations to the Compensation Committee relating to the compensation of these officers. Following a review of these recommendations, the Compensation Committee approves the compensation of these officers, with such modifications to the Chief Executive Officer's recommendations as the Compensation Committee considers appropriate.

The Compensation Committee's review of the Chief Executive Officer's compensation is subject to separate procedures. With input from members of the entire Board of Directors, the Lead Independent Director, along with the Compensation Committee, evaluates the Chief Executive Officer's performance and reviews the evaluation with him. Based on that evaluation and review and consultation with its independent compensation consultant, the Compensation Committee then determines the Chief Executive Officer's compensation. The Chief Executive Officer is excused from meetings of the Compensation Committee during voting or deliberations regarding his compensation.

The Compensation Committee has engaged Radford, an Aon Hewitt Consulting Company ("Radford"), as its independent executive compensation consultant. The Compensation Committee has assessed the independence of Radford pursuant to SEC and listing exchange rules and concluded that no conflict of interest exists that would prevent Radford from serving as an independent consultant to the Compensation Committee.

Analysis of Executive Compensation

Pursuant to its engagement, in early 2014 Radford provided the Compensation Committee an annual review of the competitiveness of our executive compensation program, including the competitiveness of our base salaries, target total cash compensation, long-term incentives, and target total direct compensation.

Radford analyzed the components of our executive compensation program against information blended from (1) proxy statement data from a peer group of companies that consisted of publicly-traded biotechnology and pharmaceutical companies that were similar to the Company in terms of headcount, stage of development and market capitalization and (2) survey data from a broader group of public diagnostics, medical device and biopharma companies with headcount between 80 and 500 employees.

The Compensation Committee seeks to identify an executive compensation peer group of approximately 20 companies in the diagnostic, biotechnology and medical device industries at a similar stage of development and comparable financial profile that may compete with the Company for executive talent. Based on Radford's review and recommendations regarding the Company's executive compensation peer group, the Compensation Committee approved a new peer group for 2014. In its review, Radford focused on creating a peer group that:

- Represented companies operating in the, diagnostic, medical device and biotechnology industries;
- Contained a mix of pre-commercial late phase 3 research and development companies and commercial stage companies; and
- Captured comparable companies in terms of revenue, employee size and market capitalization.

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Based on Radford's recommendations, the Compensation Committee (1) removed seven companies due to varying reasons, including below-scope market values, revenues, employee sizes and stages of development and acquisitions and (2) added six companies (AMAG, Astex, Dyax, ImmunoGen, InterMune and Quidel) that met the stated criteria.

The companies in the peer group were:

Company	**Industry**
Acadia Pharmaceuticals	Biotechnology Systems
AMAG	Biotechnology
Astex	Biotechnology
Dyax	Biotechnology
GenMark Diagnostics	Health Care Equipment
Halozyme Therapeutics	Biotechnology
ImmunoGen	Biotechnology
Immunomedics	Biotechnology
Intermune	Biotechnology
Ironwood Pharmaceuticals	Biotechnology
Nanosphere	Biotechnology
Navidea Biopharmaceuticals	Health Care Equipment
NPS Pharmaceuticals	Biotechnology
OncoGenex	Biotechnology
Quidel	Health Care Supplies
Sequenom	Life Sciences Tools and Services
Synageva BioPharma	Biotechnology

Based on Radford's analysis, we reached the following conclusions regarding our executive compensation program:

- Base salary levels for our named executive officers would remain targeted between the 25th percentile and 50th percentile.

- Target total cash compensation (base salary plus annual cash bonus opportunity) levels for our named executive officers would remain targeted between the 40th and 50th percentile.

- The aggregate value of the long-term incentive compensation awarded to our named executive officers would remain targeted between the 50th and 75th percentile.

Radford also provided us with an assessment of our annual equity burn rate and the retentive value of equity awards held by our executives as well as an analysis of the alignment of Company performance and CEO compensation.

Based on our assessment of the performance of the executives and our compensation philosophy as described in this *Compensation Discussion and Analysis,* in early 2014 we took the following actions:

- Increased the base salaries of Mr. Conroy, Mr. Arora, Dr. Lidgard and Mr. Megan to $500,000, $400,000, $357,000 and $260,000, respectively, to recognize the high level of performance of these individuals and their importance to the Company (Mr. Megan's base salary was later increased to $275,000 in connection with his entry into an employment agreement with the Company on November 10, 2014);

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Increased Mr. Conroy's target bonus opportunity from 60% to 65% of base salary to recognize his exceptional performance, highlighted by the successful clinical trial for Cologuard, and increased Mr. Arora's target bonus opportunity from 50% to 55% of base salary to recognize his expanded role, high level of performance and importance to the Company;

Granted annual equity awards with time-based vesting terms to Mr. Conroy, Mr. Arora, Dr. Lidgard and Mr. Megan at the market 50th percentile, consisting of stock option awards covering 110,000, 63,000, 47,000 and 13,000 shares, respectively, and restricted stock unit awards covering 78,000, 44,000, 33,000 and 9,000 shares, respectively; and

Granted an additional time-based vesting restricted stock unit award to Mr. Megan covering 45,000 shares (in addition to his annual equity awards described above), which additional award was intended to serve as a retention award and to supplement the restricted stock unit award of 15,000 shares that Mr. Megan received when he was initially hired.

2014 Bonus Plan

The Compensation Committee believes that a significant portion of our executives' compensation should be "at risk," i.e., contingent upon successful implementation of our strategy and goals. Accordingly, one component of our executive compensation program is an annual cash bonus opportunity pursuant to which each of our executive officers is eligible to earn an annual cash bonus with a specified target amount equal to a percentage of base salary with the actual bonus awarded to be based upon the achievement of corporate and individual performance goals determined by the Compensation Committee in its discretion. In January 2014, the Compensation Committee approved metrics to be used to determine 2014 bonuses, which included (1) the Cologuard launch, (2) world-class service and (3) innovation and business expansion. Our named executive officers were eligible to earn bonuses for 2014 performance equal to up to 150% of their target bonuses, which were target bonuses of 65% of base salary for Mr. Conroy, 55% of base salary for Mr. Arora, and 40% of base salary for Dr. Lidgard and Mr. Megan. The Compensation Committee determined actual bonus payments after the end of 2014 based on the Committee's assessment of the performance of the Company and of the individual executives relative to the business goals and weightings as described in the chart below.

Performance against the applicable goals is expected to be used by the Compensation Committee in determining annual bonus payments. However, in determining actual bonus payments the Compensation Committee ultimately relies on its judgement after a comprehensive review of Company and individual performance, as well as consideration of qualitative and other factors, without being tied to any formulas or pre-established weightings. The Compensation Committee has ultimate discretion to modify the matrix and may periodically revisit goals and weightings as circumstances change (though the Committee did not make any such modifications with respect to 2014 bonuses).

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In determining 2014 bonus awards, the Compensation Committee considered the executive team's achievement of a variety of business plan goals, as follows:

Goal	Performance Measures	Weighting
Launch Cologuard	FDA approval Number of tests ordered in 2014 Average reimbursement rate per test	50%
World-class service	Patient compliance	35%
Innovation and business expansion	Demonstrate feasibility for new products Obtain CE mark	15%

After considering the executive team's achievement of key business plan goals, the Compensation Committee determined to award cash bonuses for 2014 performance to Mr. Conroy, Mr. Arora, Dr. Lidgard and Mr. Megan of $367,250, $248,600, $161,364 and $124,300, respectively. These amounts represented payments at 113% of target.

Annual Equity Awards

We believe successful long-term Company performance is more critical to enhancing stockholder value than short-term results. For this reason and to conserve cash and better align the interests of management and stockholders, we emphasize long-term equity compensation over annual salary and incentive compensation awards.

In February 2014, we made annual equity awards to the executives consisting of time-based restricted stock units and stock options. Mr. Conroy, Mr. Arora, Dr. Lidgard and Mr. Megan received stock option awards covering 110,000, 63,000, 47,000 and 13,000 shares, respectively. The shares underlying these options vest and become exercisable in four equal annual installments beginning on the first anniversary of the grant date. Additionally, Mr. Conroy, Mr. Arora, Dr. Lidgard and Mr. Megan received restricted stock unit awards covering 78,000, 44,000, 33,000 and 9,000 shares, respectively. These restricted stock unit awards vest in four equal annual installments beginning on the first anniversary of the grant date.

These awards were intended to further align compensation with achievement of key business plan goals and to motivate the retention of our executives. The Compensation Committee believes that annual equity awards provide executive officers with the opportunity to acquire long-term stock ownership positions, which directly motivate them to maximize long-term stockholder value and that time-based vesting of these awards helps us to retain our leadership team in an extremely competitive environment.

2014 Special Equity Award to Mr. Megan

In February 2014, we awarded Mr. Megan a restricted stock unit award covering 45,000 shares in addition to his annual equity awards described above. This additional award to Mr. Megan was intended to serve as a retention award and to supplement the restricted stock unit award of 15,000 shares that he received when he was initially hired. These additional restricted stock units vest in three equal annual installments beginning on August 26, 2015.

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Other Compensation

We also permit executive officers and other employees to purchase common stock at a discount through our 2010 Employee Stock Purchase Plan. Employees, including executive officers, may also participate in our 401(k) Plan which allows for the investment of a portion of plan assets in shares of our common stock. The Compensation Committee approved a discretionary matching Company contribution to the plan for 2014. The matching contribution was made using Company stock in an amount equal to 100% of an employee's total deferrals into the plan up to a limit of 6% of the employee's total compensation.

Role of Stockholder Say-on-Pay Votes

We provide our stockholders with the opportunity to cast an annual advisory vote on executive compensation (a "say-on-pay proposal"). At the Company's annual meeting of stockholders held in July 2014, approximately 96% of the votes cast on the say-on-pay proposal at the meeting were voted in favor of the proposal. The Compensation Committee believes this vote affirms our stockholders' support of the Company's approach to executive compensation and did not make specific changes to our executive compensation program in response to the vote. However, the Compensation Committee continues to review and refine the design and administration of our executive pay practices. The Compensation Committee also will continue to consider the outcome of the Company's say-on-pay votes when making future compensation decisions for our named executive officers.

Stock Ownership Guidelines

In January 2012, the Board of Directors adopted guidelines to encourage ownership of shares of the Company's Common Stock by directors and senior executives. Under these guidelines, directors and senior executives have until the later of five years from the adoption of the guidelines (or, if later, the date of employment, election or promotion, whichever applies) to achieve an ownership target determined as follows:

	Ownership Targets: Lower of:	
Position	**Base Salary Multiple**	**Fixed Share Target**
Board of Directors	Stock value equal to or greater than 3 times annual retainer	Number of shares equal to or greater than annual retainer, divided by stock value, multiplied by 3
CEO	Stock value equal to or greater than 6 times base salary	Number of shares equal to or greater than base salary, divided by stock value, multiplied by 6
Senior Executive Officers	Stock value equal to or greater than 2 times base salary	Number of shares equal to or greater than base salary, divided by stock value, multiplied by 2

Under the Base Salary Multiple, "stock value" is calculated annually at the end of each fiscal year based on the average of the closing prices of our common stock for the last 30 trading days of the fiscal year.

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Under the Fixed Share Target, "stock value" is calculated as of the later of (1) the date of adoption of these stock ownership guidelines, and (2) the date of the director's, CEO's or senior executive's hire or appointment, as the case may be, based on the average of the closing prices of our common stock for the 30 days leading up to, and inclusive of, the applicable date.

Shares of our common stock that count toward satisfaction of the ownership targets include:

- Shares directly owned individual, immediate family or trust (including without limitation shares purchased on the open market or acquired upon the exercise of a stock option);
- Vested restricted shares, restricted stock units and deferred stock units;
- "In the money" vested stock options; and
- Shares held in the Company's 2010 Employee Stock Purchase Plan.

Shares that do not count toward the ownership targets include:

- Unvested stock options, restricted shares, restricted stock units, and deferred stock units;
- "Out of the money" vested stock options; and
- Performance restricted shares or performance equity units not yet vested.

As of December 31, 2014, each of our directors and senior executives was in compliance with, or was in the process of compliance with, the stock ownership guidelines adopted by the Board of Directors.

Restrictions on Hedging and Pledging of Company Securities

Our Insider Trading Policy prohibits short sales of our securities, including a "sale against the box," by our directors and executives. Our Insider Trading Policy also prohibits directors and executives from engaging in hedging or monetization transactions, such as zero-cost collars and forward sale contracts, as they involve the establishment of a short position in our securities. An exception to the prohibition on hedging transactions may be permitted in certain limited circumstances with the advance written approval of the Chief or Principal Financial Officer. Our Insider Trading Policy also prohibits directors and executives from holding our securities in a margin account or pledging such securities as collateral for a loan. An exception to this prohibition may be permitted in certain limited circumstances with the advance written approval of the Chief or Principal Financial Officer.

Employment Agreements with Named Executive Officers

In April 2009, Kevin T. Conroy and Maneesh K. Arora joined us as our President and Chief Executive Officer and Senior Vice President and Chief Financial Officer, respectively. In February 2012, Mr. Arora was promoted to Chief Operating Officer in addition to his title of Chief Financial Officer. In August 2013, William J. Megan joined us as Senior Vice President, Finance and Mr. Arora dropped the title Chief Financial Officer. In August 2009, Graham P. Lidgard joined us as our Senior Vice President and Chief Science Officer. In connection with each of these appointments we have entered into an employment agreement under which we have agreed to certain compensation arrangements and severance and change of control benefits.

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Each of these packages was determined based on negotiations with the applicable named executive officer and taking into account his background and qualifications and the nature of his position. 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 named executive officers.

Conroy Employment Agreement

Mr. Conroy's employment agreement, dated March 18, 2009, provides for a minimum base salary and for a minimum target bonus opportunity equal to at least 50% 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. For 2014, Mr. Conroy's base salary was $500,000 and his target bonus opportunity was 65% of his base salary. Pursuant to his employment agreement, 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).

Under his agreement, Mr. Conroy would be entitled to certain payments and benefits in connection with certain termination events or a change of control as described under "*Potential Benefits upon Termination or Change of Control*" beginning on page 38 below. The agreement also prohibits Mr. Conroy from engaging in certain activities involving competition with us and from soliciting our employees for an 18-month period following termination of his employment with the Company.

Arora Employment Agreement

Mr. Arora's employment agreement, dated March 18, 2009, provides for a minimum base salary and for a minimum target bonus opportunity equal to at least 40% 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. For 2014, Mr. Arora's base salary was $400,000 and his target bonus opportunity was 55% of his base salary. Pursuant to his employment agreement, 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).

Under his agreement, Mr. Arora would be entitled to certain payments and benefits in connection with certain termination events or a change of control as described under "*Potential Benefits upon Termination or Change of Control*" beginning on page 38 below. The agreement also prohibits Mr. Arora from engaging in certain activities involving competition with us and from soliciting our employees for an 18-month period following termination of his employment with the Company.

Lidgard Employment Agreement

Dr. Lidgard's employment agreement, dated August 1, 2009, provides for a minimum base salary and for a minimum target bonus opportunity equal to at least 40% 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. For 2014, Dr. Lidgard's base salary was $357,000 and his target bonus opportunity was 40% of his base salary. Pursuant to his employment agreement, Dr. Lidgard was also granted an option to purchase 600,000 shares of our common stock, at an exercise price of $2.88 (the closing price of our common stock on the NASDAQ Capital Market on the date Dr. Lidgard was hired).

Under his agreement, Dr. Lidgard would be entitled to certain payments and benefits in connection with certain termination events or a change of control as described under "*Potential Benefits upon Termination or Change of Control*" beginning on page 38 below. The agreement also prohibits Dr. Lidgard from engaging in certain activities involving competition with us and from soliciting our employees for an 18-month period following termination of his employment with the Company.

Megan Employment Agreement

Mr. Megan's employment agreement, dated November 10, 2014, provides for a minimum base salary and for a minimum target bonus opportunity equal to at least 40% 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. For 2014, Mr. Megan's base salary began at $260,000 and was raised to $275,000 when he entered into a new employment agreement in November 2014. Mr. Megan's target bonus opportunity for 2014 was 40% of his base salary.

Under his agreement, Mr. Megan would be entitled to certain payments and benefits in connection with certain termination events or a change of control as described under "*Potential Benefits upon Termination or Change of Control*" beginning on page 38 below. The agreement also prohibits Mr. Megan from engaging in certain activities involving competition with us and from soliciting our employees for a 12-month period following termination of his employment with the Company.

Change of Control and Severance

We believe that providing executives with severance and change of control protection is important for the following reasons:

- to allow executives to fully value the forward looking elements of their compensation packages, and therefore limit retention risk; and

- to provide compensation assurances which are competitive with those of other similarly-situated companies.

Accordingly, the Company's employment agreements and equity awards generally provide for salary continuation in the event of certain employment terminations beyond the control of the executive, as well as varying degrees of accelerated vesting of equity awards in the event of a change of control of the Company.

For further information see *"Potential Benefits upon Termination or Change of Control"* beginning on page 38 below.

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Summary Compensation Table for 2014

The following table represents summary information regarding the compensation of each of Kevin T. Conroy, our Chairman, President and Chief Executive Officer, Maneesh K. Arora, our Senior Vice President and Chief Operating Officer, Graham P. Lidgard, our Senior Vice President and Chief Science Officer and illiam J. Megan, our Senior Vice President, Finance for the three years ended December 31, 2014. Compensation information for 2013 and 2012 is presented for officers who were also our named executive officers in those years.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Option Awards ($)(1)	Stock Awards ($)(2)	All Other Compensation ($)	Total ($)
Kevin T. Conroy	2014	493,833	367,250	1,084,537	1,088,880	15,600(3)	3,050,100
Chairman, President and	2013	460,650	277,800	819,380	2,484,648	15,300(3)	4,057,778
Chief Executive Officer	2012	445,750	269,340	872,100	1,103,425	15,000(3)	2,705,615
Maneesh K. Arora	2014	390,000	248,600	621,144	614,240	15,600(3)	1,889,584
Senior Vice President and	2013	338,333	170,000	305,335	1,507,602	15,300(3)	2,336,570
Chief Operating Officer	2012	325,000	132,000	359,100	464,600	15,000(3)	1,295,700
Graham P. Lidgard	2014	357,017	161,364	463,393	460,680	15,600(3)	1,458,054
Senior Vice President and	2013	338,333	136,000	305,335	1,507,602	15,300(3)	2,302,570
Chief Science Officer	2012	325,000	132,000	359,100	464,600	15,000(3)	1,295,700
William Megan	2014	258,792	124,300	128,173	753,840	15,600(3)	1,280,704
Senior Vice President	2013	84,615			165,300	5,077(3)	254,992
Principal Financial Officer							

(1) The amounts shown in this column indicate the grant date fair value of option awards computed in accordance with FASB Accounting Standards Codification Topic 718 ("FASB ASC Topic 718"). Generally, the grant date fair value is the amount that we would expense in our financial statements over the award's vesting schedule. For additional information regarding the assumptions made in calculating these amounts, see the Notes to our audited, consolidated financial statements included in our Annual Report on Form 10-K. These amounts reflect our accounting expense for these awards and do not correspond to the actual value that will be recognized by our named executive officers.

(2) The amounts shown in this column indicate the grant date fair value of stock awards computed in accordance with FASB ASC Topic 718. Generally, the grant date fair value is the amount that we would expense in our financial statements over the award's vesting schedule. For additional information regarding the assumptions made in calculating these amounts, see the Notes to our audited, consolidated financial statements included in our Annual Report on Form 10-K. These amounts reflect our accounting expense for these awards and do not correspond to the actual value that will be recognized by our named executive officers.

(3) Represents a matching contribution to our 401(k) plan paid in shares of our common stock.

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Grants of Plan-Based Awards in 2014

The following table sets forth all plan-based awards made to our named executive officers in 2014.

Name	Award Type	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)(1)
Kevin T. Conroy	Stock Option(2)	02/24/14		110,000	13.96	1,084,537
	Restricted Stock Units(3)	02/24/14	78,000			1,088,880
Maneesh K. Arora	Stock Option(2)	02/24/14		63,000	13.96	621,144
	Restricted Stock Units(3)	02/24/14	44,000			614,240
Graham P. Lidgard	Stock Option(2)	02/24/14		47,000	13.96	463,393
	Restricted Stock Units(3)	02/24/14	33,000			460,680
William J. Megan	Stock Option(2)	02/24/14		13,000	13.96	128,173
	Restricted Stock Units(3)	02/24/14	9,000			125,640
	Restricted Stock Units(4)	02/24/14	45,000			628,200

(1) The amounts shown in this column indicate the grant date fair value of option awards and the grant date fair value of restricted stock unit awards computed in accordance with FASB ASC Topic 718. Generally, the grant date fair value is the amount that we would expense in our financial statements over the award's vesting schedule. For additional information regarding the assumptions made in calculating these amounts, see the Notes to our audited, consolidated financial statements included in our Annual Report on Form 10-K. These amounts reflect our accounting expense for these awards and do not correspond to the actual value that will be recognized by our named executive officers.

(2) The shares underlying this option vest and become exercisable in four equal annual installments beginning on the first anniversary of the grant date.

(3) Represents a restricted stock unit award which vests in four equal annual installments beginning on the first anniversary of the grant date.

(4) Represents a restricted stock unit award which vests in three equal annual installments beginning on August 26, 2015.

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Outstanding Equity Awards at December 31, 2014

The following table presents information about unexercised options and unvested restricted stock units and shares of restricted stock that were held by our named executive officers as of December 31, 2014.

	Options Awards				Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares or Units of Stock that Have Not Vested ($)(1)
Kevin T. Conroy	1,965,000		0.83	03/18/19	206,591(2)	5,668,857
	63,750	63,750(3)	9.07	02/27/22		
	26,500	79,500(4)	10.82	02/22/23		
		110,000(5)	13.96	02/24/24		
Maneesh K. Arora	922,500		0.83	03/18/19	122,241(6)	3,354,293
	26,250	26,250(3)	9.07	02/27/22		
	9,875	29,625(4)	10.82	02/22/23		
		63,000(5)	13.96	02/24/24		
Graham P. Lidgard	375,000		2.88	08/03/19	111,241(7)	3,052,453
	26,250	26,250(3)	9.07	02/27/22		
	9,875	29,625(4)	10.82	02/22/23		
		47,000(5)	13.96	02/24/24		
William J. Megan		13,000(5)	13.96	02/24/14	54,000(8)	1,481,760

(1) The market value of unvested and unearned shares of restricted stock and restricted stock units is based on the closing price of our common stock on December 31, 2014 ($27.44).

(2) Represents the unvested portions of certain restricted stock unit awards that vest as follows: (1) 20,466 shares that vest on December 31, 2015, (2) 58,125 shares that vest in three equal annual installments beginning on February 22, 2015, (3) 50,000 shares that vest in two equal annual installments beginning on July 25, 2015 and (4) 78,000 shares that vest in four equal annual installments beginning on February 24, 2015.

(3) Represents the unvested portion of an option grant that vests in two equal annual installments beginning on February 27, 2015.

(4) Represents the unvested portion of an option grant that vests in three equal annual installments beginning on February 22, 2015.

(5) Represents the unvested portion of an option grant that vests in four equal annual installments beginning on February 24, 2015.

(6) Represents the unvested portions of certain restricted stock unit awards that vest as follows: (1) 6,566 shares that vest on December 31, 2015, (2) 21,675 shares that vest in three equal annual installments beginning on February 22, 2015, (3) 50,000 shares that vest in two equal annual installments beginning on July 25, 2015 and (4) 44,000 shares that vest in four equal annual installments beginning on February 24, 2015.

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(7)

Represents the unvested portions of certain restricted stock and restricted stock unit awards that vest as follows: (1) 6,566 shares that vest on December 31, 2015, (2) 21,675 shares that vest in three equal annual installments beginning on February 22, 2015, (3) 50,000 shares that vest in two equal annual installments beginning on July 25, 2015 and (4) 44,000 shares that vest in four equal annual installments beginning on February 24, 2015.

(8)

Represents the unvested portion of a restricted stock unit award that vests as follows: (1) 9,000 shares that vest in four equal annual installments beginning on February 24, 2015 and (2) 45,000 shares that vest in three equal annual installments beginning on August 26, 2015.

2014 Option Exercises and Stock Vested Table

The following table sets forth information for each of our named executive officers regarding stock option exercises and vesting of stock awards during 2014.

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)(1)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
Kevin T. Conroy	535,000	12,263,717	64,842	1,235,521
Maneesh K. Arora	327,500	7,506,850	38,792	682,182
Graham P. Lidgard	225,000	4,699,000	63,792	1,179,360
William J. Megan			15,000	321,450

(1)

Value realized is calculated based on the difference between the closing price of our common stock on the date of exercise and the exercise price of the stock option.

Potential Benefits upon Termination or Change of Control

Severance and Change of Control Arrangements in General

We have entered into employment agreements and maintain certain plans that will require us to provide compensation and other benefits to our executive officers in connection with certain events related to a termination of employment or change of control.

Conroy Employment Agreement

Under his employment agreement, Mr. Conroy would, upon termination without "cause," resignation for "good reason" or certain "change of control" events (in each case as defined in Mr. Conroy's agreement), be entitled to receive certain benefits, as described below.

Under Mr. Conroy's employment agreement, upon termination without cause or resignation for good reason, Mr. Conroy would become entitled to receive the following:

- Salary continuation for a period of 18 months at his then current base salary;
- Any accrued but unpaid base salary as of the termination date;
- Any accrued but unpaid bonus, including any performance-based bonus, as of the termination date, on the same terms and at the same times as would have applied had Mr. Conroy's employment not terminated;
- The pro rata portion of a target bonus or any other performance-based bonus, provided that an annual incentive bonus is paid to other senior executives of the Company at the end of the applicable period within which Mr. Conroy's employment was terminated;
- If Mr. Conroy elects COBRA coverage for health and/or dental insurance, Company-paid monthly premium payments for such coverage until the earliest of: (1) 12 months from the termination date; (2) the date Mr. Conroy obtains employment offering health and/or dental coverage comparable to that offered by the Company; or (3) the date COBRA coverage would otherwise terminate;
- A payment of $10,000 towards the cost of an outplacement consulting package within 30 days of termination;
- The vesting of the then unvested equity awards granted to Mr. Conroy (whether stock options, restricted stock or stock purchase rights under the Company's equity compensation plan, or other equity awards) will immediately accelerate by a period of 12 months; and
- A change in the exercise period for vested equity awards such that vested equity awards become exercisable until the earlier of (1) two years from the date of termination of employment and (2) the latest date on which those equity awards expire or are eligible to be exercised under the grant agreements, determined without regard to such termination or resignation.

Under Mr. Conroy's employment agreement, in connection with a change of control, Mr. Conroy would become entitled to receive the following:

- 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, a lump-sum payment equal to

24 months base salary and his pro rata

target bonus through the effective date of the change of control; provided, that any payments previously made to Mr. Conroy in connection with the termination of his employment by the Company without cause or by Mr. Conroy with good reason within the 12 months preceding a change of control would be credited against any such lump-sum payment;

Accelerated vesting of all outstanding unvested equity awards (whether stock options, restricted stock or stock purchase rights under the Company's equity compensation plans, or other equity awards), subject to Mr. Conroy's agreement to remain employed by the Company or any successor, if requested, for a period of at least six months following the change of control at his then current base salary;

In the event Mr. Conroy's employment is terminated by the Company without cause or by Mr. Conroy for good reason in anticipation or contemplation of a pending or potential change of control or while a potential change of control is under consideration or being negotiated by the Company's Board of Directors, Mr. Conroy shall be deemed to remain an employee for purposes of the Long Term Incentive Plan as of the effective date of the change of control and will receive a full payout under the Long Term Incentive Plan as described in his employment agreement as though he remained an employee of the Company as of the effective date of such change of control; and

A tax gross-up payment in an amount sufficient to cause the net amount retained by him, after deduction of any parachute payment excise taxes, to equal the amounts payable as described above.

Arora, Lidgard and Megan Employment Agreements

Under their employment agreements, Mr. Arora, Dr. Lidgard and Mr. Megan would, upon termination without "cause," resignation for "good reason" or certain "change of control" events (in each case as defined in their respective agreements), receive certain benefits, as described below.

Under their employment agreements, upon termination without cause or resignation for good reason, Mr. Arora, Dr. Lidgard and Mr. Megan would become entitled to receive the following:

Salary continuation for a period of 15 months (12 months for Mr. Megan) at his then current base salary;

Any accrued but unpaid base salary as of the termination date;

Any accrued but unpaid bonus, including any performance-based bonus, as of the termination date, on the same terms and at the same times as would have applied had the executive's employment not terminated;

The pro rata portion of a target bonus or any other performance-based bonus, provided that an annual incentive bonus is paid to other senior executives of the Company at the end of the applicable period within which the executive's employment was terminated;

If the executive elects COBRA coverage for health and/or dental insurance, Company-paid monthly premium payments for such coverage until the earliest of: (1) 12 months from the termination date; (2) the date the executive obtains employment offering health and/or dental coverage comparable to that offered by the Company; or (3) the date COBRA coverage would otherwise terminate;

A payment of $10,000 towards the cost of an outplacement consulting package within 30 days of termination (except for Mr. Megan, who is not entitled to this benefit);

The vesting of the then unvested equity awards granted to the executive (whether stock options, restricted stock or stock purchase rights under the Company's equity compensation plan, or other equity awards) wil immediately accelerate by a period of 12 months; and

A change in the exercise period for vested equity awards such that vested equity awards become exercisable until the earlier of (1) two years from the date of termination of employment and (2) the latest date on which those equity awards expire or are eligible to be exercised under the grant agreements, determined without regard to such termination or resignation.

Under Mr. Arora's, Dr. Lidgard's and Mr. Megan's employment agreements, the term "change of control" has substantially the same meanings as it does in Mr. Conroy's agreement (as described above).

Under their employment agreements, in connection with a change of control, Mr. Arora and Dr. Lidgard would become entitled to receive the following:

In the event of termination by us without cause or by the executive for good reason within 12 months before, or if the executive remains employed with the Company on the effective date of, a change of control, a lump-sum payment equal to 18 months base salary and the executive's pro rata target bonus through the effective date of the change of control; provided, that any payments previously made to the executive in connection with the termination of his employment by the Company without cause or by the executive with good reason within the 12 months preceding a change of control will be credited against any such lump-sum payment;

Accelerated vesting of all outstanding unvested equity awards (whether stock options, restricted stock or stock purchase rights under the Company's equity compensation plan, or other equity awards), subject to the executive's agreement to remain employed by the Company or any successor, if requested, for a period of at least six months following the change of control at his then current base salary; and

In the event the executive's employment is terminated by the Company without cause or by the executive for good reason in anticipation or contemplation of a pending or potential change of control or while a potential change of control is under consideration or being negotiated by the Company's Board of Directors, the executive will be deemed to remain an employee for purposes of the Long Term Incentive Plan as of the effective date of the change of control and will receive a full payout under the Long Term Incentive Plan as described in his respective employment agreement as though he remained an employee of the Company as of the effective date of such change of control.

Under Mr. Megan's employment agreement, he would become entitled to accelerated vesting of all outstanding unvested equity awards (whether stock options, restricted stock, restricted stock units or stock purchase rights under the Company's equity compensation plans, or other equity awards) if (1) within 12 months after a change of control, he is terminated by the Company (or any successor) without cause or he terminates for good reason, (2) a change of control happens within four months after the Company terminates him without cause or he terminates for good reason, or (3) he remains employed by the Company (or any successor) for at least six months following a change of control.

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Conditions to Receipt of Severance and Change of Control Benefits

Under Mr. Conroy's employment agreement, the Company's obligations to provide Mr. Conroy with the severance benefits described above are contingent on:

- Mr. Conroy's resignation from the Board of Directors in the event of any termination of Mr. Conroy's employment with the Company or upon the request of the Board of Directors in connection with any change of control;
- Mr. Conroy's delivery of a signed waiver and release in a form reasonably satisfactory to the Company of all claims he may have against the Company and his not revoking such release within 21 days after his date of termination;
- Mr. Conroy's compliance with his Employee Confidentiality and Assignment Agreement with the Company;
- Mr. Conroy's compliance with the 18 month non-competition covenant in his employment agreement; and
- Mr. Conroy's compliance with the 18 month non-solicitation covenant in his employment agreement.

Under Mr. Arora's, Dr. Lidgard's and Mr. Megan's employment agreements, the Company's obligations to provide the severance benefits described above are contingent on:

- The executive's delivery of a signed waiver and release in a form reasonably satisfactory to the Company of all claims he may have against the Company which such release he or she does not revoke within 21 days after his date of termination;
- The executive's compliance with the terms of his Employee Confidentiality and Assignment Agreement with the Company;
- The executive's compliance with the 18-month (12-month for Mr. Megan) non-competition covenant set forth in the executive's employment agreement; and
- The executive's compliance with the 18 month (12-month for Mr. Megan) non-solicitation covenant set forth in the executive's employment agreement.

Death or Disability

In accordance with each named executive officer's employment agreement, in the event of the death or disability of the executive during the executive's employment term, the following will occur:

- The executive's employment and the executive's employment agreement will immediately and automatically terminate;
- The Company will pay the executive (or in the case of death, the executive's designated beneficiary) the executive's base salary and accrued but unpaid bonuses, in each case up to the date of termination; and
- All equity awards granted to the executive, whether stock options or stock purchase rights under the Company's equity compensation plans, or other equity awards, that are unvested at the time of termination will immediately become fully vested and exercisable upon such termination.

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Long Term Incentive Plan

As part of their employment agreements, we have established a Long Term Incentive Plan pursuant to which Mr. Conroy, Mr. Arora and Dr. Lidgard would be entitled to receive a cash payment upon a change of control based on the equity value of the Company as reflected in the following table.

	Portion of Equity Value			
Name	**From $100 million to $500 million**	**Each incremental $50 million from $500 million to $1 billion**	**Each incremental $50 million from $1 billion to $2 billion**	**Any amount over $2 billion**
Kevin T. Conroy	1.00%	0.50%	0.25%	0.00%
Maneesh K. Arora	0.50%	0.25%	0.125%	0.00%
Graham P. Lidgard	0.50%	0.25%	0.125%	0.00%

For example, in connection with a change of control transaction having an equity value of $400,000,000, Mr. Conroy would receive a cash payout of $4,000,000, and in the case of a change of control transaction having an equity value of $600,000,000, Mr. Conroy would receive a cash payout of $5,500,000 ($5,000,000 + $250,000 + $250,000).

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Potential Payments upon Termination or Change of Control

The following table sets forth the estimated post-employment compensation and benefits that would have been payable to our named executive officers under their employment agreements, assuming that each covered circumstance occurred on December 31, 2014.

Name and Benefit	Severance Eligible Termination** ($)	Change of Control ($)	Severance Eligible Termination and Change of Control Within 12 Months** ($)	Death or Disability ($)
Kevin T. Conroy				
Cash Severance	750,000(1)	1,000,000(2)	1,000,000(2)	
Pro rata bonus	367,250(3)	367,250(3)	367,250(3)	
Options, Restricted Stock and RSUs	3,710,991(4)	9,644,035(4)	9,644,035(4)	9,644,035(4)
Long-Term Incentive Plan		10,000,000(5)	10,000,000(5)	
COBRA Benefits	11,383(6)		11,383(6)	
Outplacement Consulting	10,000		10,000	
Parachute Tax Gross-up		7,454,422(7)	7,467,683(7)	
Total estimated value	4,849,624	28,465,707	28,500,351	9,644,035
Maneesh K. Arora				
Cash Severance	500,000(8)	600,000(1)	600,000(1)	
Pro rata bonus	248,600(3)	248,600(3)	248,600(3)	
Options, Restricted Stock and RSUs	1,983,804(4)	5,178,113(4)	5,178,113(4)	5,178,113(4)
Long-Term Incentive Plan		5,000,000(5)	5,000,000(5)	
COBRA Benefits	11,383(6)		11,383(6)	
Outplacement Consulting	10,000		10,000	
Total estimated value	2,753,787	11,026,713	11,048,096	5,178,113
Graham P. Lidgard				
Cash Severance	446,250(8)	535,500(1)	535,500(1)	
Pro rata bonus	161,364(3)	161,364(3)	161,364(3)	
Options, Restricted Stock and RSUs	1,854,424(4)	4,660,593(4)	4,660,593(4)	4,660,593(4)
Long-Term Incentive Plan		5,000,000(5)	5,000,000(5)	
COBRA Benefits	8,412(6)		8,412(6)	
Outplacement Consulting	10,000		10,000	
Total estimated value	2,480,450	10,357,457	10,375,869	4,660,593
William J. Megan				
Cash Severance	275,000(8)		275,000(8)	
Pro rata bonus	124,300(3)	124,300(3)	124,300(3)	
Options, Restricted Stock and RSUs	517,150(4)	1,657,000(4)	1,657,000(4)	1,657,000
COBRA Benefits	11,383(6)		11,383(6)	
Outplacement Consulting	10,000		10,000	
Total Estimated Value	937,833	1,781,300	2,077,683	1,657,000

**
"Severance Eligible Termination" means the executive's termination by the Company without cause or by the executive for good reason.

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(1) Represents 18 months severance.

(2) Represents 24 months severance.

(3) Represents 2014 bonus award.

(4) Represents the value of unvested options, restricted stock units and shares of restricted stock held on December 31, 2014 accelerated in connection with termination or occurrence of a change of control, based upon the closing market price of the common stock on December 31, 2014 ($27.44).

(5) Amount represents payment due under the Long Term Incentive Plan assuming a change of control transaction at an equity value equal to the Company's total market capitalization as of December 31, 2014.

(6) Represents the estimated cost of paying for premiums for health and/or dental insurance for the maximum of 12 months.

(7) Amount represents the estimated payment for taxes and tax gross-up that would be paid by us for the excise tax that applies to excess parachute payments.

(8) Represents 12 months severance.

Director Compensation

Compensation Policy for Non-Employee Directors

We maintain a compensation package for our non-employee directors (the "Director Compensation Policy") to enable us to attract and retain, on a long-term basis, high-caliber non-employee directors.

Pursuant to the Director Compensation Policy, on the date of each annual stockholders meeting, each non-employee director who continues to serve as a director following such meeting is paid an annual cash retainer as follows:

Board Member Compensation	**Annual Retainer ($)**
Lead Independent Director	70,000
Director	45,000

Committee Chairperson Compensation	**Annual Retainer ($)**
Audit Committee	16,000
Compensation Committee	14,000
Corporate Governance and Nominating Committee	10,000
Innovation and Technology Committee	10,000

Committee Member Compensation	**Annual Retainer ($)**
Audit Committee	8,000
Compensation Committee	7,000
Corporate Governance and Nominating Committee	5,000
Innovation and Technology Committee	5,000

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In lieu of cash, each non-employee director may elect to receive shares of common stock having an equivalent dollar value.

In addition, non-employee directors are paid cash compensation of $1,500 per meeting in unusual circumstances when (1) the Board or any committee has met more than 10 times per year or (2) the Board creates a special committee.

Pursuant to the Director Compensation Policy, on the date of each annual stockholders meeting, each non-employee director who is continuing to serve as a director following such meeting is also granted restricted stock or deferred stock units having a value of $140,000 with the number of restricted stock or deferred stock units to be issued being determined based on the closing sale price of the Company's common stock on the date of grant. These annual equity grants vest upon the earlier of the first anniversary of the grant date or the date of the next annual stockholders meeting; provided upon the death of a director such director's awards vest in full, upon a director's ceasing to serve for any other reason such director's awards vest pro rata based on the number of days since the grant date and upon a change of control all awards vest in full.

Upon his or her initial election to the Board of Directors, a new director receives stock options having a grant date fair value computed in accordance with ASC 718 equal to $210,000. Such options vest in three equal annual installments.

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.

Non-Employee Director Compensation in 2014

The following table provides compensation information for the one-year period ended December 31, 2014 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.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	All Other Compensation ($)	Total ($)
Thomas D. Carey	60,000	140,000		200,000
James P. Connelly			20,000(2)	20,000
Sally W. Crawford	67,000	140,000		207,000
James E. Doyle	55,000	350,000		405,000
Daniel J. Levangie	55,000(3)	140,000		195,000
Katherine S. Napier	62,000(3)	140,000		202,000
Lionel N. Sterling	61,000(4)	140,000		201,000
David A. Thompson	80,000(3)	140,000		220,000

(1) The amounts shown in this column indicate the grant date fair value of stock awards computed in accordance with FASB ASC Topic 718. Generally, the grant date fair value is the amount that we would expense in our financial statements over the award's vesting schedule. For additional information regarding the assumptions made in calculating these amounts, see the Notes to our audited, consolidated financial statements included in our Annual Report on Form 10-K. These amounts reflect our accounting expense for these awards and do not correspond to the actual value that will be recognized by the directors.

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As of December 31, 2014, the non-employee members of our Board of Directors held unexercised stock options and unvested shares of restricted stock and restricted stock units as follows:

Name	Number of Securities Underlying Unexercised Options	Unvested Shares of Restricted Stock and Restricted Stock Units
Thomas D. Carey	15,620	8,475
Sally W. Crawford		8,475
James E. Doyle	18,477	8,475
Daniel J. Levangie	52,472	8,475
Katherine S. Napier	33,304	8,475
Lionel N. Sterling	52,472	8,475
David A. Thompson	52,472	8,475

(2)
Amount represents consulting fees for advisory services provided in support of the Company's commercialization activities.

(3)
Amount represents fees earned in cash but which per the election of the director and in accordance with the Director Compensation Policy was paid in shares of common stock having an equivalent dollar value.

(4)
Includes $12,390 of fees earned in cash but which per the election of the director and in accordance with the Director Compensation Policy was paid in shares of common stock having an equivalent dollar value.

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EQUITY COMPENSATION PLAN INFORMATION

We maintain the following equity compensation plans under which our equity securities are authorized for issuance to our employees and/or directors: the 2000 Stock Option and Incentive Plan, 2010 Omnibus Long-Term Incentive Plan and the 2010 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, 2014.

Equity Compensation Plan Information

Plan Category	Number of securities to be issued upo