

DELTA AIR LINES INC /DE/
Form 424B5
April 16, 2018
Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-216463

This preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933, as amended, but is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED APRIL 16, 2018

PRELIMINARY PROSPECTUS SUPPLEMENT

(To Prospectus dated March 6, 2017)

	\$	
	\$	% Notes due
	\$	% Notes due
	\$	Floating Rate Notes due
	\$	% Notes due

Delta Air Lines, Inc. (Delta) is offering \$ aggregate principal amount of its % Notes due (the Notes), \$ aggregate principal amount of its % Notes due (the Notes), \$ aggregate principal amount of its floating rate notes due (the floating rate notes) and \$ aggregate principal amount of its % Notes due (the Notes and, together with the Notes and the Notes, the fixed rate notes). The floating rate notes and the fixed rate notes are collectively referred to herein as the notes. The floating rate notes will mature on . Unless redeemed prior to maturity, the Notes will mature on , the Notes will mature on and the Notes will mature on . We will pay interest on the Notes semi-annually in arrears on and of each year, commencing , 2018. We will pay interest on the Notes semi-annually in arrears on and of each year, commencing , 2018. We will pay interest on the floating rate notes quarterly on , and of each year, beginning on , 2018. We will pay

interest on the Notes semi-annually in arrears on and of each year, commencing , 2018.

We may redeem some or all of the notes of each series, other than the floating rate notes, at any time and from time to time prior to their maturity at the applicable redemption prices described in this prospectus supplement under the heading Description of Notes Redemption. In the event of a Change of Control Triggering Event, as defined in this prospectus supplement, the holders may require us to purchase for cash all or a portion of their notes at a purchase price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest, if any, as described in this prospectus supplement under the heading Description of Notes Offer to Repurchase Upon a Change of Control Triggering Event.

The notes will be senior unsecured obligations of Delta. The notes will rank equally in right of payment with all other existing and future senior unsecured indebtedness of Delta.

Investing in the notes involves risks. See Risk Factors beginning on page S-7 of this prospectus supplement and page 1 of the accompanying prospectus.

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

	Per	Note	Total	Per	Note	Total	Per	Note	Total	Per	Note	Total
							Per	Note	Total			
							Rate					
							Floating					
Public offering price(1)		%	\$		%	\$		%	\$		%	\$
Underwriting discounts		%	\$		%	\$		%	\$		%	\$
Proceeds to us before expenses		%	\$		%	\$		%	\$		%	\$

(1) Plus accrued interest, if any, from , 2018, if settlement occurs after that date. The notes will not be listed on any securities exchange. Currently, there is no public trading market for the notes.

The underwriters expect to deliver the notes in book-entry form only through the facilities of The Depository Trust Company for the accounts of its participants, including Clearstream Banking, *société anonyme* and Euroclear Bank, S.A./N.V., as operator for the Euroclear System, against payment in New York, New York on or about , 2018.

Joint Book-Running Managers

BNP PARIBAS

Credit Suisse

Deutsche Bank Securities

Fifth Third Securities

Morgan Stanley

Wells Fargo Securities

Barclays BBVA BofA Merrill Lynch Citigroup Goldman Sachs & Co. LLC ICBC Standard Bank

J.P. Morgan PNC Capital Markets LLC SMBC Nikko Standard Chartered Bank US Bancorp

The date of this prospectus supplement is _____, 2018.

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

	Page
<u>ABOUT THIS PROSPECTUS SUPPLEMENT</u>	S-1
<u>FORWARD-LOOKING STATEMENTS</u>	S-1
<u>SUMMARY</u>	S-2
<u>RISK FACTORS</u>	S-7
<u>USE OF PROCEEDS</u>	S-11
<u>RATIO OF EARNINGS TO FIXED CHARGES</u>	S-12
<u>CAPITALIZATION</u>	S-13
<u>DESCRIPTION OF NOTES</u>	S-14
<u>CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES</u>	S-25
<u>UNDERWRITING; CONFLICTS OF INTEREST</u>	S-29
<u>LEGAL MATTERS</u>	S-34
<u>EXPERTS</u>	S-34
<u>INCORPORATION BY REFERENCE</u>	S-34

Prospectus

	Page
<u>ABOUT THIS PROSPECTUS</u>	1
<u>RISK FACTORS</u>	1
<u>FORWARD-LOOKING STATEMENTS</u>	1
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	1
<u>INCORPORATION BY REFERENCE</u>	2
<u>DELTA AIR LINES, INC.</u>	2
<u>USE OF PROCEEDS</u>	3
<u>RATIO OF EARNINGS TO FIXED CHARGES</u>	4
<u>DESCRIPTION OF THE DEBT SECURITIES</u>	5
<u>PLAN OF DISTRIBUTION</u>	16
<u>EXPERTS</u>	17
<u>LEGAL MATTERS</u>	17

You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell the notes in any jurisdiction where the offer or sale is not permitted.

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of the notes and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information about us and the securities we may offer from time to time under our shelf registration statement, some of which may not apply to this offering of the notes.

This prospectus supplement and the accompanying prospectus are part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, using the SEC's shelf registration rules. You should read both this prospectus supplement and the accompanying prospectus, together with the additional information described in this prospectus supplement in the section titled "Incorporation by Reference" before deciding whether to invest in the notes.

Any statement made in this prospectus supplement, in the accompanying prospectus or in a document incorporated or deemed to be incorporated by reference in this prospectus supplement or the accompanying prospectus will be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is also incorporated or deemed to be incorporated by reference in this prospectus supplement or the accompanying prospectus modifies or supersedes that statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement or the accompanying prospectus. You should not assume that the information in this prospectus supplement, the accompanying prospectus and any free writing prospectus is accurate as of any date other than the date on the front of those documents or that the information incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since those dates.

You should not consider any information in this prospectus supplement or the accompanying prospectus to be investment, legal or tax advice. You should consult your own counsel, accountants and other advisers for legal, tax, business, financial and related advice regarding the purchase of any of the notes offered by this prospectus supplement.

In this prospectus supplement, references to "Delta," "we," "us" and "our" refer to Delta Air Lines, Inc. and not to its subsidiaries.

FORWARD-LOOKING STATEMENTS

Statements in this prospectus supplement, the accompanying prospectus, any related company free writing prospectus and the documents incorporated by reference herein and therein (or otherwise made by us or on our behalf) that are not historical facts, including statements about our estimates, expectations, beliefs, intentions, projections or strategies for the future may be "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or our present expectations. Known material risk factors applicable to Delta are described under the heading "Risk Factors" in this prospectus supplement, in "Risk Factors Relating to Delta" and "Risk Factors Relating to the Airline Industry" in Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the "2017 Annual Report"), in Part II. Other Information Item 1A. Risk Factors of our Quarterly Report on Form 10-Q for the quarterly period ended on March 31, 2018 (the "2018 First Quarter Form 10-Q") and in any subsequent filing incorporated by reference herein, other than risks that could apply to any issuer or offering. All forward-looking statements speak only as of the date made, and we undertake no obligation to publicly update or

revise any forward-looking statements to reflect events or circumstances that may arise after the date of this prospectus supplement.

S-1

Table of Contents

SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and does not contain all of the information you should consider in making your investment decision. You should read this summary together with the more detailed information included elsewhere in, or incorporated by reference into, this prospectus supplement and the accompanying prospectus, including our financial statements and the related notes. You should carefully consider, among other things, the matters discussed in Risk Factors in this prospectus supplement and the accompanying prospectus, under the heading Risk Factors in our 2017 Annual Report, under the heading Risk Factors in our 2018 First Quarter Form 10-Q and in other documents that we subsequently file with the SEC.

Delta Air Lines, Inc.

We provide scheduled air transportation for passengers and cargo throughout the United States and around the world. Our global route network gives us a presence in every major domestic and international market. Our route network is centered around a system of hub, international gateway and key airports that we operate in Amsterdam, Atlanta, Boston, Detroit, London-Heathrow, Los Angeles, Minneapolis-St. Paul, New York-LaGuardia, New York-JFK, Paris-Charles de Gaulle, Salt Lake City, Seattle and Tokyo-Narita. Each of these operations includes flights that gather and distribute traffic from markets in the geographic region surrounding the hub or gateway to domestic and international cities and to other hubs or gateways. Our network is supported by a fleet of aircraft that is varied in size and capabilities, giving us flexibility to adjust aircraft to the network. Other important characteristics of our route network include our international joint ventures, our alliances with other foreign airlines, our membership in SkyTeam and agreements with multiple domestic regional carriers that operate as Delta Connection®.

We are a Delaware corporation headquartered in Atlanta, Georgia. Our principal executive offices are located at Hartsfield-Jackson Atlanta International Airport, Atlanta, Georgia 30320-6001 and our telephone number is (404) 715-2600. Our website is www.delta.com. We have provided this website address as an inactive textual reference only and the information contained on our website is not a part of this prospectus supplement or the accompanying prospectus.

Table of Contents

The Offering

The summary below describes the principal terms of the notes. Certain of the terms described below are subject to important limitations and exceptions. The Description of Notes section of this prospectus supplement and the Description of the Debt Securities section of the accompanying prospectus contain a more detailed description of the terms of the notes. For purposes of this description, references to Delta, we, our and us refer only to Delta Air Lines, Inc. and not to its subsidiaries.

Issuer Delta Air Lines, Inc.

Notes Offered The offering will consist of:

\$ aggregate principal amount of % Notes due (the Notes);

\$ aggregate principal amount of % Notes due (the Notes);

\$ aggregate principal amount of Floating Rate Notes due (the floating rate notes); and

\$ aggregate principal amount of % Notes due (the Notes and, together with the Notes and the Notes, the fixed rate notes and, together with the floating rate notes, the notes).

Maturity Dates The Notes will mature on .

The Notes will mature on .

The floating rate notes will mature on .

The Notes will mature on .

Interest on the Notes

The floating rate notes will bear interest at a floating rate equal to the three-month LIBOR rate plus % per annum, which three-month LIBOR rate will be set quarterly. Interest on the floating rate notes will not be less than zero. See Description of Notes Floating Rate Notes.

The Notes will bear interest at a rate of % per year. The Notes will bear interest at a rate of % per year. The Notes will bear interest at a rate of % per year.

Interest Payment Dates

Interest on the floating rate notes will be payable quarterly on , and of each year, beginning on , 2018.

Interest will be payable semi-annually in arrears for the Notes on and of each year, beginning on , 2018, for the Notes on and of each year, beginning on , 2018, and for the Notes on and of each year, beginning on , 2018.

Table of Contents

Redemption	<p>The floating rate notes are not redeemable at our option prior to maturity.</p> <p>We may redeem the _____ Notes at our option at any time prior to the maturity date of the _____ Notes, in whole or in part, at the redemption price described under Description of Notes Redemption, plus accrued and unpaid interest on the principal amount of the notes to be redeemed to the date of redemption.</p> <p>We may redeem the _____ Notes and the _____ Notes at our option at any time prior to _____ and _____, respectively (_____ and _____ prior to the maturity date of the _____ Notes and the _____ Notes, respectively), in whole or in part, at the redemption price described under Description of Notes Redemption, plus accrued and unpaid interest thereon to the date of redemption.</p> <p>At any time on or after _____ and _____ (_____ and _____ prior to the maturity date of the _____ Notes and the _____ Notes, respectively), we may redeem the _____ Notes and the _____ Notes, respectively, in whole or in part, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest thereon to the date of redemption.</p> <p>We are not required to establish a sinking fund to retire the notes prior to maturity.</p>
Ranking	<p>The notes will be our direct, unsecured and unsubordinated obligations and will rank <i>pari passu</i>, or equal, in right of payment with our other unsubordinated indebtedness.</p>
Offer to Purchase Upon Change of Control Triggering Event	<p>If we experience a change of control and a ratings decline to a rating below investment grade within a certain period of time following the change of control, we must offer to repurchase all of the notes at a price equal to 101% of the principal amount of the notes, plus accrued and unpaid interest thereon to the repurchase date. See Description of Notes Offer to Repurchase Upon a Change of Control Triggering Event.</p>
Certain Covenants	<p>The base indenture and the third supplemental indenture (together, the _____ indenture) governing the notes will contain certain covenants that, among other things, limit our ability to incur liens securing indebtedness for borrowed money or capital leases and engage in mergers and consolidations or transfer all or substantially all of our assets. See</p>

Description of Notes.

Events of Default

In addition to the events of default described in the accompanying prospectus, the following event will be an event of default with

S-4

Table of Contents

respect to the notes: default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any indebtedness of Delta or a subsidiary (or the payment of which is guaranteed by Delta or a subsidiary), whether such indebtedness or guarantee now exists, or is created after the issue date of the notes, if that default:

- (a) is caused by a failure to pay principal of such indebtedness at its stated final maturity (a Payment Default); or
- (b) results in the acceleration of such indebtedness prior to its express maturity,

and, in each case, the principal amount of any such indebtedness, together with the principal amount of any other such indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates \$200,000,000 or more. See Description of Notes Events of Default.

Use of Proceeds

We intend to use the net proceeds from the sale of the notes, which we estimate will be approximately \$, after deducting the underwriting discounts and estimated offering expenses, to repay borrowings outstanding under our secured Pacific term loan B-1 facility and 2015 term loan facility. We intend to use the remaining net proceeds for general corporate purposes. See Use of Proceeds.

Further Issuances

We may, without notice to or consent of the holders or beneficial owners of the notes of any series, issue additional notes of any series having the same ranking, interest rate, maturity and other terms (except for the issue date, public offering price, sale price and, in some cases, the first interest payment date and the date from which interest shall begin to accrue) as the notes offered hereby.

No Listing

The notes are not and are not expected to be listed on any securities exchange or included in any automated quotation system. The notes will be new securities for which there is currently no public market.

Denominations

The notes will be issued in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Form of Notes

We will issue the notes in the form of one or more fully registered global notes registered in the name of the nominee of The Depository Trust Company (DTC). Investors may elect to hold the interests in the global notes through any of DTC, Clearstream Banking, S.A. or Euroclear Bank S.A./N.V., as described under the heading Description of Notes Book-Entry, Delivery and Form.

Conflicts of Interest

Certain underwriters or their affiliates are lenders under our secured Pacific term loan B-1 facility and 2015 term loan facility and, accordingly, will receive a portion of the net proceeds from this offering through the repayment of such indebtedness. Because 5% or

Table of Contents

more of the net proceeds of this offering, not including underwriting compensation, will be paid to certain of the underwriters (or their affiliates), which would be considered a conflict of interest under Financial Industry Regulatory Authority, Inc. (FINRA) Rule 5121, this offering is being conducted in accordance with the applicable requirements of Rule 5121 regarding the underwriting of securities of a company with a FINRA member that has a conflict of interest within the meaning of those rules. Pursuant to Rule 5121(a)(1)(C), the appointment of a qualified independent underwriter is not necessary in connection with this offering as the notes offered hereby are investment grade rated (as defined in Rule 5121). See Underwriting; Conflicts of Interest.

Risk Factors

An investment in the notes involves risks. You should carefully consider all of the information in this prospectus supplement, the accompanying prospectus, the documents incorporated and deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus and any related free writing prospectus. In particular, you should evaluate the information set forth and referred to under Risk Factors in this prospectus supplement and the accompanying prospectus, under the heading Item 1A. Risk Factors in our 2017 Annual Report and under the heading Part II. Other Information Item 1A. Risk Factors in our 2018 First Quarter Form 10-Q before deciding whether to invest in any of the notes offered hereby.

Governing Law

State of New York

Trustee and Calculation Agent

U.S. Bank National Association

Table of Contents

RISK FACTORS

In considering whether to purchase the notes, you should carefully consider all of the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related company free writing prospectus and other information which may be incorporated by reference in this prospectus supplement and the accompanying prospectus after the date hereof. In addition, you should carefully consider the risk factors described below and the matters discussed in Item 1A. Risk Factors included in our 2017 Annual Report and in Part II. Other Information Item 1A. Risk Factors included in our 2018 First Quarter Form 10-Q.

Your right to receive payments on the notes is effectively subordinated to the rights of secured creditors.

The notes will be effectively subordinated in right of payment to our secured indebtedness, to the extent of the value of the collateral securing that indebtedness. As of March 31, 2018, we had \$5.8 billion of secured indebtedness. After giving effect to the issuance of the notes and assuming the application of the net proceeds from this offering as described under Use of Proceeds, our secured indebtedness as of March 31, 2018 would have been approximately \$4.3 billion. The indenture governing the notes permits us and our subsidiaries to incur additional secured debt. If we incur any additional secured debt, our assets and the assets of our subsidiaries that are security for that debt will be subject to prior claims by our secured creditors. In the event of our bankruptcy, liquidation, reorganization or other winding up, assets that secure debt will be available to pay obligations on the notes only after all debt secured by those assets has been repaid in full. Holders of the notes will participate in our remaining assets ratably with all of our unsecured and unsubordinated creditors, including our trade creditors.

If we incur any additional obligations that rank equally in right of payment with the notes, including trade payables, the holders of those obligations will be entitled to share ratably with the holders of the notes in any proceeds distributed upon our insolvency, liquidation, reorganization, dissolution or other winding up. This may have the effect of reducing the amount of proceeds paid to you. If there are not sufficient assets remaining to pay all of these creditors, all or a portion of the notes then outstanding would remain unpaid.

The terms of the indenture and the notes provide only limited protection against significant corporate events and other actions we may take that could adversely impact your investment in the notes.

While the indenture and the notes contain terms intended to provide protection to the holders of the notes upon the occurrence of certain events involving significant corporate transactions, such terms are limited and may not be sufficient to protect your investment in the notes.

The indenture for the notes does not:

require us to maintain any financial ratios or specific levels of net worth, revenues, income, cash flow or liquidity;

limit our ability to incur indebtedness that is equal in right of payment to the notes, or to engage in sale/leaseback transactions;

restrict our subsidiaries' ability to issue securities or otherwise incur indebtedness that would be senior to our equity interests in our subsidiaries and therefore rank effectively senior to the notes;

restrict our ability to repurchase or prepay any other of our securities or other indebtedness;

restrict our ability to make investments or to repurchase or pay dividends or make other payments in respect of our common stock, capital stock or other securities ranking junior to the notes; or

restrict our ability to enter into highly leveraged transactions.

As a result of the foregoing, when evaluating the terms of the notes, you should be aware that the terms of the indenture and the notes do not restrict our ability to engage in, or to otherwise be a party to, a variety of

S-7

Table of Contents

corporate transactions, circumstances and events that could have an adverse impact on your investment in the notes.

Our ability to incur additional debt and take a number of other actions that are not limited by the terms of the indenture or the notes could negatively affect the value of the notes.

Certain of our existing credit facilities include more protections for the lenders thereunder than are available to holders of the notes. For example, subject to certain exceptions, such existing credit facilities restrict our ability and the ability of certain of our subsidiaries to, among other things, make investments, sell or otherwise dispose of assets if not in compliance with the collateral coverage ratio tests, pay dividends or repurchase stock. These credit facilities have various financial and other covenants that require us to maintain, depending on the particular agreement, minimum fixed charge coverage ratios, minimum unrestricted liquidity and/or minimum collateral coverage ratios. In addition, the credit facilities contain other negative covenants customary for such financings. If we fail to comply with those covenants and are unable to obtain a waiver or amendment, an event of default would result under such existing credit facilities, and the lenders thereunder could, among other things, declare any outstanding borrowings under those existing credit facilities immediately due and payable. However, because the notes do not contain similar covenants, such events may not constitute an event of default under the notes and the holders of the notes would not be able to accelerate the payment under the notes. As a result, holders of the notes may be effectively subordinated to the lenders of our existing credit facilities, and to new lenders or note holders, to the extent the instruments they hold include similar protections.

We may not be able to repurchase the notes upon a Change of Control Triggering Event.

The notes require us to offer to repurchase all or any part of each holder's notes upon the occurrence of a Change of Control Triggering Event, as defined under Description of Notes Offer to Repurchase Upon a Change of Control Triggering Event, at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest thereon, to the date of purchase. We have previously issued other series of notes that similarly require us to offer to repurchase the holder's notes upon the occurrence of a Change of Control Triggering Event. Moreover, in the future, we may issue further series of notes or enter into other debt arrangements that require us to repurchase or repay the principal amount of debt outstanding (plus a premium, if so provided in the instrument or agreement) upon the occurrence of a Change of Control Triggering Event or similar event. If such an event were to occur, we may not have sufficient financial resources available to satisfy all of those obligations. Consequently, we may not be able to satisfy our obligations to repurchase your notes under the terms of the indenture.

An increase in market interest rates could result in a decrease in the market value of the fixed rate notes.

The condition of the financial markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future, which could have an adverse effect on the market prices of the fixed rate notes. In general, as market interest rates rise, debt securities bearing interest at fixed rates of interest decline in value. Consequently, if you purchase notes bearing interest at fixed rates of interest and market interest rates increase, the market values of those notes may decline. We cannot predict the future level of market interest rates.

Redemption may adversely affect your return on the fixed rate notes.

We have the right to redeem some or all of the notes of each series of fixed rate notes, at any time in whole or from time to time in part prior to their maturity, as described under Description of Notes Redemption. We may redeem fixed rate notes at times when market interest rates may be lower than market interest rates at the time the notes offered by this prospectus supplement were originally issued. Accordingly, if we redeem fixed rate notes of any series, you may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that on

the fixed rate notes of such series being redeemed.

S-8

Table of Contents

Our credit ratings may not reflect all the risks of any investment in the notes.

Our credit ratings are an independent assessment of our ability to pay debt obligations as they become due. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the notes. Our credit ratings, however, may not reflect the potential impact that risks related to structural, market or other factors discussed in this prospectus supplement may have on the value of your notes.

Ratings of the notes could be lowered or withdrawn in the future.

We expect that the notes will be rated by one or more nationally recognized statistical rating organizations. A rating is not a recommendation to purchase, hold, or sell debt securities since a rating does not predict the market price of a particular security or its suitability for a particular investor. Any rating organization that rates the notes may lower our rating or decide not to rate the notes in its sole discretion. The ratings of the notes will be based primarily on the rating organization's assessment of the likelihood of timely payment of interest when due and the payment of principal on the maturity date. Any downgrade or withdrawal of a rating by a rating agency that rates the notes could have an adverse effect on the trading prices or liquidity of the notes.

There may not be an active trading market for the notes.

The notes are new issues of securities with no established trading market. We do not intend to apply for listing of the notes on any securities exchange or any automated quotation system. Accordingly, there can be no assurance that a trading market for the notes will ever develop or will be maintained. Further, there can be no assurance as to the liquidity of any market that may develop for the notes, whether you will be able to sell the notes or the prices at which you may be able to sell the notes. Future trading prices of the notes will depend on many factors, including, but not limited to, prevailing interest rates and economic conditions, our financial condition and results of operations, our prospects and prospects for companies in our industry generally, the then-current credit ratings assigned to our securities (including, if applicable, the notes) and the market for similar securities.

The amount of interest payable on the floating rate notes is set only once per quarter based on the three-month LIBOR rate on the interest determination date, which rate may fluctuate substantially.

In the past, the level of the three-month LIBOR rate has experienced significant fluctuations. You should note that historical levels, fluctuations and trends of the three-month LIBOR rate are not necessarily indicative of future levels. Any historical upward or downward trend in the three-month LIBOR rate is not an indication that the three-month LIBOR rate is more or less likely to increase or decrease at any time, and you should not take the historical levels of the three-month LIBOR rate as an indication of its future performance. Additionally, although the actual three-month LIBOR rate on an interest payment date or at other times during an interest period may be higher than the three-month LIBOR rate on the applicable interest determination date, the only relevant date for purposes of determining the interest payable on the floating rate notes is the three-month LIBOR rate as of the interest determination date for such interest period. Changes in the three-month LIBOR rates between interest determination dates will not affect the interest payable on the floating rate notes. As a result, changes in the three-month LIBOR rate may not result in a comparable change in the market value of the floating rate notes.

Uncertainty relating to the calculation of LIBOR and other reference rates and their potential discontinuance may materially adversely affect the value of the floating rate notes.

National and international regulators and law enforcement agencies have conducted investigations into a number of rates or indices which are deemed to be reference rates. Actions by such regulators and law enforcement agencies may

result in changes to the manner in which certain reference rates are determined, their discontinuance, or the establishment of alternative reference rates. In particular, on July 27, 2017, the Chief Executive of the U.K. Financial Conduct Authority (the "FCA"), which regulates LIBOR, announced that the

S-9

Table of Contents

FCA will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021. Such announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. Notwithstanding the foregoing, it appears highly likely that LIBOR will be discontinued or modified by 2021.

At this time, it is not possible to predict the effect that these developments, any discontinuance, modification or other reforms to LIBOR or any other reference rate, or the establishment of alternative reference rates may have on LIBOR, other benchmarks or floating rate debt securities, including the floating rate notes. Uncertainty as to the nature of such potential discontinuance, modification, alternative reference rates or other reforms may materially adversely affect the trading market for securities linked to such benchmarks, including the floating rate notes. Furthermore, the use of alternative reference rates or other reforms could cause the interest rate calculated for the floating rate notes to be materially different than expected.

To the extent that LIBOR is discontinued or no longer quoted, interest due on the floating rate notes will be determined using the alternative methods described in the definition of LIBOR in Description of Notes Floating Rate Notes. If an alternative reference rate for LIBOR is selected as described in Description of Notes Floating Rate Notes, the calculation agent may, in consultation with us and subject to our approval, make certain adjustments to such rate, including applying a spread thereon or with respect to the business day convention, interest determination dates and related provisions and definitions, in each case that are consistent with accepted market practice for the use of such alternative reference rate for debt obligations such as the floating rate notes. See Description of Notes Floating Rate Notes.

Table of Contents

USE OF PROCEEDS

We estimate that the net proceeds we will receive from this offering will be approximately \$ _____, after deducting the underwriting discounts and estimated expenses of the offering payable by us. We intend to use the net proceeds from this offering to (i) repay borrowings outstanding under our secured Pacific term loan B-1 facility due October 18, 2018 and (ii) repay borrowings outstanding under our 2015 term loan facility due August 24, 2022. As of March 31, 2018, the principal amount of borrowings was approximately \$1.05 billion under the secured Pacific term loan B-1 facility and \$489 million under the 2015 term loan facility. The secured Pacific term loan B-1 facility and the 2015 term loan facility currently bear interest at the rate of 4.32% per annum and 4.38% per annum, respectively.

We intend to use the remaining net proceeds for general corporate purposes. Pending application of the net proceeds, we may temporarily invest the net proceeds in money market funds, bank accounts, debt securities or deposits.

Certain underwriters or their affiliates are lenders under our secured Pacific term loan B-1 facility and 2015 term loan facility and, accordingly, will receive a portion of the proceeds from this offering through the repayment of such indebtedness. Because 5% or more of the net proceeds of this offering, not including underwriting compensation, will be paid to certain of the underwriters (or their affiliates), which would be considered a conflict of interest under FINRA Rule 5121, this offering is being conducted in accordance with the applicable requirements of Rule 5121 regarding the underwriting of securities of a company with a FINRA member that has a conflict of interest within the meaning of those rules. Pursuant to Rule 5121(a)(1)(C), the appointment of a qualified independent underwriter is not necessary in connection with this offering as the notes offered hereby are investment grade rated (as defined in Rule 5121). See Underwriting; Conflicts of Interest.

Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth the historical ratio of our earnings to our fixed charges for the periods indicated. The ratio of earnings to fixed charges represents the number of times that fixed charges are covered by earnings. Earnings represents income before income taxes, plus fixed charges, less capitalized interest. Fixed charges include interest, whether expensed or capitalized, amortization of debt costs and the portion of rent expense representative of the interest factor.

We adopted Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) using the full retrospective transition method and recast results from 2016 and 2017 including all interim periods therein. Results from periods prior to 2016 have not been recast for the adoption of this standard.

	Three Months Ended		Year Ended December 31,				
	March 31,						
	2018	2017	2017	2016	2015	2014	2013
Ratio of earnings to fixed charges	6.21	7.69	11.29	12.93	13.19	2.41	3.64

S-12

Table of Contents**CAPITALIZATION**

The following table sets forth our consolidated capitalization as of March 31, 2018, and as adjusted for the issuance and sale of the notes (before the underwriting discounts and our estimated offering expenses). You should read this table in conjunction with our consolidated financial statements and the accompanying notes that are incorporated by reference in this prospectus supplement.

	As of March 31, 2018	
	Actual	As Adjusted
	(in millions)	
Debt (including current maturities of long-term debt):		
Pacific Facilities⁽¹⁾ :		
Pacific Term Loan B-1 ⁽²⁾	\$ 1,045	\$
2015 Credit Facilities⁽¹⁾ :		
Term Loan Facility ⁽²⁾	489	
Financing arrangements secured by aircraft:		
Certificates ⁽³⁾	2,311	2,311
Notes ⁽³⁾	1,822	1,822
2.875% Notes due 2020	1,000	1,000
3.625% Notes due 2022	1,000	1,000
2.600% Notes due 2020	450	450
Other financings ⁽³⁾⁽⁴⁾	209	209
Unamortized discount and debt issue cost, net	(92)	(92)
Capital Leases	415	415
% Notes due	offered hereby	
% Notes due	offered hereby	
Floating rate notes due	offered hereby	
% Notes due	offered hereby	
Total debt	\$ 8,649	\$
Stockholders equity:		
Common stock at \$0.0001 par value; 1,500,000,000 shares authorized, 710,603,639 shares issued at March 31, 2018		
Additional paid-in capital	11,967	11,967
Retained earnings	8,465	8,465
Accumulated other comprehensive loss	(7,681)	(7,681)
Treasury stock, at cost	(194)	(194)
Total stockholders equity	12,557	12,557
Total capitalization	\$ 21,206	\$

- (1) Guaranteed by substantially all of our domestic subsidiaries.
- (2) Borrowings must be repaid annually in an amount equal to 1% per year of the original principal amount (paid in equal quarterly installments), with the balance due on the final maturity date.
- (3) Due in installments.
- (4) Primarily includes unsecured bonds and debt secured by certain accounts receivable and real estate.

S-13

Table of Contents

DESCRIPTION OF NOTES

The notes will be issued under the indenture referred to in the accompanying prospectus between us and U.S. Bank National Association, as trustee. The following description, together with the description in the accompanying prospectus under the caption Description of the Debt Securities, is a summary of the material provisions of the notes and the indenture. It does not restate the indenture in its entirety. We urge you to read the indenture because it, and not this description, defines your rights as holders of the notes. We have filed the indenture as an exhibit to our registration statement, which includes this prospectus supplement and the accompanying prospectus. This description of the notes supplements, and, to the extent it is inconsistent with, replaces, the description of the general provisions of the notes and the indenture in the accompanying prospectus. Each series of notes is a series of our debt securities as that term is used in the accompanying prospectus.

With certain exceptions and pursuant to certain requirements set forth in the indenture, we may discharge our obligations under the indenture with respect to the notes as described under the caption Description of the Debt Securities Discharge, Defeasance and Covenant Defeasance in the accompanying prospectus.

General

We are offering \$ _____ aggregate principal amount of our _____ % notes due _____ (the _____ Notes), \$ _____ aggregate principal amount of our _____ % notes due _____ (the _____ Notes), \$ _____ aggregate principal amount of our floating rate notes due _____ (the floating rate notes) and \$ _____ aggregate principal amount of our _____ % notes due _____ (the _____ Notes and, together with the _____ Notes and the _____ Notes, the fixed rate notes). We refer to the floating rate notes and the fixed rate notes collectively as the notes. The floating rate notes, the _____ Notes, the _____ Notes and the _____ Notes will each be issued as a separate series of debt securities under the indenture referred to in the accompanying prospectus between us and U.S. Bank National Association, as trustee.

Although we are offering \$ _____ principal amount of the _____ Notes, \$ _____ principal amount of the _____ Notes, \$ _____ principal amount of the floating rate notes and \$ _____ principal amount of the _____ Notes in this offering, we may from time to time, without notice to or the consent of the holders of the notes, increase the principal amount of any series of notes under the indenture and issue such increased principal amount (or any portion thereof), in which case any additional notes so issued will have the same form and terms (other than the issue date, public offering price and, in some cases, the first interest payment date and the date from which interest shall begin to accrue), and will carry the same right to receive accrued and unpaid interest, as the applicable notes previously issued, and such additional notes will form a single series with the applicable notes issued thereunder.

Initially, all notes will be issued in global form as indicated under Book-Entry, Delivery and Form below. We may make payments on any notes that are later issued in certificated form at the corporate trust office of the trustee in New York, which is currently located at 100 Wall Street, Suite 1600, New York, New York 10005.

Fixed Rate Notes

The _____ Notes will mature on _____, the _____ Notes will mature on _____ and the _____ Notes will mature on _____. Interest on the _____ Notes will accrue at the rate of _____ % per year and will be payable semi-annually on each _____ and _____, commencing _____, 2018. Interest on the _____ Notes will accrue at the rate of _____ % per year and will be payable semi-annually on each _____ and _____, commencing _____, 2018. Interest on the _____ Notes will accrue at the rate of _____ % per year and will

be payable semi-annually on each _____ and _____, commencing _____, 2018. We will make each interest payment to the person in whose name the fixed rate notes are registered at the close of business on _____ or _____ for the _____ Notes, on _____ or _____ for the _____ Notes and on _____ or _____ for the _____ Notes, as the case may be, next preceding the applicable interest payment date. Interest on the fixed rate notes will be computed on the basis of a 360-day year comprised of twelve 30-day months.

S-14

Table of Contents

If any interest payment date, redemption date or maturity date falls on a day that is not a business day, the payment will be made on the next business day with the same force and effect as if made on the relevant interest payment date, redemption date or maturity date, and, unless we default on the payment, no interest will accrue for the period from and after the interest payment date, redemption date or maturity date. Business day means a day other than a Saturday, a Sunday, or a day on which banking institutions in New York, New York are authorized or obligated to close.

Floating Rate Notes

The floating rate notes will mature on . The floating rate notes will bear interest at a variable rate. The interest rate for the floating rate notes for a particular interest period will be a per annum rate equal to the three-month LIBOR rate as determined on the applicable interest determination date by the calculation agent appointed by us, which initially will be the trustee, plus % . Interest on the floating rate notes will not be less than zero. The interest rate on the floating rate notes will be reset on the first day of each interest period other than the initial interest period (each an interest reset date). Interest on the floating rate notes will be payable quarterly on each , , and , commencing , 2018. An interest period is the period commencing on an interest payment date (or, in the case of the initial interest period, commencing on the date the floating rate notes are issued) and ending on the day preceding the next interest payment date. The initial interest period is , 2018 through , 2018. The interest determination date for an interest period will be the second business day preceding such interest period (the interest determination date). The interest determination date for the initial interest period will be , 2018. We will make each interest payment to the person in whose name the floating rate notes are registered at the close of business on the 15th calendar day immediately preceding the applicable interest payment date (whether or not a business day). However, interest that we pay on the maturity date will be payable to the person to whom the principal will be payable. Interest on the floating rate notes will be computed on the basis of the actual number of days in each quarterly interest period and a 360-day year.

If an interest payment date on the floating rate notes, other than a maturity date, falls on a day that is not a business day, the payment will be made on the next business day, except that if that business day is in the next succeeding calendar month, the interest payment date will be the immediately preceding business day. If the maturity date of the floating rate notes falls on a day that is not a business day, the payment of interest and principal will be made on the next succeeding business day, and no interest on such payment will accrue for the period from and after the respective maturity date. Business day means a day other than a Saturday, a Sunday, or a day on which banking institutions in New York, New York are authorized or obligated to close, provided that, with respect to the floating rate notes, the day is also a London business day. London business day means any day on which dealings in U.S. dollars are transacted in the London interbank market.

LIBOR will be determined by the calculation agent in accordance with the following provisions:

(1) With respect to any interest determination date, LIBOR will be the rate for deposits in U.S. dollars having a maturity of three months commencing on the first day of the applicable interest period that appears on Reuters Screen LIBOR01 Page as of 11:00 a.m., London time, on that interest determination date. If no rate appears, then LIBOR, in respect of that interest determination date, will be determined in accordance with the provisions described in (2) and (3) below.

(2) With respect to an interest determination date on which no rate appears on Reuters Screen LIBOR01 Page, except as provided in clause (3) below, as specified in (1) above, the calculation agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the calculation agent, to provide the calculation agent with its offered quotation for deposits in U.S. dollars for the period of three months, commencing on the first day of the applicable interest period, to prime banks in the London interbank market at

approximately 11:00 a.m., London time, on that interest determination date and in a principal amount that is representative for a single transaction in U.S. dollars in that market at that time. If at

S-15

Table of Contents

least two quotations are provided, then LIBOR on that interest determination date will be the arithmetic mean of those quotations. If fewer than two quotations are provided, then LIBOR on the interest determination date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m., in the City of New York, on the interest determination date by three major banks in the City of New York selected by the calculation agent, in consultation with us, for loans in U.S. dollars to leading European banks, having a three-month maturity and in a principal amount that is representative for a single transaction in U.S. dollars in that market at that time; provided, however, that if the banks selected by the calculation agent are not providing quotations in the manner described by this sentence, LIBOR will be the same as the rate determined for the immediately preceding interest reset date.

(3) Notwithstanding clause (2) above, if we or the calculation agent determine that LIBOR has been permanently discontinued, the calculation agent will use, in consultation with us and subject to our approval, as a substitute for LIBOR and for each future interest determination date, a reasonably comparable successor or alternative interbank reference rate for deposits in United States dollars (having a three-month maturity and in a principal amount that is representative for a single transaction in United States dollars) that is, at such time, broadly accepted as the prevailing market practice for floating rate notes of this type, which may include a reasonably comparable alternative reference rate selected by the central bank, reserve bank, monetary authority or any similar institution (including any committee or working group thereof) (the *Alternative Rate*). As part of such substitution, the calculation agent will, in consultation with us and subject to our approval, make such adjustments (*Adjustments*) to the Alternative Rate or the spread thereon, as well as the business day convention, interest determination dates and related provisions and definitions, in each case that are consistent with accepted market practice for the use of such Alternative Rate for debt obligations such as the floating rate notes. If the calculation agent determines that there is no clear market consensus as to whether any rate has replaced LIBOR in customary market usage, (i) U.S. Bank National Association shall have the right to resign as calculation agent in respect of the floating rate notes and (ii) we will appoint, in our sole discretion, a new calculation agent to replace U.S. Bank National Association, solely in its role as calculation agent in respect of the floating rate notes, to determine the Alternative Rate in consultation with us in accordance with the provisions of this paragraph. Until such time as an Alternative Rate has been determined in accordance with this paragraph, LIBOR will be equal to such rate on the interest determination date when LIBOR was last available on the Reuters Screen LIBOR01 Page, as determined by the calculation agent.

Following any determination of an Alternative Rate as provided in clause (3) above, the trustee and we may, without consent of any holder, enter into a supplemental indenture to reflect any such Alternative Rate.

Reuters Screen LIBOR01 Page means the display designated on page LIBOR01 on Reuters (or such other page as may replace the LIBOR01 page on that service or any successor service for the purpose of displaying London interbank offered rates for U.S. dollar deposits of major banks).

All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g., 8.986865% (or 0.08986865) being rounded to 8.98687% (or 0.0898687)) and all dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent being rounded upwards).

The interest rate on the floating rate notes will in no event be higher than the maximum rate permitted by New York law as the same may be modified by U.S. laws of general application.

The calculation agent will, upon the request of any holder of the floating rate notes, provide the interest rate then in effect with respect to the floating rate notes. All calculations made by the calculation agent in the absence of manifest error will be conclusive for all purposes and binding on us and the holders of the floating rate notes.

Redemption

The floating rate notes are not redeemable at our option prior to maturity.

We will have the right to redeem the fixed rate notes, in whole or in part, at any time.

We may redeem the Notes at any time prior to the maturity date of the Notes, in whole or in part, at a redemption price equal to the greater of (1) 100% of the principal amount of the notes to be

S-16

Table of Contents

redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on the notes to be redeemed (exclusive of interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus basis points, plus accrued and unpaid interest on the principal amount of the notes to be redeemed to the date of redemption.

If the _____ Notes or the _____ Notes are redeemed at any time prior to the applicable Par Call Date (as defined below), such notes will be redeemed at a redemption price equal to the greater of (1) 100% of the principal amount of the notes to be redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest on such notes that would have been made if such notes matured on the applicable Par Call Date (exclusive of interest accrued to the redemption date) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus _____ basis points, plus, in either case, accrued and unpaid interest on the principal amount being redeemed to such redemption date. If the _____ Notes or the _____ Notes are redeemed on or after the applicable Par Call Date, such notes will be redeemed at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest thereon to the redemption date.

In the case of any redemption described above, such redemption is subject to the right of holders of record on the relevant record date to receive interest due on an interest payment date that is on or before the date of redemption.

For purposes of determining the redemption price, the following definitions are applicable:

Comparable Treasury Issue means the U.S. Treasury security selected by the Quotation Agent as having an actual or interpolated maturity comparable to the remaining term of the fixed rate notes to be redeemed, (i) in the case of the _____ Notes, calculated to the maturity date, or (ii) in the case of the _____ Notes and the _____ Notes, calculated as if the maturity date of the notes were the applicable Par Call Date (the *Remaining Life*), that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Remaining Life.

Comparable Treasury Price means, with respect to any redemption date, the average of the Reference Treasury Dealer Quotations for such redemption date.

Par Call Date means (1) in the case of the _____ Notes, _____ (_____ prior to the maturity date) or (2) in the case of the _____ Notes, _____ (_____ prior to the maturity date).

Quotation Agent means one of the Reference Treasury Dealers appointed by us.

Reference Treasury Dealer means each of BNP Paribas Securities Corp., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Fifth Third Securities, Inc., Morgan Stanley & Co. LLC and Wells Fargo Securities, LLC or one of their respective affiliates; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a *Primary Treasury Dealer*), we will substitute therefor another Primary Treasury Dealer.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by us, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to us and the trustee by such Reference Treasury Dealer at 3:30 p.m., New York City time, on the third business day preceding such redemption date.

Treasury Rate means, with respect to any redemption date, the rate per year equal to the semi-annual equivalent yield to maturity or interpolated yield (on a day count basis) of the Comparable Treasury Issue,

S-17

Table of Contents

calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date. The Treasury Rate will be calculated by the Quotation Agent on the third business day preceding the redemption date.

Any such redemption may, at our discretion, be conditioned upon (1) the occurrence of a Change of Control or (2) the closing of another transaction, including a sale of securities or other financing, in each case as specified in the notice in reasonable detail. A notice of conditional redemption will be of no effect unless all conditions to the redemption have occurred on or before the redemption date or have been waived by us on or before the redemption date. We will provide notice of the satisfaction of all conditions as soon as practicable following occurrence of the conditions. We will provide notice of any waiver of a condition or failure to meet such conditions no later than the redemption date.

There will be no sinking fund for the notes.

Redemption Procedures

We will provide not less than 15 nor more than 45 days' notice sent to each registered holder of the fixed rate notes to be redeemed. If the redemption notice is given and funds deposited as required, then interest will cease to accrue on and after the redemption date on the fixed rate notes or portions of such fixed rate notes called for redemption.

If fewer than all of the fixed rate notes of a series are to be redeemed at any time, selection of notes of such series for redemption will be made by the trustee in compliance with the requirements of the principal national securities exchange, if any, on which such fixed rate notes are listed or, if such fixed rate notes are not listed on a national securities exchange, on a pro rata basis, by lot, or such other method as the trustee deems appropriate and fair (or such other method as The Depository Trust Company (*DTC*) may require); provided, however, that the fixed rate notes of a series will be redeemed only in the minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

Offer to Repurchase Upon a Change of Control Triggering Event

Upon the occurrence of a Change of Control Triggering Event, unless we have otherwise exercised our right to redeem the notes, each holder of notes will have the right to require us to purchase all or a portion of such holder's notes pursuant to the offer described below (the *Change of Control Offer*), at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the date of purchase, subject to the rights of holders of notes on the relevant record date to receive interest due on the relevant interest payment date.

Within 30 days following the date upon which the Change of Control Triggering Event occurred, unless we have otherwise exercised our right to redeem the notes of a series, we will be required to deliver a notice to each holder of such notes, with a copy to the trustee, which notice will govern the terms of the Change of Control Offer; provided that, at our option, we may deliver such notice prior to any Change of Control but after the public announcement of the Change of Control. Such notice will state, among other things, the purchase date, which must be no earlier than 30 days nor later than 60 days from the date such notice is sent, other than as may be required by law (the *Change of Control Payment Date*). The notice, if sent prior to the date of consummation of the Change of Control, will state that the Change of Control Offer is conditioned on the Change of Control Triggering Event occurring on or prior to the Change of Control Payment Date. Holders of notes electing to have notes purchased pursuant to a Change of Control Offer must surrender their notes, with the form entitled *Option of Holder to Elect Purchase* on the reverse of the note completed, to the paying agent at the address specified in the notice, or transfer their notes to the paying agent by book-entry transfer pursuant to the applicable procedures of DTC, before the close of business on the third business day prior to the Change of Control Payment Date.

S-18

Table of Contents

We will not be required to make a Change of Control Offer if a third party makes such an offer in the manner, at the times and otherwise in compliance with the requirements for such an offer made by us and such third party purchases all notes properly tendered and not withdrawn under its offer.

If holders of not less than 90% in aggregate principal amount of the outstanding notes of a series validly tender and do not withdraw the notes of such series in a Change of Control Offer and we, or any third party making a Change of Control Offer in lieu of us, purchases all of such notes validly tendered and not withdrawn by such holders, we will have the right, upon not less than 20 nor more than 60 days prior notice, given not more than 30 days following such purchase pursuant to the Change of Control Offer described above, to redeem all notes of such series that remain outstanding following such purchase at a redemption price in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the date of redemption (subject to the right of holders of record on the relevant record date to receive interest on the relevant interest payment date).

We will comply with the requirements of Rule 14e-1 under the Securities Exchange Act of 1934 (the *Exchange Act*) and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with the repurchase of the notes as a result of a Change of Control Triggering Event. To the extent that the provisions of any such securities laws or regulations conflict with the change of control offer provisions of the notes, we will comply with those securities laws and regulations and will not be deemed to have breached our obligations under the change of control offer provisions of the notes by virtue of any such conflict.

Except as described above with respect to a Change of Control Triggering Event, the indenture does not and the notes will not contain any other provisions that permit the holders of the notes to require us to repurchase or redeem the notes in the event of a takeover, recapitalization, or similar transaction.

As used herein:

Below Investment Grade Rating Event means the rating on the applicable series of notes is lowered by two of the Rating Agencies and such notes are rated below Investment Grade by such Rating Agencies on any day within the 60-day period (which 60-day period will be extended so long as the rating of such notes is under publicly announced consideration for a possible downgrade by any of the Rating Agencies) after the earlier of (1) the occurrence of a Change of Control or (2) public notice of the occurrence of a Change of Control or our intention to effect a Change of Control; provided that a Below Investment Grade Rating Event otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Change of Control (and thus shall not be deemed a Below Investment Grade Rating Event for purposes of the definition of Change of Control Triggering Event) if the Rating Agencies making the reduction in rating to which this definition would otherwise apply do not announce or publicly confirm or inform us and the trustee in writing at its request that the reduction was the result, in whole or in part, of any event or circumstance comprised of or arising as a result of, or in respect of, the applicable Change of Control (whether or not the applicable Change of Control shall have occurred at the time of the Below Investment Grade Rating Event).

Change of Control means the occurrence of any of the following:

- (1) the direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of Delta and its subsidiaries taken as a whole to any person (as that term is used in Section 13(d)(3) of the Exchange Act), other than any such transaction where the holders of Delta's Voting Stock immediately

before that transaction own, directly or indirectly, not less than a majority of the Voting Stock of the transferee, or the parent thereof, immediately after such transaction and constituting Voting Stock and in substantially the same proportion as their ownership in Delta before the transaction;

S-19

Table of Contents

- (2) the adoption of a plan relating to the liquidation or dissolution of Delta; and

- (3) consummation of any transaction (including without limitation, any merger or consolidation) the result of which is that any person (as that term is used in Section 13(d)(3) of the Exchange Act), other than Delta or its subsidiaries, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the combined voting power of Delta's Voting Stock or other Voting Stock into which Delta's Voting Stock is reclassified, consolidated, exchanged, or changed measured by voting power rather than number of shares, other than any such transaction where:
 - (a) Delta's outstanding Voting Stock is reclassified, consolidated, exchanged, or changed for other Voting Stock of Delta or for Voting Stock of the surviving corporation, and

 - (b) the holders of Delta's Voting Stock immediately before that transaction own, directly or indirectly, not less than a majority of Delta's Voting Stock or the Voting Stock of the surviving parent corporation immediately after such transaction and in substantially the same proportion as their ownership in Delta before the transaction.

Change of Control Triggering Event means the occurrence of both a Change of Control and a Below Investment Grade Rating Event.

Fitch means Fitch, Inc., also known as Fitch Ratings, and its successors.

Investment Grade means a rating of BBB- or better by Fitch (or its equivalent under any successor rating category of Fitch); a rating of Baa3 or better by Moody's (or its equivalent under any successor rating category of Moody's); and a rating of BBB- or better by S&P (or its equivalent under any successor rating category of S&P).

Moody's means Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors.

Rating Agency means (1) each of Fitch, Moody's, and S&P, and (2) if any of Fitch, Moody's, or S&P ceases to rate the notes or fails to make a rating of the notes publicly available for reasons outside of our control, a nationally recognized statistical rating organization as defined in Section 3(a)(62) of the Exchange Act, selected by us (as certified by a resolution of our board of directors) as a replacement agency for Fitch, Moody's, or S&P, or all of them, as the case may be.

S&P means S&P Global Ratings and its successors.

Voting Stock of any specified person as of any date means the capital stock of such person that is at the time entitled to vote generally in the election of the board of directors of such person.

Limitation on Liens

Delta will not, and will not permit any Significant Subsidiary to, at any time subject to any Lien any Covered Property to secure any Indebtedness or Capital Lease, unless the notes are expressly secured equally and ratably with any such Indebtedness or Capital Lease so secured, including any guarantee thereof, so long as any such Indebtedness or Capital Lease shall be so secured, and Delta covenants that if and when any such Lien is created, the notes will be so secured thereby; provided, that, the foregoing shall not apply to:

- (a) (i) Liens on Covered Property outstanding on the Issue Date securing Indebtedness or Capital Leases outstanding on the Issue Date (and as in effect on the Issue Date) and (ii) Liens on Covered Property incurred after the Issue Date pursuant to the terms of any Indebtedness or Capital Leases outstanding on the Issue Date (and as in effect on the Issue Date);

S-20

Table of Contents

- (b) any Lien on any Covered Property (i) existing at the time of acquisition of such Covered Property or the entity owning such Covered Property (including acquisition through merger or consolidation), or (ii) given to secure the payment of all or any part of the purchase, lease or acquisition thereof or the cost of construction, repair, refurbishment, modification or improvement of Covered Property or any real or personal property leased to Delta or any of its subsidiaries or any Indebtedness or Capital Lease incurred prior thereto, at the time of, or within 180 days after, the completion of the acquisition, construction, repair, refurbishment, modification or improvement of the relevant Covered Property or any real or personal property leased to Delta or any of its subsidiaries for the purpose of financing all or part of the purchase, lease or acquisition thereof or the cost of construction, repair, refurbishment, modification or improvement;
- (c) Liens by a subsidiary as security for Indebtedness or Capital Lease owed to Delta or any subsidiary;
- (d) a banker's lien or right of offset of the holder of such Indebtedness in favor of any lender of moneys or holder of commercial paper of Delta or any subsidiary in the ordinary course of business on moneys of Delta or such subsidiary deposited with such lender or holder in the ordinary course of business;
- (e) Liens in favor of credit card processors securing obligations in connection with credit card processing services incurred in the ordinary course of business and consistent with past practices;
- (f) any extension, renewal or replacement (or successive extensions, renewals or replacements), in whole or in part, of any Lien referred to in the foregoing clauses (a) through (e) in connection with the refinancing, amendment, restructuring or other modification of Indebtedness or Capital Lease of Delta and its subsidiaries secured by such Lien; and
- (g) other Liens not permitted by any of the foregoing clauses (a) through (f) on any Covered Property, now owned or hereafter acquired; provided, that, no such Liens shall be incurred pursuant to this subsection (g) if the aggregate principal amount of outstanding Indebtedness (without duplication for any guarantee of such Indebtedness) and Capital Leases secured by Liens incurred pursuant to this subsection (g) subsequent to the Issue Date, including the Lien proposed to be incurred, shall exceed 10% of Consolidated Tangible Assets after giving effect to such incurrence and the use of proceeds of such Indebtedness or Capital Leases.

Any Lien that is granted to secure the notes shall be automatically released and discharged at the same time as the release (other than through the exercise of remedies with respect thereto) of each Lien that gave rise to such obligation to secure the notes.

As used herein:

Aircraft Assets means aircraft, airframes, engines (including spare engines), propellers, parts and other operating assets and pre-delivery payments relating to any of the foregoing.

Capital Lease means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

Consolidated Tangible Assets means, at any date of determination, the total assets of Delta and its subsidiaries as of the end of a fiscal quarter reported on the most recently prepared consolidated balance sheet of Delta filed with the Commission, less all assets shown on such consolidated balance sheet that are classified and accounted for as intangible assets of Delta or any of its subsidiaries or that otherwise would be considered intangible assets under GAAP, including, without limitation, franchises, patents and patent applications, trademarks, brand names, unamortized debt discount and goodwill.

Covered Property means any property, tangible or intangible, real or personal, or asset of Delta or any subsidiary, other than any Aircraft Assets, Slots, Routes or Gate Interests.

S-21

Table of Contents

FAA Slots means all slots as defined in 14 CFR § 93.213(a)(2), as that section may be amended or recodified from time to time, or, in the case of slots at New York LaGuardia Airport, as defined in the Final Order, Operating Limitations at New York LaGuardia Airport, 71 Fed. Reg. 77,854 (December 27, 2006), as such order may be amended or re-codified from time to time, and in any subsequent order issued by the FAA related to New York LaGuardia Airport, as such order may be amended or re-codified from time to time, or, in the case of slots at John F. Kennedy International Airport, as defined in the Operating Limitations at John F. Kennedy International Airport, Order Limiting Scheduled Operations at John F. Kennedy International Airport, 73 Fed. Reg. 3510 (January 18, 2008), as such order may be amended or re-codified from time to time, and in any subsequent order issued by the FAA related to John F. Kennedy International Airport, as such order may be amended or re-codified from time to time, in each case of Delta and, if applicable, any subsidiary, now held or hereafter acquired (other than slots which have been permanently allocated to another air carrier and in which Delta and, if applicable, any subsidiary holds temporary use rights).

Foreign Slot means all of the rights and operational authority, now held or hereafter acquired, of Delta and, if applicable, a subsidiary to conduct one landing or takeoff operation during a specific hour or other period on a specific day of the week at each non-United States airport served in conjunction with Delta's or such subsidiary's operations over a Route, other than slots which have been permanently allocated to another air carrier and in which Delta or, if applicable, such subsidiary holds temporary use rights.

GAAP means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as have been approved by a significant segment of the accounting profession, which are in effect from time to time.

Gate Interests means all of the right, title, privilege, interest, and authority now or hereafter acquired or held by Delta or, if applicable, a subsidiary in connection with the right to use or occupy holdroom and passenger boarding and deplaning space in any airport terminal at which Delta or any subsidiary conducts scheduled operations.

Indebtedness means any Person's obligation for borrowed money, including without limitation all obligations evidenced by bonds, debentures, notes or similar instruments.

Issue Date means the date on which any notes are first issued under the indenture.

Lien means any lien (statutory or otherwise), security interest, mortgage, pledge, hypothecation, charge or similar encumbrance; provided, however, that in no event shall an operating lease, operating sublease or license be deemed to constitute a Lien.

Routes means the routes for which Delta or, if applicable, a subsidiary holds or hereafter acquires the requisite authority to operate foreign air transportation pursuant to Title 49 including, without limitation, applicable frequencies, exemption and certificate authorities, Fifth-Freedom Rights and behind/beyond rights, whether or not utilized by Delta or such subsidiary.

Significant Subsidiary means, at any date of determination, any of Delta's subsidiaries that, together with its subsidiaries, (i) for Delta's most recently completed four full fiscal quarters for which consolidated financial statements have been filed with the Commission, accounted for more than 10.0% of the consolidated revenues of Delta and its subsidiaries or (ii) as of the end of Delta's most recent fiscal quarter for which consolidated financial statements have been filed with the Commission, was the owner of more than 10.0% of the consolidated assets of Delta and its subsidiaries.

Slot means each FAA Slot and each Foreign Slot.

S-22

Table of Contents

Title 49 means Title 49 of the U.S. Code, which, among other things, recodified and replaced the U.S. Federal Aviation Act of 1958, and the rules and regulations promulgated pursuant thereto or any subsequent legislation that amends, supplements or supersedes such provisions.

Events of Default

In addition to the events of default described in the accompanying prospectus, the following event will be an event of default with respect to the notes: default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness of Delta or a subsidiary (or the payment of which is guaranteed by Delta or a subsidiary), whether such Indebtedness or guarantee now exists, or is created after the issue date of the notes, if that default:

- (a) is caused by a failure to pay principal of such Indebtedness at its stated final maturity (a *Payment Default*); or
- (b) results in the acceleration of such Indebtedness prior to its express maturity,

and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates \$200,000,000 or more.

Ranking

The notes will be our direct, unsecured, and unsubordinated obligations. The notes will rank *pari passu*, or equal in right of payment, with all of our other unsubordinated indebtedness and senior in right of payment to all of our future subordinated debt. The indenture contains no restrictions on the amount of additional indebtedness that we may incur.

Denominations

The notes will be issuable in denominations of \$2,000 and integral multiples of \$1,000 in excess thereof.

No Listing

We do not intend to list the notes on any securities exchange.

Book-Entry, Delivery and Form

The notes will be issued initially in the form of a global security registered in the name of DTC or its nominee, or through the accounts that Clearstream Banking, *société anonyme*, or Euroclear Bank SA/NV, as operator of the Euroclear System, maintains as a participant in DTC, as described under the caption *Description of the Debt Securities Book-Entry; Delivery and Form; Global Securities* in the accompanying prospectus. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances, as described under the caption *Description of the Debt Securities Book-Entry; Delivery and Form; Global Securities* in the accompanying prospectus.

DTC has advised us as follows: DTC is a limited-purpose trust company organized under the New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency

registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities

S-23

Table of Contents

transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers (including the underwriters of the notes), banks, trust companies, clearing corporations, and certain other organizations, some of which (and/or their representatives) own interests in DTC. Access to DTC's book-entry system is also available to others, such as banks, brokers, dealers, and trust companies that clear through or maintain custodial relationship with a participant, either directly or indirectly.

Settlement for the notes will be made in same-day funds. We will make all payments of principal and interest on any notes held by DTC in immediately available funds. To the extent any notes are held by DTC, DTC will require secondary trading activity in the notes to be settled in immediately available funds.

Governing Law

The indenture provides that it and the notes will be governed by, and construed in accordance with, the laws of the State of New York.

S-24

Table of Contents**CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES**

The following is a summary of material U.S. federal income tax considerations that may be relevant to a holder of a note. This summary is based on laws, regulations, rulings and decisions now in effect, including the Internal Revenue Code of 1986, as amended (the Code) and applicable Treasury regulations promulgated thereunder, all of which are subject to change, possibly with retroactive effect. Congress is currently considering certain legislative proposals that, if enacted, would result in significant changes to U.S. federal tax laws. We cannot assure you that any change in law will not significantly alter the tax considerations that we describe in this discussion.

This summary deals only with beneficial owners of notes that will hold notes as capital assets for U.S. federal income tax purposes, and does not address particular tax considerations that may be applicable to investors that are subject to special tax rules, such as banks, tax-exempt entities, insurance companies, regulated investment companies, real estate investment trusts, grantor trusts, dealers in securities or currencies, traders in securities electing to mark to market, persons that will hold notes as a position in a straddle or conversion transaction, or as part of a synthetic security or other integrated financial transaction, accrual method taxpayers who are required to recognize income for U.S. federal income tax purposes no later than when such income is taken into account in applicable financial statements, entities taxed as partnerships or the partners therein, persons subject to the alternative minimum tax, U.S. expatriates, nonresident alien individuals present in the United States for more than 182 days in a taxable year, or U.S. holders (as defined below) that have a functional currency other than the U.S. dollar.

This summary addresses only U.S. federal income tax consequences, and does not address consequences arising under state, local or foreign tax laws. Investors should consult their own tax advisors in determining the tax consequences to them of holding notes under such tax laws, as well as the application to their particular situation of the U.S. federal income tax considerations discussed below.

As used herein, a *U.S. holder* is a beneficial owner of a note that is, for U.S. federal income tax purposes, an individual that is a citizen or resident of the United States, a domestic corporation or other entity taxable as a corporation for U.S. federal income tax purposes, an estate whose income is subject to U.S. federal income taxation regardless of its source, a trust (i) the administration of which is subject to the primary supervision of a U.S. court and that has one or more United States persons that have the authority to control all substantial decisions of the trust or (ii) that has made a valid election under applicable U.S. Treasury regulations to be treated as a United States person, or that otherwise is subject to U.S. federal income taxation on a net income basis in respect of the note. A *non-U.S. holder* is a beneficial owner of a note that is an individual, corporation, estate, or trust that is, in each case, not a U.S. holder.

U.S. Holders***Certain Additional Payments***

In certain circumstances (see Description of Notes Redemption and Description of Notes Offer to Repurchase Upon a Change of Control Triggering Event), we may be obligated to pay amounts on the notes that are in excess of stated interest or principal on the notes. Under applicable U.S. Treasury regulations, the possibility that certain payments in excess of stated interest and principal will be made will not cause the notes to be treated as contingent payment debt instruments for U.S. federal income tax purposes (which are subject to special rules) if there is only a remote likelihood as of the issue date of the notes that these payments will be made, if the amounts thereof are considered incidental, and/or in certain other circumstances. We intend to take the position that the likelihood of such payments being made is remote or incidental and that the notes will not be considered contingent payment debt instruments. Our position is binding on a U.S. holder unless such holder discloses that it is taking a contrary position in the manner

required by applicable U.S. Treasury regulations. Our position is not, however, binding on the IRS and if the IRS were to challenge this position, a U.S. holder might

S-25

Table of Contents

be required to use the accrual method, even if it were otherwise a cash method taxpayer, to take into account interest income accrued on the notes and to treat as ordinary income rather than capital gain any income that it realizes on the taxable disposition of a note. The remainder of this discussion assumes that the notes will not be considered contingent payment debt instruments.

Payments of Interest

Payments of stated interest will be taxable to a U.S. holder as ordinary interest income at the time that such payments are accrued or are received (in accordance with the U.S. holder's method of tax accounting). It is expected, and this discussion assumes, that the notes will not be issued with original issue discount (*OID*) in an amount equal to or in excess of a de minimis amount. In general, however, if the notes are issued with an amount of *OID* that is equal to or more than a de minimis amount, regardless of a U.S. holder's regular method of accounting for U.S. federal income tax purposes, the U.S. holder will have to include *OID* as ordinary gross income for U.S. federal income tax purposes under a constant yield method before the receipt of cash attributable to such income.

Sale, Exchange, Redemption or Retirement of Notes

Upon the sale, exchange, redemption or retirement of a note, a U.S. holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or retirement (less any accrued but unpaid interest, which will be taxable as ordinary interest income as described above) and the U.S. holder's adjusted tax basis in such note. A U.S. holder's adjusted tax basis in a note generally will equal the cost of such note to such holder. Gain or loss recognized by a U.S. holder generally will be long-term capital gain or loss if the U.S. holder has owned the note for more than one year at the time of disposition. Long-term capital gains recognized by an individual holder generally are subject to tax at a lower rate than short-term capital gains or ordinary income. The deductibility of capital losses is subject to limitations.

Additional Tax on Net Investment Income

An additional 3.8% tax applies to the net investment income of certain U.S. citizens and residents and to the undistributed net investment income of certain estates and trusts. Among other items, net investment income generally includes gross income from interest and net gain from the disposition of property, such as the notes, less certain deductions. Prospective investors are urged to consult their own tax advisors with respect to this additional tax and its applicability in their particular circumstances.

Non-U.S. Holders***Payments of Interest***

Subject to the discussions below under Information Reporting and Backup Withholding and FATCA, payments of interest on the notes to a non-U.S. holder generally will be exempt from withholding of U.S. federal income tax under the portfolio interest exemption provided that (i) the non-U.S. holder properly certifies that it is not a U.S. person by providing a properly executed Internal Revenue Service (the *IRS*) Form W-8BEN or W-8BEN-E, to the applicable withholding agent; (ii) the non-U.S. holder does not actually or constructively own 10% or more of the total combined voting power of our stock entitled to vote; (iii) the non-U.S. holder is not a bank receiving interest on the notes in connection with an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, and (iv) the non-U.S. holder is not a controlled foreign corporation that is related to us actually or constructively through stock ownership.

If any of the above requirements are not satisfied, payments of interest will be subject to U.S. federal withholding tax at a rate of 30% unless the non-U.S. holder provides a properly executed applicable IRS W-8 form claiming an exemption from, or reduction of, withholding under the benefits of an applicable income tax

S-26

Table of Contents

treaty with the United States, or, if the payments of interest are effectively connected with a conduct of a trade or business in the United States (or, if an income tax treaty applies, are attributed to a permanent establishment in the United States maintained by the non-U.S. holder), the non-U.S. holder provides a properly executed IRS Form W-8ECI. If the interest income is effectively connected income, the non-U.S. holder will be subject to U.S. federal income tax on such income at regular graduated income tax rates generally in the same manner as if the non-U.S. holder was a U.S. holder.

Sale, Exchange, Redemption or Retirement of Notes

Subject to the discussions below under Information Reporting and Backup Withholding and FATCA, a non-U.S. holder generally will not be subject to U.S. federal income tax on gain recognized on a sale, exchange, redemption, retirement or other disposition of notes (however, to the extent any portion of the amount realized by a non-U.S. holder on a sale, exchange, redemption, retirement or other disposition of notes is attributable to accrued but unpaid interest, such portion shall be treated as described above in Non-U.S. Holders Payments of Interest), unless the gain is effectively connected with the conduct by the non-U.S. holder of a U.S. trade or business (or, if an income tax treaty applies, a permanent establishment is maintained to which such gain is attributable). In such case, the non-U.S. holder will be subject to U.S. federal income tax at regular graduated income tax rates generally in the same manner as if the non-U.S. holder was a U.S. holder.

Information Reporting and Backup Withholding

Information returns will be filed with the IRS in connection with payments on the notes made to, and the proceeds of dispositions of notes effected by, certain U.S. taxpayers. In addition, certain U.S. taxpayers may be subject to backup withholding in respect of such amounts if they do not provide their taxpayer identification numbers to the person from whom they receive payments or otherwise comply with applicable requirements.

Payments of interest on a note to a non-U.S. holder, and any amounts withheld from such payments, generally will be reported to the IRS and to the non-U.S. holder, and such information may also be made available to the tax authorities of the country in which you reside under the provisions of a specific treaty or agreement. In addition, a non-U.S. holder may be subject to information reporting and, depending on the circumstances, backup withholding with respect to payments of the proceeds of the sale of a note within the United States or conducted through certain U.S.-related financial intermediaries, unless the non-U.S. holder complies with certification procedures to establish that it is not a United States person or otherwise establishes an exemption.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. or non-U.S. taxpayer will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the required information is timely furnished to the IRS.

FATCA

Under the U.S. tax rules known as the Foreign Account Tax Compliance Act (*FATCA*), a holder of notes will generally be subject to 30% U.S. withholding tax on interest payments on the notes (and, starting on January 1, 2019, principal payments on the notes and gross proceeds from the sale or other taxable disposition of the notes) if the holder is not FATCA compliant or holds its notes through a foreign financial institution that is not FATCA compliant, unless an exemption applies. In order to be treated as FATCA compliant, a holder must provide us or an applicable withholding agent certain documentation (usually an IRS Form W-9, W-8BEN or W-8BEN-E) containing information about its identity, its FATCA status, and if required, its direct and indirect U.S. owners. For a foreign financial institution to be FATCA compliant, it generally must enter into an agreement with the U.S. government to report, on

an annual basis, certain information regarding accounts with or interests in the institution held by certain United States persons and by certain non-U.S. entities that are wholly or partially owned by United States persons, or must satisfy similar requirements under an intergovernmental

S-27

Table of Contents

agreement regarding FATCA between the United States and another country (an *IGA*). These requirements may be modified by the adoption or implementation of a particular IGA or by future U.S. Treasury regulations. If any taxes were to be deducted or withheld from any payments in respect of the notes as a result of a beneficial owner or intermediary's failure to comply with the foregoing rules, no additional amounts will be paid on the notes as a result of the deduction or withholding of such tax. Prospective investors should consult their own tax advisers about how FATCA may apply to their investment in the notes.

The above discussion is intended only as a general summary of certain aspects of U.S. federal income tax law and does not constitute a complete analysis of all tax consequences relating to the purchase, ownership and disposition of the notes. Prospective investors should consult their own independent tax advisors concerning the U.S. federal, state, local and non-U.S. income and other tax consequences to them based upon their particular circumstances.

Table of Contents**UNDERWRITING; CONFLICTS OF INTEREST**

We have entered into an underwriting agreement with BNP Paribas Securities Corp., Credit Suisse Securities (USA) LLC, Deutsche Bank Securities Inc., Fifth Third Securities, Inc., Morgan Stanley & Co. LLC and Wells Fargo Securities, LLC, as representatives of the underwriters, with respect to the notes. Subject to certain conditions, we have agreed to sell to each underwriter and each underwriter named below has severally agreed to purchase from us the principal amount of the notes that appears opposite its name in the table below.

Underwriters	Principal Amount of			
	of	of	Floating Rate	Principal Amount
	Notes	Notes	Notes	of
	\$	\$	\$	Notes
BNP Paribas Securities Corp.	\$	\$	\$	\$
Credit Suisse Securities (USA) LLC				
Deutsche Bank Securities Inc.				
Fifth Third Securities, Inc.				
Morgan Stanley & Co. LLC				
Wells Fargo Securities, LLC				
Barclays Capital Inc.				
BBVA Securities Inc.				
Citigroup Global Markets Inc.				
Goldman Sachs & Co. LLC				
ICBC Standard Bank Plc				
J.P. Morgan Securities LLC				
Merrill Lynch, Pierce, Fenner & Smith Incorporated				
PNC Capital Markets LLC				
SMBC Nikko Securities America, Inc.				
Standard Chartered Bank				
U.S. Bancorp Investments, Inc.				
Total	\$	\$	\$	\$

The underwriters have agreed to purchase all of the notes if any of them are purchased. The underwriting agreement provides that the obligations of the underwriters to purchase the notes included in this offering are subject to, among other customary conditions, the delivery of certain legal opinions by their counsel. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or the offering may be terminated.

The underwriters initially propose to offer the notes to the public at the public offering prices that appear on the cover page of this prospectus supplement. After the initial offering, the underwriters may change the public offering prices and any other selling terms. The underwriters may offer and sell notes through certain of their affiliates. The offering of the notes by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any

order in whole or in part.

In the underwriting agreement, we have agreed that, subject to certain exceptions, we will indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the *Securities Act*), or contribute to payments that the underwriters may be required to make in respect of those liabilities.

S-29

Table of Contents

The following table shows the underwriting discounts that we will pay to the underwriters in connection with this offering of notes:

	Underwriting Discounts paid by us	
	Per Note	Total
Notes	%	\$
Notes	%	
Floating rate notes	%	
Notes	%	
Total		\$

We estimate that we will spend approximately \$3.5 million for printing, rating agency fees, trustee and legal fees and other expenses related to this offering.

The notes are a new issue of securities with no established trading market. We do not intend to apply for the notes to be listed on any securities exchange or to arrange for the notes to be quoted on any quotation system. The underwriters have advised us that they intend to make a market in the notes. However, they are not obligated to do so and may discontinue any market making at any time in their sole discretion. Therefore, we cannot assure you that a liquid trading market will develop for the notes, that you will be able to sell your notes at a particular time or that the prices that you receive when you sell will be favorable.

In connection with the offering, the underwriters may engage in overallotment, stabilizing transactions and syndicate covering transactions. Overallotment involves sales in excess of the offering size, which creates a short position for the underwriters. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Syndicate covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the notes to be higher than it would otherwise be in the absence of those transactions. If the underwriters engage in stabilizing or syndicate covering transactions, they may discontinue them at any time. The underwriters also may impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the underwriters have repurchased notes sold by or for the account of such underwriter in stabilizing or short covering transactions.

We expect that delivery of the notes will be made against payment on the notes on or about _____, 2018, which will be three business days (as such term is used for purposes of Rule 15c6-1 of the Exchange Act) following the date of pricing of the notes (this settlement cycle is referred to as T+3). Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade notes on any date prior to two business days before delivery will be required to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of notes who wish to make such trades should consult their own advisors.

ICBC Standard Bank Plc is restricted in its U.S. securities dealings under the U.S. Bank Holding Company Act and may not underwrite, subscribe, agree to purchase or procure purchasers to purchase notes that are offered or sold in the United States. Accordingly, ICBC Standard Bank Plc shall not be obligated to, and shall not, underwrite, subscribe, agree to purchase or procure purchasers to purchase notes that may be offered or sold by other underwriters

in the United States. ICBC Standard Bank Plc shall offer and sell the notes constituting part of its allotment solely outside the United States.

Standard Chartered Bank will not effect any offers or sales of any notes in the United States unless it is through one or more U.S. registered broker-dealers as permitted by the regulations of FINRA.

S-30

Table of Contents

Conflicts of Interest

Each underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Each underwriter and certain of its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they have received or will receive customary fees and expenses reimbursements. In particular, affiliates of the underwriters are party (including as lenders) to certain of our revolving credit facilities and under certain of our term loans. In addition, U.S. Bancorp Investments, Inc., one of the underwriters, is an affiliate of the trustee. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

We intend to use the net proceeds to fully repay our secured Pacific term loan B-1 facility and 2015 term loan facility. Certain underwriters or their affiliates are lenders under our secured Pacific term loan B-1 facility and 2015 term loan facility and, accordingly, will receive a portion of the net proceeds from this offering through the repayment of such indebtedness. Because 5% or more of the net proceeds of this offering, not including underwriting compensation, will be paid to certain of the underwriters (or their affiliates), which would be considered a conflict of interest under FINRA Rule 5121, this offering is being conducted in accordance with the applicable requirements of Rule 5121 regarding the underwriting of securities of a company with a FINRA member that has a conflict of interest within the meaning of those rules. Pursuant to Rule 5121(a)(1)(C), the appointment of a qualified independent underwriter is not necessary in connection with this offering as the notes offered hereby are investment grade rated (as defined in Rule 5121).

In the ordinary course of their various business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer or its affiliates. Because the underwriters or their affiliates have a lending relationship with us, certain of those underwriters or their affiliates routinely hedge, and certain other of those underwriters or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, such underwriters and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the notes offered hereby.

Offering Restrictions

Canada

The notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus supplement (including any amendment thereto) contains a misrepresentation,

provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

S-31

Table of Contents

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

European Economic Area

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, *MiFID II*); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the *Insurance Mediation Directive*), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the *Prospectus Directive*). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the *PRIIPs Regulation*) for offering or selling the notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

United Kingdom

This prospectus supplement and the accompanying prospectus and any other material in relation to the notes is only being distributed to and is only directed at persons in the United Kingdom that are (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the *Order*), or (ii) high net worth entities or other persons falling within Articles 49(2)(a) to (d) of the Order, or (iii) persons to whom it would otherwise be lawful to distribute it, all such persons together being referred to as relevant persons. The notes are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such notes will be engaged in only with, relevant persons. This prospectus supplement and the accompanying prospectus should not be distributed, published or reproduced (in whole or in part) or disclosed by any recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this prospectus supplement and the accompanying prospectus or their contents. The notes are not being offered to the public in the United Kingdom.

In addition, in the United Kingdom, the notes may not be offered other than by an underwriter that:

has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the *FSMA*) of the United Kingdom) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

Hong Kong

No underwriter nor any of their affiliates (i) have offered or sold, or will offer or sell, in Hong Kong, by means of any document, our notes other than (a) to professional investors as defined in the Securities and Futures Ordinance (Cap.

571) of Hong Kong and any rules made under that Ordinance or (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance or (ii) have issued or had in its possession for the purposes of issue, or will issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes that is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to our securities that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. The contents of this

S-32

Table of Contents

document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the FIEA) and the underwriters will not offer or sell any of the notes directly or indirectly in Japan or to, or for the benefit of, any Japanese person or to others, for re-offering or re-sale directly or indirectly in Japan or to any Japanese person, except in each case pursuant to an exemption from the registration requirements of, and otherwise in compliance with, FIEA and any other applicable laws and regulations of Japan. For purposes of this paragraph, *Japanese person* means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Singapore

This prospectus supplement or any other offering material relating to the notes has not been and will not be registered as a prospectus with the Monetary Authority of Singapore, and the notes will be offered in Singapore pursuant to the exemptions under Section 274 and Section 275 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA). Accordingly, this prospectus supplement and any other document or material in connection with the offer or sale, or invitation for the subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 274 of the SFA, (2) to a relevant person under Section 275(1A) and/or any person under Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Switzerland

This prospectus supplement is not intended to constitute an offer or solicitation to purchase or invest in the notes described herein. The notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this prospectus supplement nor any other offering or marketing material relating to the notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or the rules of any other stock exchange or regulated trading facility in Switzerland, and neither this prospectus supplement nor any other offering or marketing material relating to the notes may be publicly distributed or otherwise made publicly available in Switzerland.

Taiwan

The notes have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the notes in Taiwan.

S-33

Table of Contents

LEGAL MATTERS

The validity of the notes will be passed upon for Delta by Kilpatrick Townsend & Stockton LLP, Atlanta, Georgia. Certain legal matters in connection with this offering will be passed upon for the underwriters by White & Case LLP, New York, New York. The respective counsel for Delta and the underwriters will rely on the opinion of Alan T. Rosselot, Assistant General Counsel of Delta, as to certain matters relating to the authorization, execution and delivery of the indenture and the supplemental indenture by Delta.

EXPERTS

The consolidated financial statements of Delta Air Lines, Inc. appearing in Delta Air Lines, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2017, and the effectiveness of Delta Air Lines, Inc.'s internal control over financial reporting as of December 31, 2017 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

With respect to the unaudited condensed consolidated interim financial information of Delta Air Lines, Inc. for the three-month periods ended March 31, 2018 and March 31, 2017 incorporated by reference in this prospectus supplement, Ernst & Young LLP reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their separate report dated April 12, 2018, included in Delta Air Lines, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, and incorporated by reference herein, states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied. Ernst & Young LLP is not subject to the liability provisions of Section 11 of the Securities Act for their report on the unaudited interim financial information because that report is not a report or a part of the registration statement prepared or certified by Ernst & Young LLP within the meaning of Sections 7 and 11 of the Securities Act.

INCORPORATION BY REFERENCE

We incorporate by reference in this prospectus supplement certain documents that we file with the SEC, which means:

we can disclose important information to you by referring you to those documents;

information incorporated by reference is considered to be part of this prospectus supplement, even though it is not repeated in this prospectus supplement; and

information that we file later with the SEC will automatically update and supersede this prospectus supplement.

The following documents listed below that we have previously filed with the SEC (Commission File Number 001-05424) are incorporated by reference in this prospectus supplement (excluding any information furnished under Items 2.02 or 7.01 of Form 8-K):

Our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 filed on February 23, 2018;
and

Our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 filed on April 12, 2018.
All documents filed by us under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended
(excluding any information furnished under Items 2.02 or 7.01 of Form 8-K) from the date of this

S-34

Table of Contents

prospectus supplement and prior to the termination of this offering shall also be deemed to be incorporated by reference in this prospectus supplement. These documents include periodic reports, which may include Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

To obtain copies of these filings, see [Where You Can Find More Information](#) in the accompanying prospectus.

S-35

Table of Contents

PROSPECTUS

Delta Air Lines, Inc.

Debt Securities

We may, from time to time, offer to sell debt securities in one or more offerings. This prospectus describes some of the general terms and conditions that may apply to these securities. We will provide the specific terms and conditions of these securities in one or more supplements to this prospectus. You should read this prospectus and the applicable prospectus supplement carefully before you invest in our debt securities.

We may offer and sell these debt securities to or through one or more underwriters, dealers and agents or directly to purchasers, on a continuous or delayed basis.

Investing in our debt securities involves risks. Please consider carefully the risks described under the heading Risk Factors on page 1 of this prospectus, as well as the other information contained or incorporated by reference in this prospectus and the applicable prospectus supplement, before making a decision to invest in our debt securities.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is March 6, 2017

Table of Contents

You should rely only on the information contained or incorporated by reference in this prospectus and the applicable prospectus supplement or in any free writing prospectus filed by us with the Securities and Exchange Commission, or the SEC. We have not authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should not assume that the information contained or incorporated by reference in this prospectus and any prospectus supplement or in any such free writing prospectus is accurate as of any date other than the respective dates thereof. Our business, financial condition, results of operations and prospects may have changed since those dates.

We are not making an offer to sell these debt securities in any jurisdiction where the offer or sale is not permitted.

TABLE OF CONTENTS

	Page
<u>ABOUT THIS PROSPECTUS</u>	1
<u>RISK FACTORS</u>	1
<u>FORWARD-LOOKING STATEMENTS</u>	1
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	1
<u>INCORPORATION BY REFERENCE</u>	2
<u>DELTA AIR LINES, INC.</u>	2
<u>USE OF PROCEEDS</u>	3
<u>RATIO OF EARNINGS TO FIXED CHARGES</u>	4
<u>DESCRIPTION OF THE DEBT SECURITIES</u>	5
<u>PLAN OF DISTRIBUTION</u>	16
<u>EXPERTS</u>	17
<u>LEGAL MATTERS</u>	17

Table of Contents

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the SEC utilizing a shelf registration process. Under this shelf registration process, we may, at any time and from time to time, sell in one or more offerings any of our debt securities described in this prospectus.

This prospectus provides you with a general description of the debt securities that we may offer. Each time we sell debt securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering, including, but not limited to, the specific amounts, prices and terms of the securities offered. The prospectus supplement may also add, update or change information contained in this prospectus.

You should carefully read both this prospectus and any prospectus supplement together with the additional information described under the heading Incorporation by Reference.

References in this prospectus to Delta, we, us and our and all similar references are to Delta Air Lines, Inc. and its wholly-owned subsidiaries. However, in the Description of the Debt Securities section of this prospectus, references to we, us and our are to Delta Air Lines, Inc. and not to any of its subsidiaries.

RISK FACTORS

Investment in the debt securities involves risks. You should carefully consider the risk factors included in our most recent Annual Report on Form 10-K and any subsequent Quarterly Reports on Form 10-Q or Current Reports on Form 8-K we file after the date of this prospectus, and all other risk factors and information contained or incorporated by reference into this prospectus and any applicable prospectus supplement, as updated by our subsequent filings under the Exchange Act, before acquiring any of such securities. See Where You Can Find More Information.

FORWARD-LOOKING STATEMENTS

Statements in this prospectus, any prospectus supplement and the documents incorporated by reference herein and therein (or otherwise made by us or on our behalf) that are not historical facts, including statements about our estimates, expectations, beliefs, intentions, projections or strategies for the future may be forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from historical experience or our present expectations. Known material risk factors applicable to Delta are described in Risk Factors Relating to Delta and Risk Factors Relating to the Airline Industry in Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended December 31, 2016 and in any subsequent Annual Report on Form 10-K, Quarterly Report on Form 10-Q or Current Report on Form 8-K incorporated by reference herein or in the applicable prospectus supplement, other than risks that could apply to any issuer or offering. All forward-looking statements speak only as of the date made, and we undertake no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this prospectus.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. The public may read and copy any materials filed with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet web site that contains reports, proxy and information statements, and other information regarding issuers, including us, that file electronically with the SEC.

The public can obtain any documents that we file electronically with the SEC at <http://www.sec.gov>.

Table of Contents

We also make available, free of charge, on or through our Internet web site (ir.delta.com) our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, Proxy Statements on Schedule 14A and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. You may request copies of these filings at no cost through our Investor Relations Department at: Delta Air Lines, Inc., Investor Relations, Dept. No. 829, P.O. Box 20706, Atlanta, GA 30320, telephone no. (404) 715-2170 or our Internet web site (ir.delta.com). The contents of our website are not incorporated into this prospectus or any accompanying prospectus supplement.

We have filed with the SEC a registration statement on Form S-3 relating to the debt securities covered by this prospectus. This prospectus is a part of the registration statement and does not contain all the information in the registration statement. Whenever a reference is made in this prospectus to a contract or other document of ours that is an exhibit to the registration statement, the reference is only a summary and you should refer to the exhibits that are a part of the registration statement for a copy of the contract or other document. You may review a copy of the registration statement and the documents incorporated by reference herein at the SEC's Public Reference Room in Washington, D.C., as well as through the SEC's Internet web site listed above.

INCORPORATION BY REFERENCE

We incorporate by reference in this prospectus certain documents that we file with the SEC, which means:

we can disclose important information to you by referring you to those documents;

information incorporated by reference is considered to be part of this prospectus, even though it is not repeated in this prospectus; and

information that we file later with the SEC will automatically update and supersede this prospectus. The following documents listed below that we have previously filed with the SEC (Commission File Number 001-05424) are incorporated by reference in this prospectus (excluding any information furnished under Items 2.02 or 7.01 of Form 8-K):

Annual Report on Form 10-K for the fiscal year ended December 31, 2016; and

Current Report on Form 8-K filed on January 26, 2017.

All documents filed by us under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act (excluding any information furnished under Items 2.02 or 7.01 of Form 8-K) from the date of this prospectus and prior to the termination of the applicable offering shall also be deemed to be incorporated by reference in this prospectus. These documents include periodic reports, which may include Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

To obtain copies of these filings, see [Where You Can Find More Information](#).

DELTA AIR LINES, INC.

We provide scheduled air transportation for passengers and cargo throughout the United States and around the world. Our global route network gives us a presence in every major domestic and international market. Our route network is centered around a system of hub, international gateway and key airports that we operate in Amsterdam, Atlanta, Boston, Detroit, London-Heathrow, Los Angeles, Minneapolis-St. Paul, New York-LaGuardia, New York-JFK, Paris-Charles de Gaulle, Salt Lake City, Seattle and Tokyo-Narita. Each of these operations includes flights that gather and distribute traffic from markets in the geographic region surrounding the hub or gateway to domestic and international cities and to other hubs or gateways. Our network is supported

Table of Contents

by a fleet of aircraft that is varied in size and capabilities, giving us flexibility to adjust aircraft to the network. Other important characteristics of our route network include our international joint ventures, our alliances with other foreign airlines, our membership in SkyTeam and agreements with multiple domestic regional carriers that operate as Delta Connection®.

We are a Delaware corporation headquartered in Atlanta, Georgia. Our principal executive offices are located at Hartsfield-Jackson Atlanta International Airport, Atlanta, Georgia 30320-6001 and our telephone number is (404) 715-2600. Our website is www.delta.com. We have provided this website address as an inactive textual reference only and the information contained on our website is not a part of this prospectus.

USE OF PROCEEDS

We intend to use the net proceeds from any offering of the debt securities for general corporate purposes, primarily to fund our operations, to repay debt or for any other purpose we describe in any applicable prospectus supplement. We may temporarily invest funds that are not immediately needed for these purposes in short-term investments, including, but not limited to, marketable securities.

Table of Contents**RATIO OF EARNINGS TO FIXED CHARGES**

The following table sets forth the historical ratio of our earnings to our fixed charges for the periods indicated. The ratio of earnings to fixed charges represents the number of times that fixed charges are covered by earnings. Earnings represents income before income taxes, plus fixed charges, less capitalized interest. Fixed charges include interest, whether expensed or capitalized, amortization of debt costs and the portion of rent expense representative of the interest factor.

	Year Ended December 31,				
	2016	2015	2014	2013	2012
Ratio of earnings to fixed charges	13.47	13.19	2.41	3.64	1.90

Table of Contents

DESCRIPTION OF THE DEBT SECURITIES

We have summarized below general terms and conditions of the debt securities that we may offer and sell pursuant to this prospectus. The following summary of the debt securities is not complete. When we offer to sell a particular series of debt securities, we will describe the specific terms and conditions of the series in a prospectus supplement to this prospectus. We will also indicate in the applicable prospectus supplement the extent to which the general terms and conditions described in this prospectus apply to the series of debt securities. The terms and conditions of the debt securities of a series may be different in one or more respects from the terms and conditions described below.

We will issue the debt securities in one or more series under an indenture between us and U.S. Bank National Association, as trustee, as supplemented from time to time (the indenture). The following summary of the provisions of the indenture does not purport to be complete and is subject to, and qualified in its entirety by reference to, all of the provisions of the indenture, including, but not limited to, definitions therein of certain terms. The particular terms and conditions of the debt securities of each series offered by any prospectus supplement will be described in the applicable prospectus supplement. For a comprehensive description of any series of debt securities being offered to you pursuant to this prospectus, you should read both this prospectus and the applicable prospectus supplement.

The indenture has been filed as an exhibit to the registration statement of which this prospectus forms a part. A form of each supplemental indenture, reflecting the specific terms and provisions of each series of debt securities, will be filed with the SEC in connection with each offering of debt securities and will be incorporated by reference in the registration statement of which this prospectus forms a part. You may obtain a copy of the indenture and any form of supplemental indenture that has been filed in the manner described under [Where You Can Find More Information](#).

For purposes of this section of this prospectus, references to [we](#), [us](#) and [our](#) are to Delta Air Lines, Inc. and not to any of its subsidiaries. References to the [applicable prospectus supplement](#) are to the prospectus supplement to this prospectus that describes the specific terms and conditions of a series of debt securities.

General

We may offer the debt securities from time to time in as many distinct series as we may determine. The indenture does not limit the amount of debt securities that we may issue under that indenture. We may, without the consent of the holders of the debt securities of any series, issue additional debt securities ranking equally in right of payment with, and otherwise similar in all respects to, the debt securities of the series (except for the public offering price and the issue date) so that those additional debt securities will be consolidated and form a single series with the debt securities of the series previously offered and sold.

The debt securities of each series will be issued in fully registered form without interest coupons. We currently anticipate that the debt securities of each series offered and sold pursuant to this prospectus will be issued as global debt securities as described under [Book-Entry; Delivery and Form; Global Securities](#) and will trade in book-entry form only.

Debt securities denominated in U.S. dollars will be issued in denominations of \$2,000 and any integral multiple of \$1,000 in excess thereof, unless otherwise specified in the applicable prospectus supplement. If the debt securities of a series are denominated in a foreign or composite currency, the applicable prospectus supplement will specify the denomination or denominations in which those debt securities will be issued.

We may issue the debt securities issued under the indenture as [discount securities](#), which means they may be sold at a discount below their stated principal amount. These debt securities, as well as other debt securities that are not issued

at a discount, may, for U.S. federal income tax purposes, be treated as if they were issued with

Table of Contents

original issue discount, because of interest payment and other characteristics. Special U.S. federal income tax considerations applicable to debt securities issued with original issue discount will be described in more detail in any applicable prospectus supplement.

Unless otherwise specified in the applicable prospectus supplement, the debt securities of each series will not be listed on any securities exchange.

Provisions of the Indenture

The indenture provides that debt securities may be issued under it from time to time in one or more series. For each series of debt securities, the applicable prospectus supplement will describe the following terms and conditions of that series of debt securities:

the title of the series of debt securities;

any limit upon the aggregate principal amount of the series of debt securities;

if other than U.S. dollars, the foreign currency or foreign currencies in which the series of debt securities will be denominated;

the date(s) on which the principal of the series of debt securities will be payable or the method of determination thereof;

the rate(s) at which the series of debt securities will bear interest, if any, the date(s) from which that interest will accrue, the date(s) on which that interest will be payable and the terms and conditions of any deferral of interest, additional interest, if any, on the series of debt securities, the right, if any, to extend the interest payment periods and the duration of the extensions, and the record date(s) to determine to which holders interest is payable;

the offices or agencies where the principal of and any interest on the series of debt securities will be payable;

the right, if any, to redeem the series of debt securities, in whole or in part, at our option and the period(s) within which, or the date(s) on which, the price(s) at which and any terms and conditions upon which the series of debt securities may be so redeemed, pursuant to any sinking fund or otherwise;

the obligation, if any, for us to redeem, purchase or repay the series of debt securities pursuant to any mandatory redemption, sinking fund or analogous provisions or at the option of a holder thereof and the price(s) at which and the period(s) within which or the date(s) on which, and any terms and conditions upon which the series of debt securities will be redeemed, purchased or repaid, in whole or in part, pursuant to

such obligation;

if other than denominations of \$2,000 and any integral multiple of \$1,000 in excess thereof, the denominations in which the series of debt securities will be issuable;

the percentage of the principal amount at which the series of debt securities will be issued, and, if other than the principal amount thereof, the portion of the principal amount of the series of debt securities that will be payable upon declaration of acceleration of the maturity thereof or provable in bankruptcy;

if other than the coin, currency or currencies in which the series of debt securities will be denominated, the coin, currency or currencies in which payment of the principal of or interest on the series of debt securities will be payable, including composite currencies or currency units;

Table of Contents

if the principal of or interest on the series of debt securities will be payable, at our election or the election of a holder thereof, in a coin or currency other than that in which the series of debt securities will be denominated, the period(s) within which, and the terms and conditions upon which, such election may be made;

if the amount of payments of principal of and interest on the series of debt securities may be determined with reference to an index or formula based on a coin, currency, composite currency or currency unit other than that in which the series of debt securities will be denominated, the manner in which such amounts will be determined;

whether and under what circumstances we will pay additional amounts on the series of debt securities held by a person who is not a U.S. person in respect of any tax, assessment or governmental charge withheld or deducted and, if so, whether we will have the option to redeem the series of debt securities rather than pay such additional amounts;

any trustees, authenticating or paying agents, warrant agents, transfer agents or registrars with respect to the series of debt securities;

any deletion from, modification of or addition to the events of default or covenants with respect to the series of debt securities;

if the series of debt securities will be convertible into or exchangeable for any other security or property of ours, including, without limitation, securities of another person held by us or our affiliates and, if so, the terms thereof;

the applicability, if any, of certain covenant defeasance provisions to such series under certain specified circumstances set forth in the indenture;

whether the series of debt securities will be issued in whole or in part in the form of one or more global securities and, in such case, the depositary for such global security, which depositary will be a clearing agency registered under the Exchange Act; and

any other terms of the debt securities of the series.

Interest and Interest Rates

In the applicable prospectus supplement, we will designate the debt securities of a series as being either debt securities bearing interest at a fixed rate of interest or debt securities bearing interest at a floating rate of interest. Each debt security will begin to accrue interest from the date on which it is originally issued. Interest on each such debt security will be payable in arrears on the interest payment dates set forth in the applicable prospectus supplement and as otherwise described below and at maturity or, if earlier, the redemption date described below. Interest will be payable

to the holder of record of the debt securities at the close of business on the record date for each interest payment date, which record dates will be specified in such prospectus supplement.

If any date of payment of interest on or principal of a debt security, or any date fixed for redemption or repayment of such debt security, falls on a date that is not a business day, then payment of interest or principal and premium, if any, may be made on the next succeeding business day with the same force and effect as if made on the date of payment or the date fixed for redemption, and no interest shall accrue for the period after such date.

As used in the indenture, the term *business day* means, with respect to debt securities of a series, unless otherwise specified in the applicable prospectus supplement, any day, other than a Saturday or Sunday, that is not a day on which banking institutions are authorized or obligated by law or executive order to close in the place where the principal of and premium, if any, and interest on the debt securities are payable.

Table of Contents

Payment and Transfer or Exchange

Principal of and premium, if any, and interest on the debt securities of each series will be payable, and the debt securities may be exchanged or transferred, at the office or agency maintained by us in the continental United States for such purpose. Payment of principal of and premium, if any, and interest on a global security registered in the name of or held by The Depository Trust Company, or DTC, or its nominee will be made in immediately available funds to DTC or its nominee, as the case may be, as the registered holder of such global security. If any of the debt securities is no longer represented by a global security, payment of interest on certificated debt securities in definitive form may, at our option, be made by check mailed directly to holders at their registered addresses. See Book-Entry; Delivery and Form; Global Securities.

A holder may transfer or exchange any certificated debt securities in definitive form at the same location given in the preceding paragraph. No service charge will be made for any exchange or registration of transfer of debt securities, but we may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

We are not required to exchange or register a transfer of any debt security selected for redemption for a period of 15 days before mailing of a notice of redemption of the debt security to be redeemed.

The registered holder of a debt security will be treated as the owner of it for all purposes.

All amounts of principal of and premium, if any, or interest on the debt securities paid by us that remain unclaimed two years after such payment was due and payable will be repaid to us, and the holders of such debt securities will thereafter look solely to us for payment.

Covenants

The indenture sets forth limited covenants that will apply to each series of debt securities issued under the indenture, unless otherwise specified in the applicable prospectus supplement. However, unless otherwise specified in the applicable prospectus supplement, these covenants do not, among other things:

limit the amount of indebtedness or lease obligations that may be incurred by us and our subsidiaries;

limit our ability or that of our subsidiaries to issue, assume or guarantee debt secured by liens; or

restrict us from paying dividends or making distributions on our capital stock or purchasing or redeeming our capital stock.

Consolidation, Merger and Sale of Assets

The indenture provides that we may consolidate with or merge with or into any other person, and may sell, transfer, or lease or convey all or substantially all of our properties and assets to another person; provided that the following conditions are satisfied:

we are the continuing entity, or the resulting, surviving or transferee entity (the Successor) is a corporation organized and existing under the laws of the United States of America, any state thereof or the District of Columbia and the Successor (if not us) will expressly assume, by supplemental indenture, all of our obligations under the debt securities and the indenture;

immediately after giving effect to such transaction, no default or event of default under the indenture has occurred and is continuing; and

the trustee receives from us an officers certificate and an opinion of counsel that the transaction and any such supplemental indenture comply with the applicable provisions of the indenture.

If we consolidate or merge with or into any other person or sell, transfer, lease or convey all or substantially all of our properties and assets in accordance with the indenture, the Successor will be substituted for us in the

Table of Contents

indenture, with the same effect as if it had been an original party to the indenture. As a result, the Successor may exercise our rights and powers under the indenture, and we will be released from all our liabilities and obligations under the indenture and under the debt securities; provided, however, that we will not be relieved from the obligation to pay the principal of, premium (if any) and interest on the debt securities except in the case of a sale of all of our assets.

Any substitution of the Successor for us might be deemed for federal income tax purposes to be an exchange of the debt securities for new debt securities, resulting in recognition of gain or loss for such purposes and possibly certain other adverse tax consequences to beneficial owners of the debt securities. Holders should consult their own tax advisors regarding the tax consequences of any such substitution.

As used in the indenture, person means any individual, corporation, business trust, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

Events of Default

Each of the following events are defined in the indenture as an event of default with respect to the debt securities of any series:

- (1) default in the payment of any installment of interest on any debt securities of such series for 30 days after becoming due and payable;
- (2) default in the payment of principal of or premium, if any, on any debt securities of such series when it becomes due and payable at its stated maturity, upon redemption, by declaration or otherwise;
- (3) failure by us to observe or perform in any material respect any covenant or agreement in the indenture with respect to the debt securities of such series (other than a covenant or agreement included in the indenture solely for the benefit of a series of debt securities other than such series), which continues for a period of 90 days after written notice to us by the trustee or to us and the trustee by the holders of at least 25% in aggregate principal amount of the outstanding debt securities of that series;
- (4) we file for bankruptcy, or certain other events in bankruptcy, insolvency or reorganization occur; and
- (5) any other event of default established for the debt securities of such series set forth in the applicable prospectus supplement and supplemental indenture.

If an event of default with respect to debt securities of any series (other than an event of default relating to certain events of bankruptcy, insolvency, or reorganization of us) occurs and is continuing, the trustee by notice to us, or the holders of at least 25% in aggregate principal amount of the outstanding debt securities of such series by notice to us and the trustee, may, and the trustee at the request of these holders will, declare the principal of and premium, if any, and accrued and unpaid interest on all the debt securities of such series to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. If an event of default relating to certain events of bankruptcy, insolvency, or reorganization of us occurs and is continuing, the principal of and premium, if any, and accrued and unpaid interest on the debt securities of such series will become and be immediately due and payable without any declaration or other act on the part of the trustee or any holders.

The holders of not less than a majority in aggregate principal amount of the outstanding debt securities of any series may rescind a declaration of acceleration and its consequences, if we have deposited certain sums with the trustee and all events of default with respect to the debt securities of such series, other than the non-payment of the principal or interest which have become due solely by such acceleration, have been cured or waived, as provided in the indenture.

An event of default for a particular series of debt securities does not necessarily constitute an event of default for any other series of debt securities issued under the indenture.

Table of Contents

We are required to furnish the trustee annually within 120 days after the end of our fiscal year a statement regarding compliance with the indenture.

No holder of any debt securities of any series will have any right to institute any judicial or other proceeding with respect to the indenture, or for the appointment of a receiver or trustee, or for any other remedy unless:

- (1) an event of default has occurred and is continuing and such holder has given the trustee prior written notice of such continuing event of default with respect to the debt securities of such series;
- (2) the holders of not less than 25% of the aggregate principal amount of the outstanding debt securities of such series have requested the trustee to institute proceedings in respect of such event of default;
- (3) such holders have offered the trustee indemnity or security reasonably satisfactory to it against its costs, expenses and liabilities in complying with such request;
- (4) the trustee has failed to institute proceedings 60 days after the receipt of such notice, request and offer of indemnity; and
- (5) no direction inconsistent with such written request has been given for 60 days by the holders of a majority in aggregate principal amount of the outstanding debt securities of such series.

The holders of a majority in aggregate principal amount of outstanding debt securities of a series will have the right, subject to certain limitations, to direct the time, method and place of conducting any proceeding for any remedy available to the trustee with respect to the debt securities of that series or exercising any trust or power conferred to the trustee, and to waive certain defaults. The indenture provides that if an event of default occurs and is continuing, the trustee will exercise such of its rights and powers under the indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the indenture at the request of any of the holders of the debt securities of a series unless they will have offered to the trustee security or indemnity satisfactory to the trustee against the costs, expenses and liabilities which might be incurred by it in compliance with such request.

Notwithstanding the foregoing, the holder of any debt security will have an absolute and unconditional right to receive payment of the principal of and premium, if any, and interest on that debt security on or after the due dates expressed in that debt security and to institute suit for the enforcement of payment.

Modification and Waivers

Modification and amendments of the indenture and the debt securities of any series may be made by us and the trustee with the consent of the holders of not less than a majority in aggregate principal amount of the outstanding debt securities of that series affected thereby; provided, however, that no such modification or amendment may, without the consent of the holder of each outstanding debt security of that series affected thereby:

extend the final maturity of any debt security;

reduce the principal amount of, or premium, if any, on any debt security;

reduce the rate or extend the time of payment of interest on any debt security;

reduce any amount payable on redemption of any debt security;

change the currency in which the principal (other than as may be provided otherwise with respect to a series), premium, if any, or interest is payable on any debt security;

reduce the amount of the principal of any debt security issued with an original issue discount that is payable upon acceleration or provable in bankruptcy;

Table of Contents

impair the right to institute suit for the enforcement of any payment on any debt security when due; or

reduce the principal amount of such debt securities of any series whose holders must consent to any modification of the indenture.

We and the trustee may, without the consent of any holders, modify or amend the terms of the indenture and the debt securities of any series with respect to the following:

evidence the assumption by another corporation of our obligations, as permitted by the indenture;

add covenants for the protection of the holders of debt securities of all or any series or to surrender any right or power conferred upon us;

add any additional events of default for the benefit of holders of the debt securities of all or any series;

add one or more guarantees for the benefit of holders of the debt securities of any series;

cure or correct any ambiguity, defect, omission or inconsistency in the indenture;

provide for the issuance of additional debt securities of any series;

comply with the rules of any applicable securities depository;

provide for uncertificated debt securities in addition to or in place of certificated debt securities;

add to, change or eliminate any of the provisions of the indenture in respect of one or more series of debt securities; provided that any such addition, change or elimination (a) shall neither (1) apply to any debt security of any series created prior to the execution of such supplemental indenture and entitled to the benefit of such provision nor (2) modify the rights of the holder of any such debt security with respect to such provision or (b) shall become effective only when there is no debt security described in clause (a)(1) outstanding;

supplement any of the provisions of the indenture to such extent as shall be necessary to permit or facilitate the defeasance and discharge of any series of debt securities pursuant to the indenture; provided that any such action shall not adversely affect the interests of the holders of debt securities of such series or any other series of debt securities in any material respect;

comply with the rules or regulations of any securities exchange or automated quotation system on which any of the debt securities may be listed or traded;

add to, change or eliminate any of the provisions of the indenture as shall be necessary or desirable in accordance with any amendments to the Trust Indenture Act of 1939, as amended;

establish the forms or terms of debt securities of any series;

evidence and provide for the acceptance of appointment by a successor trustee; and

add to, change or eliminate any other provision of the indenture; provided that such addition, change or elimination does not adversely affect the interests of the holders of debt securities of any series in any material respect.

The holders of a majority in aggregate principal amount of the outstanding debt securities of any series may, on behalf of the holders of all debt securities of that series, waive compliance by us with certain restrictive provisions of the indenture. The holders of not less than a majority in aggregate principal amount of the outstanding debt securities of any series may, on behalf of the holders of all debt securities of that series, waive any past default and its consequences under the indenture with respect to the debt securities of that series, except a default in the payment of principal or premium, if any, or interest on debt securities of that series. Upon any such waiver, such default will cease to exist, and any event of default arising therefrom will be deemed to have been cured, for every purpose of the indenture; however, no such waiver will extend to any subsequent or other default or event of default or impair any rights consequent thereon.

Table of Contents

Discharge, Defeasance and Covenant Defeasance

We may discharge our obligations to holders of the debt securities of a series that have not already been delivered to the trustee for cancellation and that either have become due and payable or will become due and payable within one year (or scheduled for redemption within one year). We may effect a discharge by irrevocably depositing with the trustee cash or U.S. government obligations, as trust funds, in an amount certified to be sufficient to pay when due, whether at maturity, upon redemption or otherwise, the principal of, and premium, if any, and interest on, the debt securities and any mandatory sinking fund payments.

The indenture provides that we may elect either (1) to defease and be discharged from any and all obligations with respect to the debt securities of a series (except for, among other things, obligations to register the transfer or exchange of the debt securities, to replace temporary or mutilated, destroyed, lost or stolen debt securities, to maintain an office or agency with respect to the debt securities and to hold moneys for payment in trust) (legal defeasance) or (2) to be released from our obligations to comply with the restrictive covenants under the indenture, and any omission to comply with such obligations will not constitute a default or an event of default with respect to the debt securities of a series and clauses (3) and (5) under Events of Default will no longer be applied (covenant defeasance). Legal defeasance or covenant defeasance, as the case may be, will be conditioned upon, among other things, the irrevocable deposit by us with the trustee, in trust, of an amount in U.S. dollars, or U.S. government obligations, or both, applicable to the debt securities of that series which through the scheduled payment of principal and interest in accordance with their terms will provide money in an amount sufficient to pay the principal or premium, if any, and interest on the debt securities on the scheduled due dates therefor.

If we effect covenant defeasance with respect to the debt securities of any series, the amount in U.S. dollars, or U.S. government obligations, or both, on deposit with the trustee will be sufficient, in the opinion of a nationally recognized firm of independent accountants, to pay amounts due on the debt securities of that series at the time of the stated maturity but may not be sufficient to pay amounts due on the debt securities of that series at the time of acceleration. However, we would remain liable to make payment of such amounts due at the time of acceleration.

We will be required to deliver to the trustee an opinion of counsel that the deposit and related defeasance will not cause the holders and beneficial owners of the debt securities of that series to recognize income, gain or loss for federal income tax purposes. If we elect legal defeasance, that opinion of counsel must be based upon a ruling from the U.S. Internal Revenue Service or a change in law to that effect.

We may exercise our legal defeasance option notwithstanding our prior exercise of our covenant defeasance option.

Same-Day Settlement and Payment

Unless otherwise provided in the applicable prospectus supplement, the debt securities will trade in the same-day funds settlement system of DTC until maturity or until we issue the debt securities in certificated form. DTC will therefore require secondary market trading activity in the debt securities to settle in immediately available funds. We can give no assurance as to the effect, if any, of settlement in immediately available funds on trading activity in the debt securities.

Book-Entry; Delivery and Form; Global Securities

Unless otherwise specified in the applicable prospectus supplement, the debt securities of each series will be issued in the form of one or more global debt securities, in definitive, fully registered form without interest coupons, each of which we refer to as a global security. Each such global security will be deposited with the trustee as custodian for

DTC and registered in the name of a nominee of DTC in New York, New York for the accounts of participants in DTC.

Table of Contents

Investors may hold their interests in a global security directly through DTC if they are DTC participants, or indirectly through organizations that are DTC participants. Except in the limited circumstances described below, holders of debt securities represented by interests in a global security will not be entitled to receive their debt securities in fully registered certificated form.

DTC has advised us as follows: DTC is a limited-purpose trust company organized under New York Banking Law, a banking organization within the meaning of the New York Banking Law, a member of the Federal Reserve System, a clearing corporation within the meaning of the New York Uniform Commercial Code and a clearing agency registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of institutions that have accounts with DTC (participants) and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC s participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to DTC s book-entry system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a participant, whether directly or indirectly. The rules that apply to DTC and its participants are on file with the SEC. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation (DTCC) which is owned by the users of its regulated subsidiaries.

Ownership of Beneficial Interests

Upon the issuance of each global security, DTC will credit, on its book-entry registration and transfer system, the respective principal amount of the individual beneficial interests represented by the global security to the accounts of participants. Ownership of beneficial interests in each global security will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in each global security will be shown on, and the transfer of those ownership interests will be effected only through, records maintained by DTC (with respect to participants interests) and such participants (with respect to the owners of beneficial interests in the global security other than participants).

So long as DTC or its nominee is the registered holder and owner of a global security, DTC or such nominee, as the case may be, will be considered the sole legal owner of the debt security represented by the global security for all purposes under the indenture, the debt securities and applicable law. Except as set forth below, owners of beneficial interests in a global security will not be entitled to receive certificated debt securities and will not be considered to be the owners or holders of any debt securities represented by the global security. We understand that under existing industry practice, in the event an owner of a beneficial interest in a global security desires to take any actions that DTC, as the holder of the global security, is entitled to take, DTC would authorize the participants to take such action, and that participants would authorize beneficial owners owning through such participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them. No beneficial owner of an interest in a global security will be able to transfer such interest except in accordance with DTC s applicable procedures, in addition to those provided for under the indenture. Because DTC can only act on behalf of participants, who in turn act on behalf of others, the ability of a person having a beneficial interest in a global security to pledge that interest to persons that do not participate in the DTC system, or otherwise to take actions in respect of that interest, may be impaired by the lack of a physical certificate representing that interest.

All payments on the debt securities represented by a global security registered in the name of and held by DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner and holder of the global security.

We expect that DTC or its nominee, upon receipt of any payment of principal, premium, if any, or interest in respect of a global security, will credit participants' accounts with payments in amounts proportionate to their

Table of Contents

respective beneficial interests in the principal amount of the global security as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in the global security held through such participants will be governed by standing instructions and customary practices as is now the case with securities held for accounts for customers registered in the names of nominees for such customers. These payments, however, will be the responsibility of such participants and indirect participants, and neither we, the trustee nor any paying agent will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in any global security or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or for any other aspect of the relationship between DTC and its participants or the relationship between such participants and the owners of beneficial interests in the global security.

Unless and until it is exchanged in whole or in part for certificated debt securities, each global security may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC. Transfers between participants in DTC will be effected in the ordinary way in accordance with DTC rules and will be settled in same-day funds.

We expect that DTC will take any action permitted to be taken by a holder of debt securities only at the direction of one or more participants to whose account the DTC interests in a global security are credited and only in respect of such portion of the aggregate principal amount of the debt securities as to which such participant or participants has or have given such direction. However, if there is an event of default under the debt securities, DTC will exchange each global security for certificated debt securities, which it will distribute to its participants.

Although we expect that DTC will agree to the foregoing procedures in order to facilitate transfers of interests in each global security among participants of DTC, DTC is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of us, the underwriters or the trustee will have any responsibility for the performance or nonperformance by DTC or its participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

The indenture provides that the global securities will be exchanged for debt securities in certificated form of like tenor and of an equal principal amount, in authorized denominations in the following limited circumstances:

- (1) DTC notifies us that it is unwilling or unable to continue as depository or if DTC ceases to be a clearing agency registered under the Exchange Act and we do not appoint a successor depository within 90 days after we receive notice or become aware of such event;
- (2) we execute and deliver to the trustee written instructions that such debt securities will be so exchangeable; or
- (3) an event of default with respect to the debt securities will have occurred and be continuing.

These certificated debt securities will be registered in such name or names as DTC will instruct the trustee. It is expected that such instructions may be based upon directions received by DTC from participants with respect to ownership of beneficial interests in global securities.

The information in this section of this prospectus concerning DTC and DTC's book-entry system has been obtained from sources that we believe to be reliable, but we do not take responsibility for this information.

Euroclear and Clearstream

If the depositary for a global security is DTC, you may hold interests in the global security through Clearstream Banking, société anonyme, which we refer to as Clearstream, or Euroclear Bank SA/NV, as operator of the Euroclear System, which we refer to as Euroclear, in each case, as a participant in DTC. Euroclear and Clearstream will hold interests, in each case, on behalf of their participants through customers' securities accounts in the names of Euroclear and Clearstream on the books of their respective depositaries, which in turn will hold such interests in customers' securities in the depositaries' names on DTC's books.

Table of Contents

Payments, deliveries, transfers, exchanges, notices and other matters relating to the debt securities made through Euroclear or Clearstream must comply with the rules and procedures of those systems. Those systems could change their rules and procedures at any time. We have no control over those systems or their participants, and we take no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, on one hand, and other participants in DTC, on the other hand, would also be subject to DTC's rules and procedures.

Investors will be able to make and receive through Euroclear and Clearstream payments, deliveries, transfers, exchanges, notices and other transactions involving any securities held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, U.S. investors who hold their interests in the debt securities through these systems and wish on a particular day, to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, investors who wish to exercise rights that expire on a particular day may need to act before the expiration date. In addition, investors who hold their interests through both DTC and Euroclear or Clearstream may need to make special arrangements to finance any purchase or sales of their interests between the U.S. and European clearing systems, and those transactions may settle later than transactions within one clearing system.

No Individual Liability of Incorporators, Stockholders, Officers or Directors

The indenture provides that no past, present or future incorporator, stockholder, officer or director of us or any successor corporation in their capacity as such shall have any individual liability for any obligation, covenant or agreement under the indenture or any debt security for a claim based thereon or otherwise in respect thereof.

Governing Law

The indenture and the debt securities will be governed by and construed in accordance with the laws of the State of New York.

Regarding the Trustee

U.S. Bank National Association is the trustee under the indenture. We have had and may continue to have commercial banking and other service relationships with the trustee in the ordinary course of business.

The indenture contains certain limitations on the right of the trustee, should it become a creditor of ours, to obtain payment of claims in certain cases, or to realize for its own account on certain property received in respect of any such claim as security or otherwise. The trustee will be permitted to engage in certain other transactions; however, if after an event of default has occurred and is continuing, the trustee acquires any conflicting interest it must eliminate such interest or resign.

Table of Contents

PLAN OF DISTRIBUTION

We may sell the debt securities described in this prospectus from time to time in one or more transactions:

to one or more purchasers directly;

to underwriters for public offering and sale by them;

through agents;

through dealers; or

through a combination of any of these methods of sale.

We may sell the debt securities directly to institutional investors or others who may be deemed to be underwriters within the meaning of the Securities Act of 1933, as amended, referred to as the Securities Act, with respect to any resale of the debt securities. A prospectus supplement will describe the terms of any sale of debt securities we are offering hereunder. Direct sales may be arranged by a securities broker-dealer or other financial intermediary.

The applicable prospectus supplement will name any underwriter involved in a sale of the debt securities and will describe their compensation. Underwriters may offer and sell debt securities at a fixed price or prices, which may be changed, or from time to time at market prices or at negotiated prices. Underwriters may be deemed to have received compensation from us from sales of debt securities in the form of underwriting discounts or commissions and may also receive commissions from purchasers of debt securities for whom they may act as agent. Underwriters may be involved in any at the market offering of debt securities by or on our behalf.

Underwriters may sell debt securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions (which may be changed from time to time) from the purchasers for whom they may act as agent.

Unless otherwise specified in the applicable prospectus supplement, the obligations of any underwriters to purchase debt securities will be subject to certain conditions precedent, and the underwriters will be obligated to purchase all the debt securities if any are purchased.

The applicable prospectus supplement will set forth whether or not underwriters may over-allot or effect transactions that stabilize maintain or otherwise affect the market price of the debt securities at levels above those that might otherwise prevail in the open market, including, for example, by entering stabilizing bids, effecting syndicate covering transactions or imposing penalty bids.

We will name any agent involved in a sale of debt securities, as well as any commissions payable by us to such agent, in the applicable prospectus supplement. Unless otherwise specified in the applicable prospectus supplement, any such agent will be acting on a reasonable efforts basis for the period of its appointment.

If we utilize a dealer in the sale of the debt securities being offered pursuant to this prospectus, we will sell the debt securities to the dealer, as principal. The dealer may then resell the debt securities to the public at varying prices to be determined by the dealer at the time of resale.

Underwriters, dealers and agents participating in a sale of the debt securities may be deemed to be underwriters as defined in the Securities Act, and any discounts and commissions received by them and any profit realized by them on resale of the debt securities may be deemed to be underwriting discounts and commissions, under the Securities Act.

We may have agreements with underwriters, dealers and agents to indemnify them against certain civil liabilities, including liabilities under the Securities Act, and to reimburse them for certain expenses.

Table of Contents

Underwriters, dealers or agents and their respective affiliates may be customers of, engage in transactions with or perform services for us or our affiliates in the ordinary course of business.

Unless otherwise specified in the applicable prospectus supplement, we will not list the debt securities on any securities exchange. The debt securities will be a new issue of securities with no established trading market. Any underwriters that purchase the debt securities for public offering and sale may make a market in such debt securities, but such underwriters will not be obligated to do so and may discontinue any market making at any time without notice. We make no assurance as to the liquidity of or the trading markets for any debt securities.

EXPERTS

The consolidated financial statements of Delta Air Lines, Inc. appearing in Delta Air Lines, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2016, and the effectiveness of Delta Air Lines, Inc.'s internal control over financial reporting as of December 31, 2016 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein, and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

LEGAL MATTERS

Unless we tell you otherwise in the applicable prospectus supplement, the validity of the securities in respect of which this prospectus is being delivered will be passed on for us by Kilpatrick Townsend & Stockton LLP, Atlanta, GA, and for any underwriters, dealers or agents by counsel named in the applicable prospectus supplement.

Table of Contents

\$

\$ % Notes due

\$ % Notes due

\$ Floating Rate Notes due

\$ % Notes due

PRELIMINARY PROSPECTUS SUPPLEMENT

Joint Book-Running Managers

BNP PARIBAS

Credit Suisse

Deutsche Bank Securities

Fifth Third Securities

Morgan Stanley

Wells Fargo Securities

Barclays BBVA BofA Merrill Lynch Citigroup

Goldman Sachs & Co. LLC

ICBC Standard Bank

J.P. Morgan PNC Capital Markets LLC

SMBC Nikko

Standard Chartered Bank

US Bancorp

y

Our commercialization strategy includes three main elements with a focus on physicians, patients, and payors.

Physicians and Patients

We are engaging physicians with several strategies. We have a 260 person sales team, including approximately 210 in a direct field sales force, actively engaging with physicians and their staffs to emphasize the need for colorectal cancer screening, educate them on the value of Cologuard, and enroll them in our physician ordering system to enable them to prescribe the test. We are focused on specific physicians based on specialty and propensity to prescribe colorectal cancer screening tests. We are also focused on physician groups and larger regional and national health systems. We are engaged in a co-promotion agreement with Ironwood Pharmaceuticals under which its 160 clinical sales specialists promote Cologuard across the United States. Further, to build awareness, we have launched a medical education program that includes on-line training and peer-to-peer presentations.

Securing inclusion in guidelines is a key part of our physician engagement strategy since many physicians rely on such guidelines when making screening recommendations. Professional colorectal cancer screening guidelines in the U.S., including those of the ACS, the American College of Gastroenterology, and the American Gastroenterological Association, recommend regular screening by a variety of methods. Since 2008, joint colorectal cancer screening guidelines endorsed by the ACS and the U.S. Multi-Society Task Force on Colorectal Cancer have included sDNA screening technology in national colorectal cancer screening guidelines as a screening option for the detection of colorectal cancer in average risk, asymptomatic individuals age 50 and older. The U.S. Multi-Society Task Force on Colorectal Cancer is a consortium of several organizations that includes representatives of the American College of Gastroenterology, American Gastroenterological Association, American Society for Gastrointestinal Endoscopy and the American College of Physicians/Society of Internal Medicine. In October 2014 the ACS updated its colorectal cancer screening guidelines to specifically include Cologuard as a recommended sDNA screening test.

In October 2015, the US Preventive Services Task Force (“USPSTF”) issued a draft recommendation statement for colorectal cancer screening, which recommends an “A” grade for colorectal cancer screening starting at age 50 and continuing until age 75. The draft recommends certain screening tests and includes Cologuard as an alternative screening test, along with CT colonography. This approach, if adopted in the final recommendation statement, would represent a change from the 2008 USPSTF recommendations, which assigned specific grades for different tests, including an “I” rating for stool-based DNA. The USPSTF is expected to issue final recommendations during the second half of 2016. Inclusion within the USPSTF recommendation statement is important for a number of reasons. For example, the Affordable Care Act requires that health insurers cover preventive services graded “A” or “B” by USPSTF without imposing any patient cost-sharing. Also, quality measures, such as the Healthcare Effectiveness Data and Information Set (“HEDIS”) measures issued by the National Committee for Quality Assurance (“NCQA”) generally follow the USPSTF recommendation statement. Accordingly, physicians are incentivized, through various quality measurement programs that rely on HEDIS, to prescribe colorectal cancer screening tests that are included in the USPSTF recommendation statement.

A critical part of the value proposition of Cologuard is our compliance program, which involves active engagement with patients and physicians. This activity is focused on enabling patients to complete Cologuard tests that have been ordered for them by their physicians and supporting physicians in their efforts to have their patients screened.

After the launch of Cologuard, we initiated a significant public relations effort to engage patients. We have conducted targeted direct-to-patient advertising campaigns through social media, print and other channels. During 2016 we began to test television advertising in select markets.

Payors

The cornerstone of our payor-engagement strategy was securing coverage from the Centers for Medicare & Medicaid Services (“CMS”). Medicare covers 46% of patients in the screening population for Cologuard. On October 9, 2014, CMS issued a final National Coverage Determination (“NCD”) for Cologuard following a parallel review process with FDA. Cologuard was the first screening test approved by FDA and covered by CMS through that process. As

Table of Contents

outlined in the NCD, Medicare Part B covers Cologuard once every three years for beneficiaries who meet all of the following criteria:

- Age 50 to 85 years,
- Asymptomatic (no signs or symptoms of colorectal disease including but not limited to lower gastrointestinal pain, blood in stool, positive guaiac fecal occult blood test or fecal immunochemical test), and
- At average risk for developing colorectal cancer (no personal history of adenomatous polyps, colorectal cancer, or inflammatory bowel disease, including Crohn's Disease and ulcerative colitis; no family history of colorectal cancers or adenomatous polyps, familial adenomatous polyposis, or hereditary non-polyposis colorectal cancer).

In the 2016 Clinical Laboratory Fee Schedule, CMS established reimbursement for Cologuard at \$508.87. This represented an increase from the 2015 reimbursement rate of \$492.72. Cologuard has been assigned a new American Medical Association CPT code (81528), and CMS has issued a determination that, effective January 1, 2016, code 81528 is reimbursed on the same basis as the G0464 code, which it replaced. Payments from CMS are subject to sequestration. Under the Protecting Access to Medicare Act of 2014 ("PAMA"), the basis for Cologuard's CMS reimbursement rate is expected to change, beginning in January 2017 unless the PAMA implementation date is delayed. CMS issued proposed regulations for the implementation of PAMA on September 25, 2015, but these regulations had not been finalized as of February 24, 2015. Under PAMA and the currently proposed regulations, the CMS reimbursement rate for Cologuard is expected to be calculated based on the volume-weighted median of private payor rates. For the initial rates calculated under PAMA, currently scheduled to take effect January 1, 2017, the calculation would be based on the volume-weighted median of private payor rates during the period July 1, 2015 through December 31, 2015.

While we consider the current level of Medicare reimbursement for Cologuard to be adequate, we believe it is necessary to secure favorable coverage and reimbursement from commercial payors in order for Cologuard to achieve its full commercial potential. Some third-party commercial payors including Anthem Blue Cross Blue Shield of California and Blue Cross Blue Shield of Massachusetts have agreed to cover Cologuard as an in-network service, and we are working with many other insurers to add coverage for Cologuard. We believe that commercial payors' reimbursement of Cologuard will depend on a number of factors, including payors' determination that it is: sensitive and specific for colorectal cancer; not experimental or investigational; approved or recommended by major guidelines organizations; reliable, safe and effective; medically necessary; appropriate for the specific patient; and cost-effective. We are pursuing a variety of strategies to increase commercial payor coverage for Cologuard including providing cost effectiveness data to payors to make the case for Cologuard reimbursement. We are focusing our efforts on large national and regional insurers, insurers in states that require health insurers to cover colorectal cancer screening and health plans that have affiliated health systems. In certain situations where we believe payors are already legally required to cover Cologuard, we have sued to enforce those coverage obligations. We may consider similar litigation in the future.

We believe quality metrics will shape payors' coverage decisions, as well as physicians' cancer screening procedures. In recent years the healthcare industry in the United States has experienced a trend toward cost containment and value-based purchasing of healthcare services. Some government and private payors are adopting pay-for-performance programs that differentiate payments for healthcare services based on the achievement of

documented quality metrics, cost efficiencies or patient outcomes. Payors may look to quality measures such as the NCQA, HEDIS and the CMS Star ratings to assess quality of care. These programs are intended to provide incentives to service providers to deliver the same or better results while consuming fewer resources. We believe inclusion of Cologuard in the HEDIS measures and the Star ratings will influence payors' willingness to reimburse our Cologuard test and physicians' willingness to prescribe Cologuard. Recommendations issued by the USPSTF, as well as other healthcare guidelines, may affect how quality programs rate various preventative services.

Our Clinical Lab Facility

As part of our commercialization strategy, we established a state of the art, highly automated lab facility that is certified pursuant to federal Clinical Laboratory Improvement Amendments ("CLIA") requirements to process Cologuard tests and provide patient results. Our commercial lab operation is housed in a 32,000 square foot facility in Madison, Wisconsin. At our lab, we currently have the capacity to process approximately one million tests per year, and have the opportunity available to us to build out additional lab space, if needed.

Table of Contents

Product Pipeline

We also are focused on developing our pipeline for future products and services. We are continuing to collaborate with MAYO on future tests, including those for the detection of lung, pancreatic, and esophageal cancers. The American Cancer Society estimates that lung cancer will be diagnosed in 221,200 Americans and cause 158,040 deaths in the United States this year and that, world-wide, lung cancer will be diagnosed in 1,825,000 people and cause 1,590,000 deaths. Currently, more than half of lung cancer cases are diagnosed at an advanced stage, after symptoms appear, when the five-year survival rate is in the low single digits. If detected at an early stage, lung cancer's five-year survival rate can be as high as 80 percent. Our current focus for lung cancer is to develop a test to detect cancer in lung nodules which is a shift from the product development efforts that were underway with MD Anderson. Therefore, we have mutually agreed to terminate our agreement with MD Anderson effective February 2016.

Gastrointestinal cancers account for 145,000 or 25% of all U.S. cancer deaths annually and represent a significant market opportunity for future products. In February 2015, we amended and restated our license agreement with MAYO to extend our working relationship for an additional five years, and in January 2016, we further amended our license agreement to broaden our collaboration efforts to develop screening, surveillance and diagnostic tests and tools to cover all types of cancers, pre-cancers, diseases and conditions, not just those affecting gastrointestinal organs.

We also plan to continue to explore opportunities for improving Cologuard, including improvements that could lower our cost of sales.

2016 Priorities

Our top priorities for 2016 include (1) growing revenue for Cologuard, which includes leveraging Cologuard's growth towards becoming a standard of care, (2) enhancing our infrastructure to support the success of Cologuard (and future products) and (3) improving the quality of Cologuard and reducing its cost.

We will also focus on developing our pipeline for future products as outlined in the Product Pipeline section above.

Results of Operations

Overview

Our top priorities for 2015 included (1) growing revenue for Cologuard, (2) continuing to provide world class service as order volume grew, and (3) developing our product pipeline for future products.

We completed approximately 104,000 Cologuard tests during 2015, which generated revenue of \$39.4 million. Our commercial launch for Cologuard took place in the fourth quarter of 2014, during which we completed approximately 4,000 tests generating revenue of \$1.5 million. One of the key factors for growing revenue for 2015 was obtaining commercial coverage for Cologuard. As of December 31, 2015, Cologuard was covered in 56% of relevant patients in the screening population for colon cancer.

A key component of providing world class service for 2015 was to achieve and maintain at least a 70% compliance rate for patients who were prescribed Cologuard and to whom we shipped a Cologuard test kit. As of December 31, 2015, our patient compliance rate for Cologuard was approximately 71%. The patient compliance rate is derived from the number of valid test results reported divided by the number of collection kits shipped to patients 60 or more days prior to December 31, 2015.

In 2015 we continued to invest in research and development for pipeline products focused on detection of other GI and lung cancers.

In order to support the launch of Cologuard and to achieve our goals for 2015, our selling general and administrative costs increased by \$70.7 million during the year. In addition, our efforts in 2015 to develop our pipeline products and improvements to Cologuard led to a slight increase in research and development costs of \$5.2 million. We ensured that we were well capitalized to meet our future goals by raising \$174.1 million, net of issuance costs, in July 2015.

Table of Contents

Comparison of the years ended December 31, 2015 and 2014

Laboratory service revenue. Our laboratory service revenue is generated by performing diagnostic services using our Cologuard test. Our Cologuard test became available upon FDA approval on August 11, 2014. Total laboratory service revenue was \$39.4 million for the year ended December 31, 2015 and \$1.5 million for the year ended December 31, 2014.

License fee revenue. We generated no license fee revenue for the year ended December 31, 2015. Total license fee revenue was \$0.3 million for the year ended December 31, 2014. License fee revenue consists of the amortization of up front technology license fee payments associated with our collaboration, license and purchase agreement with Genzyme. The previously unamortized Genzyme up-front payment and holdback amounts were amortized on a straight-line basis over the initial Genzyme collaboration period, which ended in January 2014.

Our Cost Structure. Our selling, general and administrative expenses consist primarily of non-research personnel salaries, office expenses, professional fees, sales and marketing expenses incurred in support of our commercialization efforts and non-cash stock-based compensation.

Cost of sales includes costs related to inventory production and usage and the cost of laboratory services to process tests and provide results to physicians. Gross margin as a percentage of laboratory service revenue is also affected by our current revenue recognition policy, which may result in costs being incurred in one period that relate to revenues recognized in a later period.

We expect that gross margin for our laboratory services will continue to fluctuate and be affected by the adoption rates of the Cologuard test, our revenue recognition policy, the levels of reimbursement, and payment patterns or third-party payors and patients.

Cost of sales. Cost of sales increased to \$24.5 million for the year ended December 31, 2015 from \$4.3 million for the year ended December 31, 2014. The increase in cost of sales is related to the increase in production and testing services of our Cologuard test, which obtained FDA approval during the third quarter of 2014.

Amounts in millions	2015	2014	Change
Indirect production costs	\$ 7.6	\$ 0.5	\$ 7.1
Direct production costs	6.1	0.9	5.2
Personnel expenses	5.5	1.7	3.8
Depreciation expense	2.7	0.6	2.1
Facility costs	1.5	0.2	1.3
Stock-based compensation	0.9	0.3	0.6
Other cost of sales	0.2	0.1	0.1
Total cost of sales expense	\$ 24.5	\$ 4.3	\$ 20.2

Research and development expenses. Research and development expenses increased to \$33.9 million for the year ended December 31, 2015 from \$28.7 million for the year ended December 31, 2014. The increase in overall research

Table of Contents

and development expenditures is related to continued focus on pipeline product development and improvements to Cologuard.

Amounts in millions	2015	2014	Change
Personnel expenses	\$ 9.6	\$ 8.7	\$ 0.9
Clinical trial expenses	5.0	3.8	1.2
Research collaborations	4.8	2.2	2.6
Professional and legal fees	4.4	2.3	2.1
Stock-based compensation	3.7	4.2	(0.5)
Lab expenses	3.5	3.8	(0.3)
Other research and development	1.6	3.1	(1.5)
Facility costs	1.3	0.6	0.7
Total research and development expenses	\$ 33.9	\$ 28.7	\$ 5.2

General and administrative expenses.

General and administrative expenses increased to \$58.0 million for the year ended December 31, 2015 from \$30.4 million for the year ended December 31, 2014. The increase in general and administrative expenses was primarily related to increased expenditures required to support our overall growth and the first full year of Cologuard commercialization.

Amounts in millions	2015	2014	Change
Personnel expenses	\$ 18.9	\$ 7.8	\$ 11.1
Professional and legal fees	10.8	5.9	4.9
Stock-based compensation	9.4	5.6	3.8
Information technology costs	9.4	5.4	4.0
Other general and administrative	4.3	3.2	1.1
Depreciation expense	4.1	1.6	2.5
Facility costs	1.1	0.9	0.2
Total general and administrative expenses	\$ 58.0	\$ 30.4	\$ 27.6

Sales and marketing expenses.

Sales and marketing expenses increased to \$82.1 million for the year ended December 31, 2015 from \$38.9 million for the year ended December 31, 2014. The increase in sales and marketing expense was a result of hiring additional sales and marketing personnel and increasing our advertising and patient marketing efforts as part of the commercialization of Cologuard.

Amounts in millions	2015	2014	Change
Personnel expenses	\$ 48.1	\$ 14.7	\$ 33.4
Marketing and professional fees	28.7	22.4	6.3
Stock-based compensation	4.0	1.5	2.5
Other sales and marketing	1.3	0.3	1.0
Total sales and marketing expenses	\$ 82.1	\$ 38.9	\$ 43.2

Investment income.

Investment income increased to \$1.3 million for the year ended December 31, 2015 from \$0.5 million for the year ended December 31, 2014. This increase was primarily due to an overall higher cash and marketable securities balance, due to our issuance of common stock, during the year ended December 31, 2015 as compared to the same period of 2014.

Table of Contents

Interest expense.

Interest expense decreased to \$6,000 for the year ended December 31, 2015 from \$51,000 for the year ended December 31, 2014. This decrease is primarily due to the reversal of the accrued interest expense previously recorded on the Wisconsin Department of Commerce loan which was forgiven during 2015 due to us meeting certain job creation targets. Additionally, there was less interest expense recognized for our capital lease during the year ended December 31, 2015 when compared to the same period in 2014. These decreases were offset with an increase in interest expense due to the new credit agreement entered into during 2015 to finance the purchase of a facility located in Madison, WI.

Comparison of the years ended December 31, 2014 and 2013

Laboratory service revenue. Total laboratory service revenue was \$1.5 million for the year ended December 31, 2014 compared to none in the prior year. Our laboratory service revenue is generated by performing diagnostic services using our Cologuard test. Cologuard became available to be marketed and sold upon FDA approval on August 11, 2014.

License fee revenue. Total license fee revenue was \$0.3 million for the year ended December 31, 2014 and \$4.1 million for the year ended December 31, 2013. License fee revenue is composed of the amortization of up front technology license fee payments associated with our collaboration, license and purchase agreement with Genzyme. The previously unamortized Genzyme up front payment and holdback amounts were amortized on a straight line basis over the initial Genzyme collaboration period, which ended in January 2014 therefore leading to a decline in revenue when compared to the prior year. Due to completion of the collaboration period in January 2014, we will not recognize any further significant revenues under this agreement.

Cost of sales. Cost of sales was \$4.3 million for the twelve months ended December 31, 2014 compared to none in the prior year. The increase in cost of sales is related to the production of Cologuard which obtained FDA approval during the third quarter of 2014. Cost of sales includes \$1.6 million related to excess capacity and \$2.7 million related to inventory production and lab service costs, which includes materials, personnel expenses and stock-based compensation expense.

Amounts in millions	2014	2013	Change
Direct production costs	\$ 0.9	\$ —	\$ 0.9
Indirect production costs	0.5	—	0.5
Personnel expenses	1.7	—	1.7
Depreciation expense	0.6	—	0.6
Facility costs	0.2	—	0.2
Stock-based compensation	0.3	—	0.3
Other cost of sales	0.1	—	0.1
Total cost of sales expenses	\$ 4.3	\$ —	\$ 4.3

Research and development expenses. Research and development expenses increased to \$28.7 million for the year ended December 31, 2014 from \$27.7 million for the year ended December 31, 2013. This increase was primarily due to an increase in stock-based compensation expense and lab expenses offset by a decrease in clinical trial costs. The increase in stock-based compensation expense from prior year is primarily related to warrants to purchase 75,000 shares of common stock that were issued in connection with a consulting agreement in 2009 to provide us specific assistance in attaining FDA approval of Cologuard. The 75,000 warrants vested in the third quarter of 2014 upon

successful FDA

39

Table of Contents

approval for Cologuard. We recorded \$1.3 million, the fair value of the warrant on the vesting date, as stock-based compensation expense during the third quarter of 2014 in connection with the vesting of this warrant.

Amounts in millions	2014	2013	Change
Personnel expenses	\$ 8.7	\$ 9.1	\$ (0.4)
Stock-based compensation	4.2	2.8	1.4
Clinical trial expenses	3.8	7.1	(3.3)
Lab expenses	3.8	2.8	1.0
Other research and development	3.1	2.4	0.7
Professional and legal fees	2.3	1.3	1.0
Research collaborations	2.2	1.7	0.5
Facility costs	0.6	0.5	0.1
Total research and development expenses	\$ 28.7	\$ 27.7	\$ 1.0

General and administrative expenses. General and administrative expenses increased to \$30.4 million for the year ended December 31, 2014 from \$13.6 million for the year ended December 31, 2013. The increase in general and administrative expenses was primarily the result of increased legal and professional fees, increased personnel costs and stock-based compensation expense due to increased headcount, additional information technology costs, and other general and administrative expenses to support our overall growth and the launch of Cologuard in 2014.

Amounts in millions	2014	2013	Change
Personnel expenses	\$ 7.8	\$ 2.7	\$ 5.1
Professional and legal fees	5.9	4.5	1.4
Stock-based compensation	5.6	3.1	2.5
Information technology costs	5.4	0.6	4.8
Other general and administrative	3.2	1.9	1.3
Depreciation expense	1.6	0.3	1.3
Facility costs	0.9	0.5	0.4
Total general and administrative expenses	\$ 30.4	\$ 13.6	\$ 16.8

Sales and marketing expenses. Sales and marketing expenses increased to \$38.9 million for the year ended December 31, 2014 from \$9.6 million for the year ended December 31, 2013. The increase in sales and marketing expense was a result of hiring additional sales and marketing personnel and increasing our advertising and patient marketing efforts as part of the commercialization of Cologuard. The increase was partially offset by a decrease in stock-based compensation for the year ended December 31, 2014 as compared to the same period in 2013 when we incurred one-time severance costs related to an executive departure.

Amounts in millions	2014	2013	Change
---------------------	------	------	--------

Edgar Filing: DELTA AIR LINES INC /DE/ - Form 424B5

Marketing and professional fees	\$ 22.4	\$ 4.1	\$ 18.3
Personnel expenses	14.7	3.2	11.5
Stock-based compensation	1.5	1.9	(0.4)
Other sales and marketing	0.3	0.4	(0.1)
Total sales and marketing expenses	\$ 38.9	\$ 9.6	\$ 29.3

Investment income. Investment income increased to \$542,000 for the year ended December 31, 2014 from \$316,000 for the year ended December 31, 2013. This increase was primarily due to an overall higher cash and marketable securities balance, due to our issuances of common stock, during the year ended December 31, 2014 as compared to the same period of 2013.

Interest expense. Interest expense decreased to \$51,000 for the year ended December 31, 2014 from \$69,000 for the year ended December 31, 2013. This decrease is primarily due to less interest expense recognized for our capital lease during the year ended December 31, 2014 when compared to the same period in 2013.

Table of Contents

Liquidity and Capital Resources

We have financed our operations since inception primarily through private and public offerings of our common stock. As of December 31, 2015, we had approximately \$41.1 million in unrestricted cash and cash equivalents and approximately \$265.7 million in marketable securities.

All of our investments in marketable securities consist of fixed income investments and all are deemed available for sale. The objectives of this portfolio are to provide liquidity and safety of principal while striving to achieve the highest rate of return, consistent with these two objectives. Our investment policy limits investments to certain types of instruments issued by institutions with investment grade credit ratings and places restrictions on maturities and concentration by type and issuer.

Net cash used in operating activities was \$134.0 million, \$81.5 million, and \$40.3 million for the years ended December 31, 2015, 2014 and 2013, respectively. The principal use of cash in operating activities for each of the years ended December 31, 2015, 2014 and 2013 was to fund our net loss. The increase in net cash used in operating activities for the years ended December 31, 2015 and December 31, 2014, as compared to prior years was primarily due to increased sales and marketing activities as well as general and administrative activities to support the launch of the Cologuard test. Cash flows from operations can vary significantly due to various factors, including changes in our operations, prepaid expenses, accounts payable and accrued expenses.

Net cash used in investing activities was \$64.8 million, \$117.3 million, and \$35.0 million for the years ended December 31, 2015, 2014, and, 2013, respectively. The decrease in cash used in investing activities for the year ended December 31, 2015 when compared to the same period in 2014 was the result of increased maturities of marketable securities. Excluding the impact of purchases and maturities of marketable securities, net cash used in investing activities was \$22.0 million for the year ended December 31, 2015, compared to \$12.0 million for the year ended December 31, 2014. The increase was primarily the result of an increase in purchases of property and equipment. Excluding the impact of purchases and maturities of marketable securities, net cash used in investing activities for the year ended December 31, 2013 was primarily the result of purchases of property and equipment of \$8.7 million. Purchases of property and equipment during 2015 and 2014 included facility improvements, investments in our IT infrastructure, and equipment related to laboratory processing.

Net cash provided by financing activities was \$181.8 million, \$244.0 million and \$74.8 million for the years ended December 31, 2015, 2014 and 2013, respectively. The decrease in cash provided by financing activities for the year ended December 31, 2015 when compared to the same period in 2014 was primarily the result of a decrease in the proceeds from the sale of common stock from \$238.6 million in 2014 to \$174.1 million in 2015. Excluding the impact of the sale of common stock, net cash provided by financing activities was \$7.6 million for the year ended December 31, 2015, compared to \$5.4 million for the same period in 2014. This increase in cash provided by financing activities other than sales of our common stock was primarily due to mortgage proceeds, and an increase in proceeds in connection with our Employee Stock Purchase Plan, which was partially offset by a decrease in the exercise of common stock options for the year ended December 31, 2015. The increase in cash provided by financing activities for the year ended December 31, 2014 when compared to the same period in 2013 was primarily the result of an increase in proceeds from the sale of common stock from \$73.3 million in 2013 to \$238.6 million in 2014. Excluding the impact of the sale of common stock, net cash provided by financing activities was \$5.4 million for the year ended December 31, 2014, compared to \$1.5 million for the same period in 2013. This increase in cash provided by financing activities other than sales of our common stock was primarily due to proceeds from the New Market Tax Credit financing agreements, an increase in proceeds from the exercise of common stock options and an increase in proceeds in connection with our Employee Stock Purchase Plan for the year ended December 31, 2014.

We expect that cash and cash equivalents and marketable securities on hand at December 31, 2015, will be sufficient to fund our current operations for at least the next twelve months, based on current operating plans. However, we expect that we will need to raise additional capital to fully fund our current strategic plan which includes successfully commercializing Cologuard and developing a pipeline of future products. If we are unable to obtain sufficient additional funds to enable us to fund our operations through the completion of such plan, our results of operations and financial condition would be materially adversely affected and we may be required to delay the implementation of our plan and otherwise scale back our operations. Even if we successfully raise sufficient funds to complete our plan, we cannot assure that our business will ever generate sufficient cash flow from operations to become profitable.

Table of Contents

The following table reflects our estimated fixed obligations and commitments as of December 31, 2015. This table only includes potential milestone payments due upon FDA approval of future products or future sales based royalty obligations and milestones when we determine the likelihood of payment is probable:

Description	Total (in Thousands)	Payments Due by Period			More Than 5 Years
		Less Than One Year	1 - 3 Years	3 - 5 Years	
Long-term debt obligations(1)	\$ 5,018	\$ 166	\$ 356	\$ 4,496	\$ —
Other long-term liabilities(1)	1,200	—	1,200	—	—
Obligations under license and collaborative agreements(2)	4,548	2,006	512	512	1,518
Operating lease obligations	6,038	2,073	2,782	825	358
Total	\$ 16,804	\$ 4,245	\$ 4,850	\$ 5,833	\$ 1,876

(1) Includes expected interest payments related to long term debt obligations.

(2) We have entered into license and collaborative agreements with the Mayo Foundation, MDx Health, and Hologic, Inc. See Note 8 in the notes to our consolidated financial statements for further information.

Commitments under license agreements generally expire concurrent with the expiration of the intellectual property licensed from the third party. Operating leases reflect remaining obligations associated with the leased facilities at our headquarters and lab facility in Madison, WI and our office facility in London, United Kingdom.

Net Operating Loss Carryforwards

As of December 31, 2015, we had federal and state net operating loss carryforwards of approximately \$565.9 million and \$208.9 million, respectively. We also had federal and state research tax credit carryforwards of approximately \$7.5 million and \$16.0 million, respectively. The net operating loss and tax credit carryforwards will expire at various dates through 2035, if not utilized. The Internal Revenue Code and applicable state laws impose substantial restrictions on a corporation's utilization of net operating loss and tax credit carryforwards if an ownership change is deemed to have occurred.

A valuation allowance is provided for deferred tax assets if it is more likely than not these items will either expire before we are able to realize their benefit, or that future deductibility is uncertain. In general, companies that have a history of operating losses are faced with a difficult burden of proof on their ability to generate sufficient future income in order to realize the benefit of the deferred tax assets. We have recorded a valuation against our deferred tax assets based on our history of losses and current uncertainty as to timing of future taxable income. The deferred tax assets are still available for us to use in the future to offset taxable income, which would result in the recognition of tax benefit and a reduction to our effective tax rate.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the

date of the financial statements as well as the reported revenues and expenses during the reporting periods. On an ongoing basis, we evaluate our estimates and judgments, including those related to revenue recognition, tax positions, and stock based compensation. We base our estimates on historical experience and on various other factors that are believed to be appropriate under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

42

Table of Contents

While our significant accounting policies are more fully described in Note 2 to our financial statements included in this report, we believe that the following accounting policies and judgments are most critical to aid in fully understanding and evaluating our reported financial results.

Revenue Recognition.

Laboratory service revenue. Our laboratory service revenues are generated by performing diagnostic services using our Cologuard test, and the service is completed upon delivery of a test result to an ordering physician. We recognize revenue in accordance with the provision of ASC 954-605, Health Care Entities - Revenue Recognition. We recognize revenue related to billings for Medicare and other third-party payors on an accrual basis, net of contractual and other adjustments, when amounts that will ultimately be realized can be estimated. Contractual and other adjustments represent the difference between the list price (the billing rate) and the estimated reimbursement rate for each payor. Upon ultimate collection, the amount received from Medicare and other third-party payors where reimbursement was estimated is compared to previous estimates and, if necessary, the contractual allowance is adjusted accordingly.

The estimates of amounts that will ultimately be realized requires significant judgment by management. Some patients have out-of-pocket costs for amounts not covered by their insurance carrier, and we may bill the patient directly for these amounts in the form of co-payments and co-insurance in accordance with their insurance carrier and health plans. Some payors may not cover Cologuard as ordered by the prescribing physician under their reimbursement policies. We pursue reimbursement from such patients on a case-by-case basis. In the absence of contracted reimbursement coverage or the ability to estimate the amount that will ultimately be realized for our services, revenue is recognized upon cash receipt.

We use judgment in determining if we are able to make an estimate of what will ultimately be realized. We also use judgment in estimating the amounts we expect to collect by payor. Our judgments will continue to evolve in the future as we continue to gain payment experience with third-party payors and patients.

Inventory. Inventory is stated at the lower of cost or market value (net realizable value). We determine the cost of inventory using the first-in, first out method ("FIFO"). We estimate the recoverability of inventory by reference to internal estimates of future demands and product life cycles, including expiration. We periodically analyze our inventory levels to identify inventory that may expire prior to expected sale or has a cost basis in excess of its estimated realizable value, and record a charge to cost of sales for such inventory as appropriate. In addition, our products are subject to strict quality control and monitoring which we perform throughout the manufacturing process. If certain batches or units of product no longer meet quality specifications or become obsolete due to expiration, we record a charge to cost of sales to write down such unmarketable inventory to its estimated realizable value.

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

Stock Based Compensation. In accordance with GAAP, stock-based payments, including grants of employee stock options, restricted stock and restricted stock units and shares purchased under an employee stock purchase plan ("ESPP") (if certain parameters are not met), are recognized in the financial statements based on their fair values. The grant date fair value of market measure-based share-based compensation plans are calculated using a Monte Carlo simulation pricing model. The following assumptions are used in determining fair value for stock options, restricted stock and ESPP shares:

- Valuation and Recognition—The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model. The estimated fair value of employee stock options is recognized to expense using the straight-line method over the vesting period.
- Expected Term—Expected term is based on our historical life data and is determined using the average of the vesting period and the contractual life of the stock options granted.
- Expected Volatility—Expected volatility is based on our historical stock volatility data over the expected term of the awards.

Table of Contents

· Risk Free Interest Rate—We base the risk free interest rate used in the Black Scholes valuation method on the implied yield currently available on U.S. Treasury zero coupon issues with an equivalent remaining expected term.

· Forfeitures—We record stock based compensation expense only for those awards that are expected to vest. A forfeiture rate is estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. Our forfeiture rate used in the twelve months ended December 31, 2015 and 2014 was 4.99%.

The fair value of service-based awards for each restricted stock award and restricted stock unit is determined on the date of grant using the closing stock price on that day. The fair value of market measure-based share-based compensation plans are calculated using a Monte Carlo simulation pricing model. The fair value of each option award is estimated on the date of grant using the Black Scholes option pricing model based on the assumptions noted above and as further described in Note 7 to our financial statements.

Tax Positions. A valuation allowance to reduce the deferred tax assets is reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. We have incurred significant losses since our inception and due to the uncertainty of the amount and timing of future taxable income, management has determined that a \$215.1 million and \$161.9 million valuation allowance at December 31, 2015 and 2014 is necessary to reduce the tax assets to the amount that is more likely than not to be realized. The change in valuation allowance for December 31, 2015 and 2014 was \$53.2 million and \$37.4 million, respectively. Due to the existence of the valuation allowance, future changes in our unrecognized tax benefits will not impact our effective tax rate.

Recent Accounting Pronouncements

In February 2015, the FASB Issued ASU No. 2015-02, “Amendments to the Consolidation Analysis (Topic 810).” The amendments in this Update affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments (1) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities (“VIEs”) or voting interest entities, (2) eliminate the presumption that a general partner should consolidate a limited partnership, (3) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships and (4) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940. The amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. We have not early adopted this Update, and the adoption of this Update is not expected to have a material impact on our consolidated financial statements.

In July 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-11, “Simplifying the Measurement of Inventory (Topic 330).” The new guidance requires most inventory to be measured at the lower of cost and net realizable value, thereby simplifying the previous guidance under which an entity must measure inventory at the lower of cost or market. Market is defined as replacement cost, net realizable value (“NRV”), less a normal profit margin. The Accounting Standards Update will not apply to inventory that is measured using either the last-in, first-out method or the retail inventory method. The standard will be effective prospectively for the first interim period within annual reporting periods beginning after December 15, 2016. Early adoption is permitted.

We do not expect to early adopt this guidance and are currently assessing the provisions of the guidance and have not determined the impact of the adoption of this guidance on our consolidated financial statements.

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-05, “Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement”, which provides guidance that requires management to evaluate each cloud computing arrangement in order to determine whether it includes a software license that must be accounted for separately from hosted services. The new guidance clarifies that if a cloud computing arrangement includes a software license, we should account for the software license consistent with our accounting for other software licenses. If the arrangement does not include a software license, we should account for the arrangement as a service contract. The standard will be effective for our financial statements that we issue for fiscal periods beginning on or after January 1, 2016. Early adoption is permitted for financial statements that have not previously been issued. The adoption of

Table of Contents

this standard is not expected to have a material impact on our consolidated financial statements.

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs”, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. This guidance simplifies presentation of debt issuance costs but does not address presentation or subsequent measurement of debt issue costs related to line of credit arrangements. In August 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-15 “Interest-Imputation of Interest (Subtopic 835-30) Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements” which indicates the SEC staff would not object to an entity deferring and presenting debt issuance costs related to line-of-credit arrangements as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. Accounting Standards Update No. 2015-03 will be effective for the first interim period within annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on our financial statements.

In August 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-14, “Revenue from Contracts with Customers: Deferral of the Effective Date” to defer for one year the effective date of the new revenue standard and allow early adoption as of the original effective date which is for annual reports beginning after December 15, 2016. We are currently evaluating the impact of this amendment on our financial position and results of operations.

In November 2015, the FASB Issued ASU No. 2015-17, “Balance Sheet Classification of Deferred Taxes (Topic 740)”. The amendments in this Update simplify the presentation of deferred income taxes, by requiring that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this Update apply to all entities that present a classified statement of financial position. The amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. We do not expect to early adopted this Update, and the adoption of this Update is not expected to have a material impact on our consolidated financial statements.

In January 2016, the FASB Issued ASU No. 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)”. The amendments in this Update supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized through net income. An entity’s equity investments that are accounted for under the equity method of accounting or result in consolidation of an investee are not included within the scope of this Update. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments also require enhanced disclosures about those investments. The amendments improve financial reporting by providing relevant information about an entity’s equity investments and reducing the number of items that are recognized in other comprehensive income. The amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted. We do not expect to early adopted this Update, and the adoption of this Update is not expected to have a material impact on our consolidated financial statements.

Off Balance Sheet Arrangements

As of December 31, 2015, we had no off balance sheet arrangements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Our exposure to market risk is principally confined to our cash, cash equivalents and marketable securities. We invest our cash, cash equivalents and marketable securities in securities of the U.S. governments and its agencies and in investment grade, highly liquid investments consisting of commercial paper, bank certificates of deposit and corporate bonds, which as of December 31, 2015 and December 31, 2014 were classified as available for sale. We place our cash equivalents and marketable securities with high quality financial institutions, limit the amount of credit exposure to any one institution and have established investment guidelines relative to diversification and maturities designed to maintain safety and liquidity.

45

Table of Contents

Based on a hypothetical ten percent adverse movement in interest rates, the potential losses in future earnings, fair value of risk sensitive financial instruments, and cash flows are immaterial, although the actual effects may differ materially from the hypothetical analysis.

Item 8. Consolidated Financial Statements and Supplementary Data

EXACT SCIENCES CORPORATION

Index to Financial Statements

	Page
<u>Reports of Independent Registered Public Accounting Firm</u>	47
<u>Consolidated Balance Sheets as of December 31, 2015 and 2014</u>	49
<u>Consolidated Statements of Operations for the Years Ended December 31, 2015, 2014 and 2013</u>	50
<u>Consolidated Statements of Comprehensive Loss for the Years Ended December 31, 2015, 2014 and 2013</u>	51
<u>Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2015, 2014 and 2013</u>	52
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2015, 2014 and 2013</u>	53
<u>Notes to Consolidated Financial Statements</u>	54

Table of Contents

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Exact Sciences Corporation

Madison, Wisconsin

We have audited the accompanying consolidated balance sheets of Exact Sciences Corporation (the “Company”) as of December 31, 2015 and 2014 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, 2015. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Exact Sciences Corporation at December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Exact Sciences Corporation’s internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated February 24, 2016 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Milwaukee, Wisconsin

February 24, 2016

47

Table of Contents

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders

Exact Sciences Corporation

Madison, Wisconsin

We have audited Exact Sciences Corporation's (the "Company") internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Exact Sciences Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Exact Sciences Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Exact Sciences Corporation as of December 31, 2015 and 2014, 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, 2015 and our report dated February 24, 2016 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Milwaukee, Wisconsin

February 24, 2016

48

Table of Contents

EXACT SCIENCES CORPORATION

Consolidated Balance Sheets

(Amounts in thousands, except share data)

	December 31, 2015	December 31, 2014
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 41,135	\$ 58,131
Marketable securities	265,744	224,625
Accounts receivable, net of reserves of \$275 and \$86 at December 31, 2015 and December 31, 2014	4,933	1,376
Inventory, net	6,677	4,017
Prepaid expenses and other current assets	7,641	3,528
Total current assets	326,130	291,677
Property and Equipment, at cost:		
Laboratory equipment	12,786	10,381
Computer equipment and computer software	14,025	7,577
Assets under construction	8,038	1,552
Leasehold improvements	7,118	5,937
Buildings	4,777	—
Furniture and fixtures	1,265	939
	48,009	26,386
Less—Accumulated depreciation	(13,913)	(6,439)
Net property and equipment	34,096	19,947
Other long-term assets	4,070	1,200
Total assets	\$ 364,296	\$ 312,824
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 3,308	\$ 2,647
Accrued liabilities	22,253	13,960
Debt and capital lease obligation, current portion	166	360
Other short-term liabilities	996	554
Total current liabilities	26,723	17,521
Long-term debt	4,852	1,000
Long-term accrued interest	—	106
Other long-term liabilities	4,804	3,599
Lease incentive obligation, less current portion	1,061	1,614
Total liabilities	37,440	23,840
Commitments and contingencies (Note 8)		
Stockholders' Equity:		
	—	—

Preferred stock, \$0.01 par value Authorized—5,000,000 shares issued and outstanding—no shares at December 31, 2015 and December 31, 2014		
Common stock, \$0.01 par value Authorized—200,000,000 shares issued and outstanding—96,674,786 and 88,626,042 shares at December 31, 2015 and December 31, 2014	968	887
Additional paid-in capital	904,931	709,019
Accumulated other comprehensive loss	(433)	(115)
Accumulated deficit	(578,610)	(420,807)
Total stockholders' equity	326,856	288,984
Total liabilities and stockholders' equity	\$ 364,296	\$ 312,824

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

Table of Contents

EXACT SCIENCES CORPORATION

Consolidated Statements of Operations

(Amounts in thousands, except per share data)

	Year Ended December 31,		
	2015	2014	2013
Laboratory service revenue	\$ 39,437	\$ 1,504	\$ —
License fees	—	294	4,144
Total revenue	39,437	1,798	4,144
Cost of sales	24,501	4,325	—
Gross margin	14,936	(2,527)	4,144
Operating expenses:			
Research and development	33,914	28,669	27,678
General and administrative	57,950	30,435	13,649
Sales and marketing	82,140	38,908	9,578
Total operating expenses	174,004	98,012	50,905
Loss from operations	(159,068)	(100,539)	(46,761)
Other income (expense)			
Investment income	1,271	542	316
Interest (expense)	(6)	(51)	(69)
Total other income	1,265	491	247
Net loss	\$ (157,803)	\$ (100,048)	\$ (46,514)
Net loss per share—basic and diluted	\$ (1.71)	\$ (1.25)	\$ (0.69)
Weighted average common shares outstanding—basic and diluted	92,135	80,232	67,493

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

Table of Contents

EXACT SCIENCES CORPORATION

Consolidated Statements of Comprehensive Loss

(Amounts in thousands)

	Year Ended December 31,		
	2015	2014	2013
Net loss	\$ (157,803)	\$ (100,048)	\$ (46,514)
Other comprehensive loss, net of tax:			
Unrealized gain (loss) on available-for-sale investments	(329)	(240)	47
Foreign currency translation gain	11	—	—
Comprehensive loss	\$ (158,121)	\$ (100,288)	\$ (46,467)

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

51

Table of Contents

EXACT SCIENCES CORPORATION

Consolidated Statements of Stockholders' Equity

(Amounts in thousands, except share data)

	Common Stock Number of Shares	\$0.01 Par Value	Additional Paid In Capital	Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
Balance, January 1 , 2013	63,909,800	\$ 639	\$ 372,123	\$ 78	\$ (274,245)	\$ 98,595
Issuance of common stock, net of issuance costs of \$4.8 million	6,325,000	63	73,232	—	—	73,296
Exercise of common stock options and warrants	418,146	4	1,337	—	—	1,341
Issuance of common stock to fund the Company's 2012 401(k) match	30,538	1	354	—	—	354
Compensation expense related to issuance of stock options and restricted stock awards	328,422	3	7,741	—	—	7,744
Purchase of employee stock purchase plan shares	59,932	1	452	—	—	453
Net loss	—	—	—	—	(46,514)	(46,514)
Accumulated other comprehensive income	—	—	—	47	—	47
Balance, December 31 , 2013	71,071,838	\$ 711	\$ 455,239	\$ 125	\$ (320,759)	\$ 135,316
Issuance of common stock, net of issuance costs of \$11.0 million	15,500,000	155	238,425	—	—	238,580
Exercise of common stock options and warrants	1,522,753	15	2,625	—	—	2,640
Issuance of common stock to fund the Company's 2013 401(k) match	32,666	1	455	—	—	456
Compensation expense related to issuance of	410,619	4	11,516	—	—	11,520

stock options and restricted stock awards						
Purchase of employee stock purchase plan shares	88,166	1	759	—	—	760
Net loss	—	—	—	—	(100,048)	(100,048)
Accumulated other comprehensive income	—	—	—	(240)	—	(240)
Balance, December 31 , 2014	88,626,042	\$ 887	\$ 709,019	\$ (115)	\$ (420,807)	\$ 288,984
Issuance of common stock, net of issuance costs of \$4.4 million	7,000,000	70	174,070	—	—	174,140
Exercise of common stock options and warrants	281,315	3	1,245	—	—	1,248
Issuance of common stock to fund the Company's 2014 401(k) match	21,826	—	836	—	—	836
Compensation expense related to issuance of stock options and restricted stock awards	568,818	6	18,044	—	—	18,050
Purchase of employee stock purchase plan shares	176,785	2	1,717	—	—	1,719
Net loss	—	—	—	—	(157,803)	(157,803)
Accumulated other comprehensive income	—	—	—	(318)	—	(318)
Balance, December 31 , 2015	96,674,786	\$ 968	\$ 904,931	\$ (433)	\$ (578,610)	\$ 326,856

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

Table of Contents

EXACT SCIENCES CORPORATION

Consolidated Statements of Cash Flows

(Amounts in thousands, except share data)

	Year Ended December 31,		
	2015	2014	2013
Cash flows from operating activities:			
Net loss	\$ (157,803)	\$ (100,048)	\$ (46,514)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization of fixed assets	7,600	3,710	1,418
Loss on disposal of property and equipment	40	49	100
Stock-based compensation	18,050	11,520	7,744
Amortization of deferred license fees	—	(294)	(4,144)
Amortization of other liabilities	(573)	—	—
Amortization of deferred financing costs	44	—	—
Forgiveness of long-term debt	(1,000)	—	—
Amortization of premium on short-term investments	1,323	842	636
Amortization of intangible assets	150	—	—
Changes in assets and liabilities:			
Accounts receivable, net	(3,557)	(1,376)	—
Inventory, net	(2,660)	(4,017)	—
Prepaid expenses and other current assets	(3,057)	(1,329)	(1,606)
Accounts payable	661	1,886	(2,891)
Accrued liabilities	7,424	8,064	2,299
Lease incentive obligation	(553)	(487)	2,655
Accrued interest	(106)	22	21
Net cash used in operating activities	(134,017)	(81,458)	(40,282)
Cash flows from investing activities:			
Purchases of marketable securities	(205,054)	(209,471)	(98,510)
Maturities of marketable securities	162,283	104,172	72,289
Purchases of property and equipment	(20,084)	(11,991)	(8,748)
Purchases of intangible assets	(1,900)	—	—
Net cash used in investing activities	(64,755)	(117,290)	(34,969)
Cash flows from financing activities:			
Proceeds from exercise of common stock options	1,248	2,640	1,341
Proceeds from sale of common stock, net of issuance costs	174,140	238,580	73,296
Payments on capital lease obligations	(360)	(351)	(333)
Payments on mortgage payable	(44)	—	—
Proceeds from mortgage payable	5,062	—	—
Proceeds from New Market Tax Credit financing agreements	—	2,399	—
	1,719	760	453

Proceeds in connection with the Company's employee stock purchase plan			
Net cash provided by financing activities	181,765	244,028	74,757
Effects of exchange rate on cash and cash equivalents	11	—	—
Net (decrease) increase in cash and cash equivalents	(16,996)	45,280	(494)
Cash and cash equivalents, beginning of period	58,131	12,851	13,345
Cash and cash equivalents, end of period	\$ 41,135	\$ 58,131	\$ 12,851
Supplemental disclosure of non-cash investing and financing activities:			
Property and equipment acquired but not paid	\$ 1,705	\$ 546	\$ 534
Unrealized gain on available-for-sale investments	\$ (329)	\$ (240)	\$ 47
Issuance of 21,826, 32,666 and 30,538 shares of common stock to fund the Company's 401(k) matching contribution for 2014, 2013 and 2012, respectively	\$ 836	\$ 456	\$ 354
Interest paid	\$ 95	\$ 29	\$ 48

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

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements

(1) ORGANIZATION

Exact Sciences Corporation (“Exact” or the “Company”) was incorporated in February 1995. Exact is a molecular diagnostics company currently focused on the early detection and prevention of some of the deadliest forms of cancer. The Company has developed an accurate, non-invasive, patient friendly screening test called Cologuard for the early detection of colorectal cancer and pre-cancer, and is currently working on the development of tests for lung cancer, pancreatic cancer and esophageal cancer.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company’s wholly owned subsidiaries, Exact Sciences Laboratories, LLC, Exact Sciences Finance Corporation, Exact Sciences Europe LTD, Beijing Exact Sciences Medical Technology Company Limited, and variable interest entities. See Note 13 for the discussion of financing arrangements involving certain entities that are variable interest entities that are included in our consolidated financial statements. All significant intercompany transactions and balances have been eliminated in consolidation.

References to “Exact”, “we”, “us”, “our”, or the “Company” refer to Exact Sciences Corporation and its wholly owned subsidiaries.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers cash on hand, demand deposits in bank, money market funds, and all highly liquid investments with an original maturity of 90 days or less to be cash and cash equivalents. The Company had no restricted cash at December 31, 2015 and 2014.

Marketable Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date. Debt securities carried at amortized cost are classified as held to maturity when the Company has the positive intent and ability to hold the securities to maturity. Marketable equity securities and debt securities not classified as held to maturity are classified as available for sale. Available for sale securities are carried at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive income. The amortized cost of debt securities in this category is adjusted for amortization of premiums and accretion of discounts

to maturity computed under the straight line method. Such amortization is included in investment income. Realized gains and losses and declines in value judged to be other than temporary on available for sale securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available for sale are included in investment income.

At December 31, 2015 and December 31, 2014 the Company's investments consisted of fixed income investments and all were deemed available for sale. The objectives of the Company's investment strategy are to provide liquidity and safety of principal while striving to achieve the highest rate of return consistent with these two objectives. The

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

Company's investment policy limits investments to certain types of instruments issued by institutions with investment grade credit ratings and places restrictions on maturities and concentration by type and issuer. Investments in which the Company has the ability and intent, if necessary, to liquidate in order to support its current operations (including those with a contractual term greater than one year from the date of purchase) are classified as current. All of the Company's investments are considered current. Realized gains were \$14,205, \$11,000, and \$9,639, net of insignificant realized losses, for the years ended December 31, 2015, 2014, and 2013, respectively.

The Company periodically reviews investments in unrealized loss positions for other-than-temporary impairments. This evaluation includes, but is not limited to, significant quantitative and qualitative assessments and estimates regarding credit ratings, collateralized support, the length of time and significance of a security's loss position, the Company's intent not to sell the security, and whether it is more likely than not that the Company will have to sell the security before recovery of its cost basis. For the year ended December 31, 2015, no investments were identified with other-than-temporary declines in value.

Available for sale securities at December 31, 2015 consist of the following:

(In thousands)	December 31, 2015			Estimated Fair Value
	Amortized Cost	Gains in Accumulated Other Comprehensive Income	Losses in Accumulated Other Comprehensive Income	
Corporate bonds	\$ 179,471	\$ 2	\$ (262)	\$ 179,211
U.S. government agency securities	7,057	—	(18)	7,039
Asset backed securities	77,661	—	(166)	77,495
Certificates of deposit	1,999	—	—	1,999
Total available-for-sale securities	\$ 266,188	\$ 2	\$ (446)	\$ 265,744

Available for sale securities at December 31, 2014 consist of the following:

(In thousands)	December 31, 2014			Estimated Fair Value
	Amortized Cost	Gains in Accumulated Other Comprehensive Income	Losses in Accumulated Other Comprehensive Income	
Corporate bonds	\$ 141,239	\$ 20	\$ (135)	\$ 141,124

U.S. government agency securities	18,687	8	(7)	18,688
Asset backed securities	60,821	17	(18)	60,820
Commercial paper	3,993	—	—	3,993
Total available-for-sale securities	\$ 224,740	\$ 45	\$ (160)	\$ 224,625

55

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

Changes in Accumulated Other Comprehensive Income (Loss)

The amount recognized in accumulated other comprehensive income (loss) (“AOCI”) for the years ended December 31, 2015 and 2014 were as follows (in thousands):

	Cumulative Translation Adjustment	Unrealized Gain (Loss) on Securities	Accumulated Other Comprehensive Income (Loss)
Balance at January 1, 2013	\$ —	\$ 78	\$ 78
Other comprehensive (loss) income before reclassifications	—	90	90
Amounts reclassified from accumulated other comprehensive loss	—	(43)	(43)
Net current period change in accumulated other comprehensive income (loss)	—	47	47
Balance at December 31, 2013	\$ —	\$ 125	\$ 125
Other comprehensive (loss) income before reclassifications	—	(200)	(200)
Amounts reclassified from accumulated other comprehensive loss	—	(40)	(40)
Net current period change in accumulated other comprehensive income (loss)	—	(240)	(240)
Balance at December 31, 2014	\$ —	\$ (115)	\$ (115)
Other comprehensive (loss) income before reclassifications	11	(361)	(350)
Amounts reclassified from accumulated other comprehensive loss	—	32	32
Net current period change in accumulated other comprehensive income (loss)	11	(329)	(318)
Balance at December 31, 2015	\$ 11	\$ (444)	\$ (433)

Amounts reclassified from accumulated other comprehensive income (loss) for the years ended December 31, 2015, 2014 and 2013 were as follows (in thousands):

	Affected Line Item in the Statement of Operations	Year Ended December 31,		
		2015	2014	2013
Details about AOCI Components				

Change in value of available-for-sale investments

	Investment			
	income	\$	\$	\$
Sales and maturities of available-for-sale investments		32	(40)	(43)
Total reclassifications		32	(40)	(43)

Allowance for Doubtful Accounts

The Company estimates an allowance for doubtful accounts against individual patient accounts receivable based on estimates of expected payment consistent with historical payment experience. The allowance for doubtful accounts is evaluated on a regular basis and adjusted when trends or significant events indicate that a change in the estimate is appropriate. Accounts receivable are written off against the allowance when the appeals process is exhausted or when there is other substantive evidence that the account will not be paid. As of December 31, 2015 and 2014 the Company's allowance for doubtful accounts was \$275,000 and \$86,000, respectively. The Company did not have an allowance for doubtful accounts in 2013. For the years ended December 31, 2015 and 2014 net additions charged to revenue were \$189,000 and \$86,000, respectively. There were no charges to revenue during the year ended December 31, 2013.

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

Property and Equipment

Property and equipment are stated at cost and depreciated using the straight line method over the assets' estimated useful lives. Maintenance and repairs are expensed when incurred; additions and improvements are capitalized. The estimated useful lives of fixed assets are as follows:

Asset Classification	Estimated Useful Life
Laboratory equipment	3 - 5 years
Computer equipment and computer software	3 years
Leasehold improvements	Lesser of the remaining lease term or useful life
Furniture and fixtures	3 years
Buildings	30 years

Depreciation expense for the years ended December 31, 2015, 2014, and 2013 was \$7.6 million, \$3.7 million, and \$1.4 million, respectively.

At December 31, 2015, the Company had \$8.0 million of assets under construction which consisted of \$5.1 million related to building and leasehold improvements, \$1.7 million of capitalized costs related to software projects and \$1.2 million of costs related to machinery and equipment. Depreciation will begin on these assets once they are placed into service. The Company expects that it will cost \$1.2 million to complete the building and leasehold improvements. The Company expects to incur minimal costs to complete the machinery and equipment and the software projects, and these projects are expected to be completed in 2016. The Company assesses its long-lived assets, consisting primarily of property and equipment, for impairment when material events and changes in circumstances indicate that the carrying value may not be recoverable. There were no impairment losses for the years ended December 31, 2015, 2014 or 2013.

Software Capitalization Policy

Software development costs related to internal use software are incurred in three stages of development: the preliminary project stage, the application development stage, and the post implementation stage. Costs incurred during the preliminary project and post implementation stages are expensed as incurred. Costs in the application development stage that meet the criteria for capitalization are capitalized and amortized using the straight line basis over the estimated economic useful life of the software.

Patent Costs and Intangible Assets

Patent costs, which have historically consisted of related legal fees, are capitalized as incurred, only if the Company determines that there is some probable future economic benefit derived from the transaction. The capitalized patents

are amortized beginning when patents are approved over an estimated useful life. Capitalized patent costs are expensed upon disapproval, upon a decision by the Company to no longer pursue the patent or when the related intellectual property is either sold or deemed to be no longer of value to the Company. The Company determined that all patent costs incurred during the year ended December 31, 2015, 2014 and 2013 should be expensed and not capitalized as the future economic benefit derived from the transactions cannot be determined.

Under a technology license and royalty agreement entered into with MDx Health, the Company is required to pay MDx Health milestone-based royalties on sales of products or services covered by the licensed intellectual property. Once the achievement of a milestone has occurred or is considered probable, an intangible asset and corresponding liability is reported in other long-term assets and accrued expenses, respectively. The intangible asset is amortized over the estimated ten-year useful life of the licensed intellectual property, and such amortization is reported in cost of sales. As of December 31, 2015, an intangible asset of \$1.8 million and a liability of \$2.0 million are reported

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

in other long-term assets and accrued expenses, respectively. Amortization expense for the year ended December 31, 2015 was \$0.2 million.

Net Loss Per Share

Basic net loss per common share was determined by dividing net loss applicable to common stockholders by the weighted average common shares outstanding during the period. Basic and diluted net loss per share is the same because all outstanding common stock equivalents have been excluded, as they are anti dilutive as a result of the Company's losses.

The following potentially issuable common shares were not included in the computation of diluted net loss per share because they would have an anti dilutive effect due to net losses for each period (amounts are in thousands):

	2015	2014	2013
Shares issuable upon exercise of stock options	4,937	4,934	6,063
Shares issuable upon exercise of outstanding warrants(1)	—	—	155
Shares issuable upon the release of restricted stock awards	3,445	1,541	1,151
Shares issuable upon the vesting of restricted stock awards related to licensing agreement	—	24	49
	8,382	6,499	7,418

(1) At December 31, 2013, represents warrants to purchase 80,000 shares of common stock issued under a license agreement and warrants to purchase 75,000 shares of common stock issued under a consulting agreement.

Accounting for Stock Based Compensation

The Company requires all share based payments to employees, including grants of employee stock options, restricted stock, restricted stock units and shares purchased under an ESPP (if certain parameters are not met), to be recognized in the financial statements based on their fair values.

Revenue Recognition

Laboratory service revenue. The Company's laboratory service revenue are generated by performing diagnostic services using its Cologuard test, and the service is completed upon delivery of a test result to an ordering physician. The Company recognizes revenue in accordance with the provision of ASC 954-605, Health Care Entities - Revenue Recognition. The Company recognizes revenue related to billings for Medicare and other third-party payors on an accrual basis, net of contractual and other adjustments, when amounts that will ultimately be realized can be estimated. Contractual and other adjustments represent the difference between the list price (the billing rate) and the estimated reimbursement rate for each payor. Upon ultimate collection, the amount received from Medicare and other third-party payors where reimbursement was estimated is compared to previous estimates and, if necessary, the contractual allowance is adjusted accordingly.

The estimates of amounts that will ultimately be realized requires significant judgment by management. Some patients have out-of-pocket costs for amounts not covered by their insurance carrier, and the Company may bill the patient directly for these amounts in the form of co-payments and co-insurance in accordance with their insurance carrier and health plans. Some payors may not cover Cologuard as ordered by the prescribing physician under their reimbursement policies. The Company pursues reimbursement from such patients on a case-by-case basis. In the absence

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

of contracted reimbursement coverage or the ability to estimate the amount that will ultimately be realized for the Company's services, revenue is recognized upon cash receipt.

The Company uses judgment in determining if it is able to make an estimate of what will ultimately be realized. The Company also uses judgment in estimating the amounts it expects to collect by payor. The Company's judgments will continue to evolve in the future as it continues to gain payment experience with third-party payors and patients.

The Company recognized approximately \$39.4 million and \$1.5 million in laboratory service revenue for the years ended December 31, 2015 and 2014, respectively.

License fees. License fees for the licensing of product rights are recorded as deferred revenue upon receipt of cash and recognized as revenue on a straight line basis over the license period.

As more fully described in Note 3 below, in connection with the Company's transaction with Genzyme Corporation, Genzyme agreed to pay the Company a total of \$18.5 million, of which \$16.65 million was paid on January 27, 2009 and \$1.85 million was subject to a holdback by Genzyme to satisfy certain potential indemnification obligations in exchange for the assignment and licensing of certain intellectual property to Genzyme. The Company's on going performance obligations to Genzyme under the Collaboration, License and Purchase Agreement (the "CLP Agreement"), as described below, including its obligation to deliver through licenses certain intellectual property improvements to Genzyme, if improvements are made during the initial five year collaboration period, were deemed to be undelivered elements of the CLP Agreement on the date of closing. Accordingly, the Company deferred the initial \$16.65 million in cash received at closing and is amortizing that up front payment on a straight line basis into revenue over the initial five year collaboration period ending in January 2014. The Company received the first holdback amount of \$962,000, which included accrued interest, due from Genzyme during the first quarter of 2010. The Company received the second holdback amount of \$934,000 which included accrued interest due, from Genzyme during the third quarter of 2010. The amounts were deferred and were amortized on a straight line basis into revenue over the remaining term of the collaboration at the time of receipt.

In addition, Genzyme purchased 3,000,000 shares of common stock purchased from the Company on January 27, 2009 for \$2.00 per share, representing a premium of \$0.51 per share above the closing price of the Company's common stock on that date of \$1.49 per share. The aggregate premium paid by Genzyme over the closing price of the Company's common stock on the date of the transaction of \$1.53 million is deemed to be a part of the total consideration for the CLP Agreement. Accordingly, the Company deferred the aggregate \$1.53 million premium and amortized that amount on a straight line basis into revenue over the initial five year collaboration period ending in January 2014.

The Company did not recognize license fee revenue for the year ended December 31, 2015. The Company recognized approximately \$0.3 million and \$4.1 million in license fee revenue for the years ended December 31, 2014 and 2013, respectively, in connection with the amortization of the up-front payments from Genzyme.

Inventory

Inventory is stated at the lower of cost or market value (net realizable value). The Company determines the cost of inventory using the first-in, first out method (“FIFO”). The Company estimates the recoverability of inventory by reference to internal estimates of future demands and product life cycles, including expiration. The Company periodically analyzes its inventory levels to identify inventory that may expire prior to expected sale or has a cost basis in excess of its estimated realizable value, and records a charge to cost of sales for such inventory as appropriate. In addition, the Company’s products are subject to strict quality control and monitoring which the Company performs throughout the production process. If certain batches or units of product no longer meet quality specifications or become obsolete due to expiration, the Company records a charge to cost of sales to write down such unmarketable inventory to its estimated realizable value.

59

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

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

Inventory consists of the following (amount in thousands):

	December 31,	
	2015	2014
Raw materials	\$ 1,772	\$ 1,019
Semi-finished and finished goods	4,905	2,998
Total inventory	\$ 6,677	\$ 4,017

Advertising Costs

The Company expenses the costs of media advertising at the time the advertising takes place. The Company expensed approximately \$10.8 million, \$5.3 million and \$0.1 million of media advertising during the years ended December 31, 2015, 2014, and 2013, respectively.

Fair Value Measurements

The FASB has issued authoritative guidance which requires that fair value should be based on the assumptions market participants would use when pricing an asset or liability and establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. Under the standard, fair value measurements are separately disclosed by level within the fair value hierarchy. The fair value hierarchy establishes and prioritizes the inputs used to measure fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs. Observable inputs are inputs that reflect the assumptions that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The three levels of the fair value hierarchy established are as follows:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets

that are not active.

Level 3

Unobservable inputs that reflect the Company's assumptions about the assumptions that market participants would use in pricing the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available.

Fixed income securities and mutual funds are valued using a third-party pricing agency. The valuation is based on observable inputs including pricing for similar assets and other observable market factors. There has been no material change from period to period.

60

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

The following table presents the Company's fair value measurements as of December 31, 2015 along with the level within the fair value hierarchy in which the fair value measurements in their entirety fall. Amounts in the table are in thousands.

Description	Fair Value at December 31, 2015	Fair Value Measurement at December 31, 2015 Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents				
Cash and money market	\$ 37,435	\$ 37,435	\$ —	\$ —
Commercial paper	3,700	—	3,700	—
Available-for-Sale Marketable securities				
Corporate bonds	179,211	—	179,211	—
Asset backed securities	77,495	—	77,495	—
U.S. government agency securities	7,039	—	7,039	—
Certificates of deposit	1,999	—	1,999	—
Total	\$ 306,879	\$ 37,435	\$ 269,444	\$ —

The following table presents the Company's fair value measurements as of December 31, 2014 along with the level within the fair value hierarchy in which the fair value measurements in their entirety fall. Amounts in the table are in thousands.

Description	Fair Value at December 31, 2014	Fair Value Measurement at December 31, 2014 Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and cash equivalents				

Edgar Filing: DELTA AIR LINES INC /DE/ - Form 424B5

Cash and money market	\$ 53,569	\$ 53,569	\$ —	\$ —
Corporate bonds	4,562	—	4,562	—
Available-for-Sale				
Marketable securities				
Corporate bonds	141,124	—	141,124	—
U.S. government agency securities	18,688	—	18,688	—
Asset backed securities	60,820	—	60,820	—
Commercial paper	3,993	—	3,993	—
Total	\$ 282,756	\$ 53,569	\$ 229,187	\$ —

The Company monitors investments for other-than-temporary impairment. It was determined that unrealized gains and losses at December 31, 2015 and 2014, are temporary in nature, because the change in market value for those securities has resulted from fluctuating interest rates, rather than a deterioration of the credit worthiness of the issuers. So long as the Company holds these securities to maturity, it is unlikely to experience gains or losses. In the event that the Company disposes of these securities before maturity, it is expected that realized gains or losses, if any, will be immaterial.

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

The following table summarizes the gross unrealized losses and fair values of investments in an unrealized loss position as of December 31, 2015, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

(In thousands)	December 31, 2015		12 months or greater		Total	Gross Unrealized Loss
	Less than 12 months		Fair Value	Gross Unrealized Loss		
	Fair Value	Gross Unrealized Loss				
Marketable Securities						
Corporate bonds	\$ 166,238	\$ (262)	\$ —	\$ —	\$ 166,238	\$ (262)
U.S. government agency securities	7,039	(18)	—	—	7,039	(18)
Asset backed securities	72,792	(164)	3,887	(2)	76,679	(166)
Total	\$ 246,069	\$ (444)	\$ 3,887	\$ (2)	\$ 249,956	\$ (446)

The following table summarizes the gross unrealized losses and fair value of investments in an unrealized loss position as of December 31, 2014, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

(In thousands)	December 31, 2014		12 months or greater		Total	Gross Unrealized Loss
	Less than 12 months		Fair Value	Gross Unrealized Loss		
	Fair Value	Gross Unrealized Loss				
Marketable Securities						

Edgar Filing: DELTA AIR LINES INC /DE/ - Form 424B5

Corporate bonds	\$ 113,960	\$ (135)	\$ —	\$ —	\$ 113,960	\$ (135)
Asset backed securities	33,073	(18)	—	—	33,073	(18)
U.S. government agency securities	5,641	(7)	—	—	5,641	(7)
Total	\$ 152,674	\$ (160)	\$ —	\$ —	\$ 152,674	\$ (160)

The following table summarizes contractual underlying maturities of the Company's available for sale investments at December 31, 2015 (in thousands):

Description	Due one year or less		Due after one year through four years	
	Cost	Fair Value	Cost	Fair Value
Marketable Securities				
U.S. government agency securities	\$ 2,500	\$ 2,494	\$ 4,557	\$ 4,545
Corporate bonds	115,647	115,555	63,824	63,656
Certificates of deposit	1,999	1,999	—	—
Asset backed securities	373	373	77,288	77,122
Total	\$ 120,519	\$ 120,421	\$ 145,669	\$ 145,323

Concentration of Credit Risk

In accordance with GAAP, the Company is required to disclose any significant off balance sheet risk and credit risk concentration. The Company has no significant off balance sheet risk, such as foreign exchange contracts or other hedging arrangements. Financial instruments that subject the Company to credit risk consist of cash, cash equivalents and marketable securities. As of December 31, 2015, the Company had cash and cash equivalents deposited in financial

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

institutions in which the balances exceed the federal government agency insured limit of \$250,000 by approximately \$40.1 million. The Company has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk.

Through December 31, 2015, all of the Company's laboratory service revenues have been derived from the sale of Cologuard, and one payor, Centers for Medicare and Medicaid Services, has provided greater than 10% of revenue during the years ended December 31, 2015 and 2014. Medicare revenue as a percentage of total laboratory service revenue was 71% and 80% for the years ended December 31, 2015 and 2014, respectively. Medicare accounts receivable as a percentage of total accounts receivable were 64% and 88% at December 31, 2015 and 2014, respectively. As the number of payors reimbursing for Cologuard increases, the percentage of laboratory service revenue derived from Medicare will continue to change as a percentage of revenue and accounts receivable.

Subsequent Events

The Company evaluates events that occur through the filing date and discloses those events or transactions that provide additional evidence with respect to conditions that existed at the date of the balance sheet. In addition, the financial statements are adjusted for any changes in estimates resulting from the use of such evidence.

Tax Positions

A valuation allowance to reduce the deferred tax assets is reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company has incurred significant losses since its inception and due to the uncertainty of the amount and timing of future taxable income, the Company has determined that a \$215.1 million and \$161.9 million valuation allowance at December 31, 2015 and 2014 is necessary to reduce the tax assets to the amount that is more likely than not to be realized. The change in valuation allowance for December 31, 2015 and 2014 was \$53.2 million and \$37.4 million, respectively. Due to the existence of the valuation allowance, future changes in the Company's unrecognized tax benefits will not impact the Company's effective tax rate.

Recent Accounting Pronouncements

In February 2015, the FASB Issued ASU No. 2015-02, "Amendments to the Consolidation Analysis (Topic 810)." The amendments in this Update affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments (1) modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities, (2) eliminate the presumption that a general partner should consolidate a limited partnership, (3) affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships and (4) provide a scope exception from consolidation guidance for reporting entities with interests in legal entities that are required to comply with or operate in accordance with requirements that are similar to those in Rule 2a-7 of the Investment Company Act of 1940. The amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company has not early adopted this Update, and the adoption of this Update is not expected to have a material impact on the Company's

consolidated financial statements.

In July 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-11, “Simplifying the Measurement of Inventory (Topic 330).” The new guidance requires most inventory to be measured at the lower of cost and net realizable value, thereby simplifying the previous guidance under which an entity must measure inventory at the lower of cost or market. Market is defined as replacement cost, net realizable value (“NRV”), less a normal profit margin. The Accounting Standards Update will not apply to inventory that is measured using either the last-in, first-out method or the retail inventory method. The standard will be effective prospectively for the first interim

63

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

period within annual reporting periods beginning after December 15, 2016. Early adoption is permitted. We do not expect to early adopt this guidance and are currently assessing the provisions of the guidance and have not determined the impact of the adoption of this guidance on our consolidated financial statements.

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-05, “Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement”, which provides guidance that requires management to evaluate each cloud computing arrangement in order to determine whether it includes a software license that must be accounted for separately from hosted services. The new guidance clarifies that if a cloud computing arrangement includes a software license, we should account for the software license consistent with our accounting for other software licenses. If the arrangement does not include a software license, we should account for the arrangement as a service contract. The standard will be effective for our financial statements that we issue for fiscal periods beginning on or after January 1, 2016. Early adoption is permitted for financial statements that have not previously been issued. The adoption of this standard is not expected to have a material impact on our consolidated financial statements.

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs”, which requires debt issuance costs to be presented in the balance sheet as a direct deduction from the associated debt liability. This guidance simplifies presentation of debt issuance costs but does not address presentation or subsequent measurement of debt issue costs related to line of credit arrangements. In August 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-15 “Interest-Imputation of Interest (Subtopic 835-30) Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements” which indicates the SEC staff would not object to an entity deferring and presenting debt issuance costs related to line-of-credit arrangements as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. Accounting Standards Update No. 2015-03 will be effective for the first interim period within annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on our financial statements.

In August 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-14, “Revenue from Contracts with Customers: Deferral of the Effective Date” to defer for one year the effective date of the new revenue standard and allow early adoption as of the original effective date which is for annual reports beginning after December 15, 2016. We are currently evaluating the impact of this amendment on our financial position and results of operations.

In November 2015, the FASB Issued ASU No. 2015-17, “Balance Sheet Classification of Deferred Taxes (Topic 740)”. The amendments in this Update simplify the presentation of deferred income taxes, by requiring that deferred tax

liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this Update apply to all entities that present a classified statement of financial position. The amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The Company does not expect to early adopt this Update, and the adoption of this Update is not expected to have a material impact on the Company's consolidated financial statements.

In January 2016, the FASB Issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities (Subtopic 825-10)". The amendments in this Update supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures, and limited liability companies) to be measured at fair value with changes in the fair value recognized through net income. An entity's equity investments that are accounted for under the equity method of accounting or result in consolidation of an investee are not included within the scope of this Update. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments also require enhanced disclosures about those investments. The amendments improve financial reporting by providing relevant information about an entity's equity investments and

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

reducing the number of items that are recognized in other comprehensive income. The amendments in this Update are effective for public business entities for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017. Early adoption is permitted. The Company does not expect to early adopt this Update, and the adoption of this Update is not expected to have a material impact on the Company's consolidated financial statements.

Foreign Currency Translation

For the Company's international subsidiaries, the local currency is the functional currency. Assets and liabilities of these subsidiaries are translated into United States dollars at the period-end exchange rate or historical rates as appropriate. Consolidated statements of operations amounts are translated at average exchange rates for the period. The cumulative translation adjustments resulting from changes in exchange rates are included in the consolidated balance sheet as a component of accumulated other comprehensive income in total Exact Sciences Corporation's shareholders' equity. Transaction gains and losses are included in the consolidated statement of operations in 2015.

Reclassifications

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

(3) GENZYME STRATEGIC TRANSACTION

Transaction summary

On January 27, 2009, the Company entered into a Collaboration, License and Purchase Agreement (the "CLP Agreement") with Genzyme Corporation ("Genzyme"). Pursuant to the CLP Agreement, the Company (i) assigned to Genzyme all of its intellectual property applicable to the fields of prenatal and reproductive health (the "Transferred Intellectual Property"), (ii) granted Genzyme an irrevocable, perpetual, exclusive, worldwide, fully paid, royalty free license to use and sublicense all of the Company's remaining intellectual property (the "Retained Intellectual Property") in the fields of prenatal and reproductive health (the "Genzyme Core Field"), and (iii) granted Genzyme an irrevocable, perpetual, non exclusive, worldwide, fully paid, royalty free license to use and sublicense the Retained Intellectual Property in all fields other than the Genzyme Core Field and other than colorectal cancer detection and stool based disease detection (the "Company Field"). Following the transaction, the Company retained rights in its intellectual property to pursue only the fields of colorectal cancer detection and stool based detection of any disease or condition. The Company agreed to deliver to Genzyme certain intellectual property improvements, if improvements were made during the initial five year collaboration period.

Pursuant to the Genzyme Strategic Transaction, Genzyme agreed to pay an aggregate of \$18.5 million to the Company, of which \$16.65 million was paid at closing and \$1.85 million (the “Holdback Amount”) was subject to a holdback by Genzyme to satisfy certain potential indemnification obligations of the Company. Genzyme also agreed to pay a double digit royalty to the Company on income received by Genzyme as a result of any licenses or sublicenses to third parties of the Transferred Intellectual Property or the Retained Intellectual Property in any field other than the Genzyme Core Field or the Company Field.

The Company’s on going performance obligations to Genzyme under the CLP were deemed to be undelivered elements of the CLP Agreement on the date of closing. Accordingly, the Company deferred the initial \$16.65 million in cash received at closing and amortized that up front payment on a straight line basis into the License Fee Revenue line item in its statements of operations over the initial five year collaboration period. The Company received the first holdback amount of \$962,000, which included accrued interest, due from Genzyme during the first quarter of 2010. The Company received the second holdback amount of \$934,000 which included accrued interest due, from Genzyme during the third quarter of 2010. The amounts were deferred and were amortized on a straight line basis into revenue over the remaining term of the collaboration through January 2014.

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

In addition, the Company entered into a Common Stock Subscription Agreement with Genzyme on January 27, 2009, which provided for the private issuance and sale to Genzyme of 3,000,000 shares (the “Shares”) of the Company’s common stock, \$0.01 par value per share, at a per share price of \$2.00, for an aggregate purchase price of \$6.0 million. The price paid by Genzyme for the Shares represented a premium of \$0.51 per share above the closing price of the Company’s common stock on that date of \$1.49 per share. The aggregate premium paid by Genzyme over the closing price of the Company’s common stock on the date of the transaction of \$1.53 million is included as a part of the total consideration for the CLP. Accordingly, the Company deferred the aggregate \$1.53 million premium and amortized that amount on a straight line basis into the License fees line item in the Company’s statements of operations over the initial five year collaboration period.

The Company did not recognize license fee revenue from the CLP Agreement during the year ended December 31, 2015. The Company recognized approximately \$0.3 million and \$4.1 million in license fee revenue in connection with the amortization of the up-front payments and holdback amounts from Genzyme during the years ended December 31, 2014 and 2013, respectively.

(4) MAYO LICENSE AGREEMENT

On June 11, 2009, the Company entered into a patent licensing agreement with MAYO Foundation for Medical Education and Research (“MAYO”). The Company’s license agreement with MAYO was most recently amended and restated in February 2015 and further amended in January 2016. Under the license agreement, MAYO granted the Company an exclusive, worldwide license to certain MAYO patents and patent applications, as well as a non exclusive, worldwide license with regard to certain MAYO know how. The scope of the license initially covered diagnostics and screenings for stool or blood based cancer, but was later amended to cover gastrointestinal cancers, pre-cancers, diseases and conditions. Under the January 2016 amendment to the license agreement, the scope has been expanded to cover any screening, surveillance or diagnostic tests or tools for use in connection with any type of cancers, pre-cancers, diseases or conditions.

The licensed MAYO patents and patent applications contain both method and composition of matter claims that relate to sample processing, analytical testing and data analysis associated with nucleic screening for cancers and other diseases. The jurisdictions covered by these patents and patent applications include the U.S., Canada, the European Union and Japan. In addition to granting the Company a license to the covered MAYO intellectual property, MAYO agreed to make available personnel to provide the Company product development and research and development assistance. Under the license agreement, the Company assumed the obligation and expense of prosecuting and maintaining the licensed MAYO patents and are obligated to make commercially reasonable efforts to bring to market products using the licensed MAYO intellectual property.

MAYO has agreed to make available personnel through January 2020 to provide us product development and research and development assistance.

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

The Company is also required to issue MAYO shares of the Company's common stock with a value of \$200,000 upon commercial launch of our second and third products that use the licensed MAYO intellectual property, as well as to

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

pay MAYO, for each of the Company's products that use licensed MAYO intellectual property, \$200,000 cash upon such product reaching \$5 million in cumulative net sales, \$750,000 cash upon such product reaching \$20 million in cumulative net sales, and \$2 million cash upon such product reaching \$50 million in cumulative net sales.

As part of the February 2015 amendment and restatement of the license agreement, the Company agreed to pay MAYO an additional \$5,000,000, payable in five annual installments, through 2019.

In addition, the Company is paying MAYO for research and development efforts. As part of the Company's research collaboration with MAYO, the Company has incurred charges of \$2.6 million and has made payments of \$2.6 million for the year ended December 31, 2015. The Company has recorded an estimated liability in the amount of \$1.3 million for research and development efforts as of December 31, 2015. The Company incurred charges of \$2.3 million and made payments of \$0.7 million for the year ended December 31, 2014. The Company recorded an estimated liability in the amount of \$1.5 million for research and development efforts at December 31, 2014. The Company incurred charges of \$1.7 million and made payments of \$1.0 million for the year ended December 31, 2013.

The MAYO license agreement required, among other things, a \$0.5 million milestone payment upon FDA approval of the Company's Cologuard test. The Company received this FDA approval, and paid the milestone payment in August 2014.

Pursuant to the license agreement, the Company granted MAYO two common stock purchase warrants with an exercise price of \$1.90 per share covering 1,000,000 and 250,000 shares of common stock, respectively. The warrant covering 1,000,000 shares was fully exercised as of September 2011. The warrant covering 250,000 shares was exercised at various dates in 2013 and 2014 and became fully exercised as of June 2014.

The license agreement will remain in effect, unless earlier terminated by the parties in accordance with the agreement, until the last of the licensed patents expires in 2033 (or later, if certain licensed patent applications are issued). However, if we are still using the licensed MAYO know how or certain MAYO provided biological specimens or their derivatives on such expiration date, the term shall continue until the earlier of the date we stop using such know how and materials and the date that is five years after the last licensed patents expires. The license agreement contains customary termination provisions and permits MAYO to terminate the license agreement if the Company sues MAYO or its affiliates, other than any such suit claiming an uncured material breach by MAYO of the license agreement.

(5) MD ANDERSON LICENSE AGREEMENT

Overview

On April 10, 2015, the Company entered into a Joint Development and License Agreement ("MD Anderson Agreement") with the University of Texas M.D. Anderson Cancer Center ("MD Anderson") to jointly develop, clinically validate and obtain FDA approval and CMS coverage and reimbursement for in-vitro diagnostic and screening tools for the early detection of lung cancer (the "IVD Assays"). Under the MD Anderson Agreement, MD Anderson assigned certain patent rights to the Company and granted the Company an exclusive license to certain intellectual property

rights for the purpose of developing, manufacturing and marketing IVD Assays. In addition, MD Anderson agreed to make personnel available to provide the Company product development and research and development assistance. Pursuant to the MD Anderson Agreement, the Company is obligated to reimburse IVD Assay development expenses incurred by the staff at MD Anderson, up to a maximum of \$1.0 million per year for the first two years of the MD Anderson Agreement. The Company's current focus for lung cancer is to develop a test to detect cancer in lung nodules which is a shift from the product development efforts that were underway with MD Anderson. Therefore, the Company and MD Anderson have mutually agreed to terminate their collaboration effective February 2016. At December 31, 2015 the Company recorded an estimated liability in the amount of \$15,000 for IVD Assay development efforts. During the year ended December 31, 2015, the Company made payments for IVD Assay development costs to MD Anderson of \$0.5 million.

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

(6) ISSUANCES OF EQUITY

Underwritten Public Offerings

On June 21, 2013, the Company completed an underwritten public offering of 6.3 million shares of common stock at a price of \$12.35 per share to the public. The Company received approximately \$73.3 million of net proceeds from the offering, after deducting \$4.8 million for the underwriting discount and other stock issuance costs paid by the Company.

On April 2, 2014, the Company completed an underwritten public offering of 11.5 million shares of common stock at a price of \$12.75 per share to the public. The Company received approximately \$137.7 million of net proceeds from the offering, after deducting the \$8.9 million for the underwriting discount and other stock issuance costs paid by the Company.

On December 16, 2014, the Company completed an underwritten public offering of 4.0 million shares of common stock at a price of \$25.75 per share to the public. The Company received approximately \$100.9 million of net proceeds from the offering, after deducting \$2.1 million for the underwriting discount and other stock issuance costs paid by the Company.

On July 24, 2015 the Company completed an underwritten public offering of 7.0 million shares of common stock at a price of \$25.50 per share to the public. The Company received approximately \$174.1 million of net proceeds from the offering, after deducting \$4.4 million for the underwriting discount and commissions and other stock issuance costs paid by the Company.

Rights Agreement

In February 2011, the Company adopted a rights agreement and subsequently distributed to the Company's stockholders preferred stock purchase rights. Under certain circumstances, each right can be exercised for one one thousandth of a share of Series A Junior Participating Preferred Stock. In general, the rights will become exercisable in the event of an announcement of an acquisition of 15% or more of the Company's outstanding common stock or the commencement or announcement of an intention to make a tender offer or exchange offer for 15% or more of the Company's outstanding common stock. If any person or group acquires 15% or more of the Company's common stock, the Company's stockholders, other than the acquiror, will have the right to purchase additional shares of the Company's common stock (in lieu of the Series A Junior Participating Preferred Stock) at a substantial discount to the then prevailing market price. The rights agreement could significantly dilute such acquiror's ownership position in the Company's shares, thereby making a takeover prohibitively expensive and encouraging such acquiror to negotiate with the Company's board of directors. The ability to exercise these rights is contingent on events that the Company has determined to be unlikely at this time, and therefore this provision has not been considered in the computation of equity or earnings per share.

(7) STOCK BASED COMPENSATION

Stock Based Compensation Plans

The Company maintains the 2010 Omnibus Long Term Incentive Plan, the 2010 Employee Stock Purchase Plan, the 2015 Inducement Award Plan and the 2000 Stock Option and Incentive Plan (collectively, the “Stock Plans”).

2000 Stock Option and Incentive Plan The Company adopted the 2000 Option and Incentive Plan (the “2000 Option Plan”) on October 17, 2000. The 2000 Option Plan expired October 17, 2010 and after such date no further awards could be granted under the plan. Under the terms of the 2000 Option Plan, the Company was authorized to grant incentive stock options, as defined under the Internal Revenue Code, non qualified options, restricted stock awards and other stock awards to employees, officers, directors, consultants and advisors. Options granted under the 2000 Option

68

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

Plan expire ten years from the date of grant. Grants made from the 2000 Option Plan generally vest over a period of three to four years.

The 2000 Option Plan was administered by the compensation committee of the Company's board of directors, which selected the individuals to whom equity based awards would be granted and determined the option exercise price and other terms of each award, subject to the provisions of the 2000 Option Plan. The 2000 Option Plan provides that upon an acquisition of the Company, all options to purchase common stock will accelerate by a period of one year. In addition, upon the termination of an employee without cause or for good reason prior to the first anniversary of the completion of the acquisition, all options then outstanding under the 2000 Option Plan held by that employee will immediately become exercisable. At December 31, 2015, options to purchase 3,345,800 shares were outstanding under the 2000 Option Plan. There were no shares of restricted stock outstanding under the 2000 Option Plan.

2010 Omnibus Long Term Incentive Plan The Company adopted the 2010 Omnibus Long Term Incentive Plan (the "2010 Stock Plan") on July 16, 2010. The 2010 Stock Plan will expire on July 16, 2020 and after such date no further awards may be granted under the plan. Under the terms of the 2010 Stock Plan, the Company is authorized to grant incentive stock options, as defined under the Internal Revenue Code, non-qualified options, restricted stock awards and other stock awards to employees, officers, directors, consultants and advisors. Options granted under the 2010 Stock Plan expire ten years from the date of grant. Grants made from the 2010 Stock Plan generally vest over a period of three to four years.

The 2010 Stock Plan is administered by the compensation committee of the Company's board of directors, which selects the individuals to whom equity based awards will be granted and determines the option exercise price and other terms of each award, subject to the provisions of the 2010 Stock Plan. The 2010 Stock Plan provides that upon an acquisition of the Company, all equity will accelerate by a period of one year. In addition, upon the termination of an employee without cause or for good reason prior to the first anniversary of the completion of the acquisition, all equity awards then outstanding under the 2010 Stock Plan held by that employee will immediately vest. At December 31, 2015, options to purchase 1,590,794 shares were outstanding under the 2010 Stock Plan and 3,200,845 shares of restricted stock and restricted stock units were outstanding. On July 23, 2015 the Company's stockholders approved an amendment to the 2010 Stock Plan to increase the number of shares available for issuance thereunder by 8,360,000 shares. At December 31, 2015, there were 6,159,082 shares available for future grant under the 2010 Stock Plan.

2015 Inducement Award Plan The Company adopted the 2015 Inducement Award Plan ("the 2015 Inducement Plan") on February 9, 2015. The 2015 Inducement Plan expired on July 27, 2015 and after such date no further awards may be granted under the plan. Under the terms of the 2015 Inducement Plan, the Company is authorized to grant incentive stock options, as defined under the Internal Revenue Code, non-qualified options, restricted stock awards and other stock awards to employees who were not previously an employee of the Company or any of its Subsidiaries. Options granted under the 2015 Inducement Plan expire ten years from the date of grant. Grants made from the 2015 Inducement Plan generally vest over a period of three to four years.

The 2015 Inducement Plan is administered by the compensation committee of the Company's board of directors, which selects the individuals to whom equity-based awards will be granted and determines the option exercise price and other terms of each award, subject to the provisions of the 2015 Inducement Plan. The 2015 Inducement Plan provides that upon an acquisition of the Company, all equity will accelerate by a period of one year. In addition, upon

termination of an employee without cause or for good reason prior to the first anniversary of the completion of the acquisition, all equity awards then outstanding under the 2015 Inducement Plan held by that employee will immediately vest. At December 31, 2015, there were 243,849 shares of restricted stock and restricted stock units outstanding. At December 31, 2015, there were no shares available for future grant under the 2015 Inducement Plan.

2010 Employee Stock Purchase Plan The 2010 Employee Stock Purchase Plan (the “2010 Purchase Plan”) was adopted by the Company on July 16, 2010. The 2010 Purchase Plan provides participating employees the right to purchase common stock at a discount through a series of offering periods. The 2010 Purchase Plan will expire on October 31, 2020. On July 24, 2014 the stockholders of Exact Sciences Corporation approved an amendment to the 2010 Employee Stock Purchase Plan to increase the number of shares available for purchase thereunder by 500,000 shares.
At

69

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

December 31, 2015, there were 363,392 shares of common stock available for purchase by participating employees under the 2010 Purchase Plan.

The compensation committee of the Company's board of directors administers the 2010 Purchase Plan. Generally, all employees whose customary employment is more than 20 hours per week and more than five months in any calendar year are eligible to participate in the 2010 Purchase Plan. Participating employees authorize an amount, between 1% and 15% of the employee's compensation, to be deducted from the employee's pay during the offering period. On the last day of the offering period, the employee is deemed to have exercised the employee's option to purchase shares of Company common stock, at the option exercise price, to the extent of accumulated payroll deductions. Under the terms of the 2010 Purchase Plan, the option exercise price is an amount equal to 85% of the fair market value, as defined under the 2010 Purchase Plan and no employee can purchase more than \$25,000 of Company common stock under the 2010 Purchase Plan in any calendar year. Rights granted under the 2010 Purchase Plan terminate upon an employee's voluntary withdrawal from the 2010 Purchase Plan at any time or upon termination of employment. At December 31, 2015, there were 436,608 cumulative shares issued under the 2010 Purchase Plan, and 176,785 shares were issued in the year ended December 31, 2015, as follows:

Offering period ended	Number of Shares	Weighted Average price per Share
April 30, 2015	56,635	\$ 13.02
October 31, 2015	120,150	\$ 7.72

Stock Based Compensation Expense

The Company recorded approximately \$18.1 million, \$11.5 million and \$7.7 million in stock based compensation expense during the years ended December 31, 2015, 2014 and 2013, respectively, in connection with the amortization of restricted stock and restricted stock unit awards, stock purchase rights granted under the Company's employee stock purchase plan and stock options granted to employees, non employee consultants and non employee directors. Non cash stock based compensation expense by expense category for the years ended December 31, 2015, 2014, and 2013 are as follows, and amounts included in the table are in thousands:

	December 31,		
	2015	2014	2013
Cost of sales	\$ 876	\$ 279	\$ —
Research and development	3,744	4,149	2,817
General and administrative	9,358	5,575	3,054
Sales and marketing	4,072	1,517	1,873

Total stock-based compensation \$ 18,050 \$ 11,520 \$ 7,744

In connection with the June 7, 2013 resignation of the Company’s former Chief Commercial Officer, the Company modified the vesting of 100,000 shares of her previously unvested restricted stock units whereby 41,250 of the restricted stock units vested upon the execution of the separation agreement, 10,000 vested in March 2014, and the remaining 48,750 vest in twenty four equal monthly installments beginning in April 2014, subject to her continuing compliance with the terms of the separation agreement. She forfeited all other unvested restricted stock units and stock option awards. It was determined that the continuing compliance and service to be provided to the Company under the separation agreement was not substantive and, as a result, the Company recorded the full value of the modified restricted stock units as additional stock based compensation expense in the second quarter of 2013.

Determining Fair Value

Valuation and Recognition—The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model based on the assumptions in the table below. The estimated fair value of employee stock options is recognized to expense using the straight line method over the vesting period.

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

Expected Term—The Company uses the simplified calculation of expected life, described in the SEC’s Staff Accounting Bulletins 107 and 110, as the Company does not currently have sufficient historical exercise data on which to base an estimate of expected life. Using this method, the expected term is determined using the average of the vesting period and the contractual life of the stock options granted.

Expected Volatility—Expected volatility is based on the Company’s historical stock volatility data over the expected term of the awards.

Risk Free Interest Rate—The Company bases the risk free interest rate used in the Black Scholes valuation model on the implied yield currently available on U.S. Treasury zero coupon issues with an equivalent expected term.

Forfeitures—The Company records stock based compensation expense only for those awards that are expected to vest. A forfeiture rate is estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates. The Company’s forfeiture used in the twelve months ended December 31, 2015, 2014 and 2013 was 4.99%, 4.99%, and 2.76%, respectively.

The fair value of service-based awards for each restricted stock and restricted stock unit award is determined on the date of grant using the closing stock price on that day. The fair value of market measure-based share-based compensation plans are calculated using a Monte Carlo simulation pricing model. The fair value of each option award is estimated on the date of grant using the Black Scholes option pricing model based on the assumptions in the following table:

	Year Ended December 31,		
	2015	2014	2013
Option Plan Shares	1.5%	1.96%	0.94% -
Risk-free interest rates	- 1.92%	- 2.01%	1.73%
Expected term (in years)	6.25 - 6.6	6	6
Expected volatility	67.1%	77.6%	82.9% - 84%
Dividend yield	- 73.2%	- 80.8%	
Weighted average fair value per share of options granted during the period	0%	0%	0%
ESPP Shares	\$15.81	\$ 10.05	\$ 8.12
Risk-free interest rates	0.25%		0.1% -
Expected term (in years)	- 0.75%	0.1% - 0.5%	0.33%
Expected volatility	0.5 - 2	0.5 - 2	0.5 - 2
	51.2%	42.5%	39.1% -
	- 110%	- 62.7%	45.6%

Dividend yield	0%	0%	0 %
Weighted average fair value per share of stock purchase rights granted during the period	\$ 4.67	\$ 6.3	\$ 3.13

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

Stock Option, Restricted Stock, and Restricted Stock Unit Activity

A summary of stock option activity under the Stock Plans during the years ended 2015, 2014 and 2013 is as follows:

Options (Aggregate intrinsic value in thousands)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value(1)
Outstanding, January 1, 2013	6,181,936	\$ 2.62		
Granted	290,570	11.36		
Exercised	(274,919)	5.17		
Forfeited	(135,000)	10.08		
Outstanding, December 31, 2013	6,062,587	\$ 2.78	6.6	
Granted	266,477	14.28		
Exercised	(1,378,372)	1.91		
Forfeited	(16,375)	6.37		
Outstanding, December 31, 2014	4,934,317	\$ 3.63	5.2	
Granted	340,978	23.51		
Exercised	(281,315)	4.44		
Forfeited	(57,386)	16.99		
Outstanding, December 31, 2015	4,936,594	\$ 4.80	4.5	\$ 28,126
Exercisable, December 31, 2015	4,219,865	\$ 2.69	3.9	\$ 27,585
Vested and expected to vest, December 31, 2015	4,900,829	\$ 4.71	5.2	\$ 27,601

(1) The aggregate intrinsic value of options outstanding at December 31, 2015 is calculated as the difference between the exercise price of the underlying options and the market price of the Company's common stock for the 4,936,594 options that had exercise prices that were lower than the \$9.23 market price of our common stock at December 31, 2015. The aggregate intrinsic value of options exercisable at December 31, 2015 is calculated as the difference between the exercise price of the underlying options and the market price of the Company's common stock for the 4,219,865 options that had exercise prices that were lower than the \$9.23 market price of our common stock at December 31, 2015. The total intrinsic value of options exercised during the years ended December 31, 2015, 2014 and 2013 was \$3.6 million, \$29.2 million, \$1.9 million, respectively, determined as of the date of exercise.

Warrants to purchase 75,000 shares of common stock were issued in connection with a consulting agreement in 2009 to provide specific assistance to the Company in attaining FDA approval of Cologuard. The 75,000 warrants vested in the third quarter of 2014 upon successful approval for Cologuard. The Company recorded \$1.3 million, the fair value of the warrant on the vesting date as stock-based compensation expense during the third quarter of 2014 in connection with the vesting of this warrant.

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

A summary of restricted stock and restricted stock unit activity under the Stock Plans during the years ended December 31, 2015, 2014 and 2013 is as follows:

	Restricted Shares	Weighted Average Grant Date Fair Value
Outstanding, January 1, 2013	813,955	\$ 8.51
Granted	1,147,553	11.76
Released	(344,611)	8.56
Forfeited	(466,203)	9.73
Outstanding, December 31, 2013	1,150,694	\$ 11.23
Granted	926,171	15.61
Released	(491,370)	11.17
Forfeited	(44,381)	12.44
Outstanding, December 31, 2014	1,541,114	\$ 13.86
Granted	2,895,818	15.23
Released	(578,033)	13.77
Forfeited	(414,205)	20.84
Outstanding, December 31, 2015	3,444,694	\$ 14.19

As of December 31, 2015, there was approximately \$41.1 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under all equity compensation plans. Total unrecognized compensation cost will be adjusted for future changes in forfeitures. The Company expects to recognize that cost over a weighted average period of 2.8 years.

The Company received approximately \$1.2 million, \$2.6 million and \$1.3 million from stock option exercises during the years ended December 31, 2015, 2014 and 2013, respectively. During the years ended December 31, 2015, 2014 and 2013, 176,785, 88,166 and 59,932 shares of common stock, respectively, were issued under the Company's 2010 Purchase Plan resulting in proceeds to the company of \$1.7 million, \$0.8 million and \$0.5 million, respectively.

The following table summarizes information relating to currently outstanding and exercisable stock options as of December 31, 2015:

Exercise Price	Outstanding		Exercisable		
	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
\$0.00 - \$3.00	3,186,500	3.3	\$ 1.10	3,186,500	\$ 1.10

Edgar Filing: DELTA AIR LINES INC /DE/ - Form 424B5

\$3.01 - \$6.00	402,822	4.7	4.40	402,822	4.40
\$6.01 - \$9.00	146,991	5.5	7.89	146,991	7.89
\$9.01 - \$12.00	619,087	6.5	9.66	415,393	9.55
\$12.01 - \$15.00	233,000	8.2	13.96	58,250	13.96
\$15.01 - \$18.00	22,227	8.6	16.52	9,909	16.52
\$18.01 - \$24.00	313,359	9.2	23.38	—	—
\$24.01- \$26.98	12,608	9.1	26.98	—	—
	4,936,594	4.5	\$ 4.80	4,219,865	\$ 2.69

During the first quarter of 2013, the Company granted a total of 180,750 restricted stock units to certain executives that vest based upon the satisfaction of certain 2013 performance conditions. Based on the conditions that were met 100,800 shares were earned. The shares vest equally over three years with the first vesting date at December 31, 2013.

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

The company recognized \$0.4 million during the year ended December 31, 2013 related to this restricted stock unit grant.

During the first quarter of 2015, the Company granted a total of 203,100 restricted stock units to certain executives that would have vested based upon the satisfaction of certain service and performance conditions. The Company performed an evaluation of internal and external factors, and determined the number of shares that were most likely to vest based on the probability of what performance conditions were met. The expense for the fair value of the awards that were expected to vest of \$0.4 million was recognized during the year ended December 31, 2015. The service and performance conditions were not met and the expense of \$0.4 million was reversed in the fourth quarter of the year ended December 31, 2015.

Shares Reserved for Issuance

The Company has reserved shares of its authorized common stock for issuance pursuant to its employee stock purchase and stock option plans, including all outstanding stock option grants noted above at December 31, 2015, as follows:

Shares reserved for issuance	
2010 Option Plan	6,159,082
2010 Purchase Plan	363,392
	6,522,474

(8) COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases a 35,000 square foot laboratory and office facility in Madison, Wisconsin. This lease has been in effect since 2010 and expires in October 2016. The Company has one option to extend the term of the lease for five years. The lease is not subject to periodic rent escalation adjustments.

During the second quarter of 2013, the Company entered into a five year lease for a 28,994 square foot facility in Madison, Wisconsin to house its commercial lab operations. This lease contains periodic rent escalation adjustments and includes provisions for tenant improvements. During August 2014, the Company entered into an amended lease agreement to lease an additional 3,189 square feet of office. The amended agreement covers the same term as the original term and is also subject to periodic rent escalation adjustments. During November 2014, the Company entered into an amended lease agreement to lease adjacent land for the construction of a parking lot. The amended agreement covers the same term as the original term and is also subject to periodic rent escalation adjustments. During May 2015, the Company entered into an amended lease agreement to lease an additional 7,853 square feet effective immediately, and another 5,810 square feet effective in June 2015. The lease now covers a total of 50,000 square feet. The amended agreement extended the initial term of the lease and is subject to periodic rent escalation adjustments. The Company has two options to extend the term of the lease for five years. The Company has two options to extend the term of the lease for five years each.

As part of the lease agreement, the landlord agreed to pay for a portion of leasehold improvements constructed. These payments are recorded as a lease incentive obligation and will be amortized over the five year term of the lease as a reduction of rent expense. As of December 31, 2015 and 2014, the lease incentive obligation was \$1.6 million and \$2.7 million, respectively. Construction of the laboratory facility was substantially complete at December 31, 2013 and the leasehold improvements related to the laboratory were placed into service. The amortization of the lease incentive obligation began in December of 2013.

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

During April 2014, the Company entered into a one year lease for a 10,137 square foot facility in Madison, Wisconsin for administration purposes. The lease is subject to an annual rent escalation adjustment and includes an option for a one-year extension. During September 2014, the Company entered into an amended lease agreement to lease an additional 12,338 square feet of space for a total of 22,475 square feet. The amended agreement covers the same term as the original lease with an annual rent escalation adjustment and an option for a one-year extension. During November 2015, the Company entered into an amended lease agreement to lease an additional 11,238 square feet. The amended agreement extended the initial term of the lease and is subject to periodic rent escalation adjustments. The Company has two options to extend the lease.

During July 2015, the Company entered into a lease for a 21,000 square foot warehouse facility in Madison, Wisconsin. The lease commenced in October 2015 and is effective until May 2025 and includes an option for a five-year extension. The lease contains periodic rent escalation adjustments.

During November 2014, the Company entered into a two-year lease agreement for a 620 square foot office facility in London, United Kingdom that is to house European operations. This lease contains periodic rent escalation adjustments.

Future minimum payments under operating leases as of December 31, 2015 are as follows. Amounts included in the table are in thousands.

Year Ending December 31,	
2016	\$ 2,073
2017	1,664
2018	1,118
2019	548
2020	277
Thereafter	358
Total lease obligations	\$ 6,038

Rent expense included in the accompanying consolidated statements of operations was approximately \$1.5 million, \$1.0 million, and \$0.7 million for the years ended December 31, 2015, 2014 and 2013, respectively.

License Agreements

The Company licenses, on a non-exclusive basis, certain technologies that are, or may be, incorporated into its technology under several license agreements. Generally, the license agreements require the Company to pay royalties based on net revenues received using the technologies, and may require minimum royalty amounts or maintenance fees.

MAYO

See Note 4 for information related to the MAYO license agreement.

Hologic

On October 14, 2009, the Company entered into a technology license agreement with Hologic, Inc. (“Hologic”). Under the license agreement, Hologic granted the Company an exclusive, worldwide license within the field of human stool based colorectal cancer and pre cancer detection or identification with regard to certain Hologic patents, patent applications and improvements, including Hologic’s Invader detection chemistry (the “Covered Hologic IP”). The licensed patents and patent applications contain both method and composition of matter claims. The jurisdictions covered by these patents and patent applications include the U.S., Canada, the European Union, Australia and Japan. The license agreement also provided the Company with non exclusive, worldwide licenses to the Covered Hologic IP within the field of clinical diagnostic purposes relating to colorectal cancer (including cancer diagnosis, treatment, monitoring or staging) and the field

75

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

of detection or identification of colorectal cancer and pre cancers through means other than human stool samples. In December 2012 the Company entered into an amendment to this license agreement with Hologic pursuant to which Hologic granted the Company a non exclusive worldwide license to the Covered Hologic IP within the field of any disease or condition within, related to or affecting the gastrointestinal tract and/or appended mucosal surfaces. The Company received FDA approval for its Cologuard test in August 2014, and was required to make a milestone payment of \$100,000 to Hologic, which was expensed to research and development in August 2014. The Company is required to pay Hologic a low single digit royalty on the Company's net sales of products using the Covered Hologic IP.

MDx Health

On July 26, 2010, the Company entered into a technology license and royalty agreement with MDx Health (formerly Oncomethylome Sciences, S.A.). Under the license agreement, MDx Health granted the Company a royalty bearing exclusive, worldwide license to certain patents. Under the licensing agreement, the Company is obligated to make commercially reasonable efforts to bring products covered by the license agreement to market. The Company is required to pay MDx Health a minimum royalty fee of \$100,000 on each anniversary of the agreement for the life of the contract. The Company also agreed to pay \$100,000 upon the first commercial sale of a licensed product after the receipt of FDA approval and \$150,000 after the Company has reached net sales of \$10 million of a licensed product after receipt of FDA approval, \$750,000 after the Company has reached cumulative net sales of \$50 million, and \$1 million after the Company has reached net sales of \$50 million in a single calendar year. The Company is also required to pay MDx Health a royalty fee based on a certain percentage of the Company's net sales of the licensed products.

Capital Lease

In 2012 the Company entered into a lease agreement which is accounted for as a capital lease and the final lease payment was made in September 2015. The leased equipment is recorded at \$1.2 million and is included in the balance sheet as laboratory equipment. The cost of the leased equipment was depreciated over the three year lease term, and the expense was recorded as depreciation expense. The leased equipment was fully depreciated at December 31, 2015. The Company was required to make principal and interest payments of approximately \$32,000 per month over the three year term of the lease agreement.

(9) RELATED PARTY TRANSACTIONS

In August 2013, the Company renewed a one year consulting agreement with a non-employee director for an additional year. In accordance with the agreement, the Company granted a restricted stock award for 4,277 shares of common stock that vests over one year, and will make cash payments totaling \$60,000 over the one year term of the agreement. The Company recorded expense related to this consulting agreement of \$25,000 in 2013.

76

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

(10) ACCRUED LIABILITIES

Accrued liabilities at December 31, 2015 and 2014 consisted of the following. Amounts included in the table are in thousands.

	December 31,	
	2015	2014
Compensation	\$ 8,460	\$ 5,668
Professional fees	7,502	5,764
Licenses	3,761	646
Research and trial related expenses	1,528	1,447
Other	646	122
Miscellaneous taxes	309	261
Occupancy costs	47	52
	\$ 22,253	\$ 13,960

(11) LONG TERM DEBT

Building Purchase Mortgage

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

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

Additionally, the Company has recorded \$73,000 in deferred financing costs which are being amortized through June 12, 2019. For the year ended December 31, 2015, the Company has recorded \$10,000 in amortization of deferred financing costs.

The table below represents the future principal obligations as of December 31, 2015:

Year ending December 31,	
2016	\$ 166
2017	174
2018	182
2019	4,496
2020	—
Thereafter	—
	\$ 5,018

Wisconsin Department of Commerce Loan

During November 2009, the Company entered into a loan agreement with the Wisconsin Department of Commerce pursuant to which the Wisconsin Department of Commerce agreed to lend up to \$1.0 million to the Company subject to the Company's satisfaction of certain conditions. The Company received the \$1.0 million in December 2009. The terms

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

of the loan are such that portions of the loan become forgivable if the Company meets certain job creation requirements at a specified wage rate. After the Company creates 100 full time positions, the principal shall be reduced at the rate of \$5,405 for each new position created thereafter during the measurement period. The loan bears an interest rate of 2%, which is subject to an increase to 4% if the Company does not meet certain job creation requirements. Both principal and interest payments under the loan agreement are deferred for five years. The loan's terms also contain a milestone that if the Company has created 185 new full-time positions as of June 30, 2015, the full amount of principal shall be forgiven. The Company met this job creation milestone and the \$1.0 million benefit associated with the loan forgiveness has been recorded as an offset to the operating expenses during the year ended December 31, 2015.

(12) EMPLOYEE BENEFIT PLAN

The Company maintains a qualified 401(k) retirement savings plan (the "401(k) Plan") covering all employees. Under the terms of the 401(k) Plan, participants may elect to defer a portion of their compensation into the 401(k) Plan, subject to certain limitations. Company matching contributions may be made at the discretion of the Board of Directors.

The Company's Board of Directors approved 401(k) Plan matching contributions for the years ended December 31, 2015, 2014 and 2013 in the form of Company common stock equal to 100% up to 6% of the participant's salary for that year. The Company recorded compensation expense of approximately \$2.1 million, \$0.8 million, and \$0.5 million, respectively, in the statements of operations for the years ended December 31, 2015, 2014 and 2013 in connection with 401(k) Plan matching contributions.

(13) NEW MARKET TAX CREDIT

During the fourth quarter of 2014, the Company received approximately \$2.4 million in net proceeds from financing agreements related to working capital and capital improvements at one of its Madison, Wisconsin facilities. This financing arrangement was structured with an unrelated third-party financial institution (the "Investor"), an investment fund, and its majority owned community development entity in connection with the Company's participation in transactions qualified under the federal New Markets Tax Credit ("NMTC") program, pursuant to Section 45D of the Internal Revenue Code of 1986, as amended. Through its participation in this program, the Company has secured low interest financing and the potential for future debt forgiveness related to the Madison, Wisconsin facility. Upon closing of this transaction, the Company provided an aggregate of approximately \$5.1 million to the Investor, in the form of a loan receivable, with a term of seven years, bearing an interest rate of 2.74% per annum. This \$5.1 million in proceeds plus \$2.4 million of capital from the Investor was used to make an aggregate \$7.5 million loan to a

subsidiary of the Company. This financing arrangement is not secured by any assets of the Company. On December 1, 2021, the Company would receive a repayment of its approximately \$5.1 million loan. The \$5.1 million is eliminated in the consolidation of the financial statements. This transaction also includes a put/call feature that becomes enforceable at the end of the seven-year compliance period. The Investor may exercise its put option or the Company can exercise the call, both of which will serve to trigger forgiveness of the debt. The value attributable to the put/call is nominal. The \$2.4 million was recorded in other long-term liabilities on the balance sheets. The benefit of this net \$2.4 million contribution will be recognized as a decrease in expenses, included in cost of sales, as the Company amortizes the contribution liability over the seven-year compliance period as it is being earned through the Company's on-going compliance with the conditions of the NMTC program. The Company has recorded \$0.4 million as a decrease of expenses for the year ended December 31, 2015. At December 31, 2015, the remaining balance of \$2.0 million is included in Other Long Term Liabilities. The Company incurred approximately \$0.2 million of debt issuance costs related to the above transactions, which are being amortized over the life of the agreements.

The Investor is subject to 100% recapture of the NMTC it receives for a period of seven years as provided in the Internal Revenue Code and applicable U.S. Treasury regulations. The Company is required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangement. Noncompliance with applicable

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

requirements could result in the Investor's projected tax benefits not being realized and, therefore, require the Company to indemnify the Investor for any loss or recapture of NMTC related to the financing until such time as the recapture provisions have expired under the applicable statute of limitations. The Company does not anticipate any credit recapture will be required in connection with this financing arrangement.

The Investor and its majority owned community development entity are considered Variable Interest Entities ("VIEs") and the Company is the primary beneficiary of the VIEs. This conclusion was reached based on the following:

- The ongoing activities of the VIEs—collecting and remitting interest and fees and NMTC compliance—were all considered in the initial design and are not expected to significantly affect performance throughout the life of the VIE;
- Contractual arrangements obligate the Company to comply with NMTC rules and regulations and provide various other guarantees to the Investor and community development entity;
- The Investor lacks a material interest in the underlying economics of the project; and
- The Company is obligated to absorb losses of the VIEs.

Because the Company is the primary beneficiary of the VIEs, they have been included in the consolidated financial statements. There are no other assets, liabilities or transactions in these VIEs outside of the financing transactions executed as part of the NMTC arrangement.

Also in December 2014, in connection with the NMTC transaction, the Company entered into a land purchase option agreement with the owner of certain real property (land) adjacent to certain of the Company's current Madison, Wisconsin facilities. The option is renewable annually in exchange for a fee. If the Company exercises its land purchase option, it will pay a fixed amount for the land. That fixed amount approximates the then-current fair value of the land. If the Company decides not to exercise its option, then on December 31, 2021 (which is after the seven year compliance period of the NMTC program) the Company must pay \$1.2 million to the community development entity. As discussed below, the community development entity is a variable interest entity consolidated into the Company. The community development entity would then distribute this money to its members. The majority member of the community development entity is also the owner of the land subject to the land purchase option. The Company has recorded the obligation and the land purchase option asset for \$1.2 million to reflect the Company's assessment that it is probable that at least \$1.2 million will be paid in the future based on resolution of the land purchase option. The asset is included in Other Long-Term Assets and the liability is included in Other Long-Term Liabilities on the consolidated balance sheet.

(14) WISCONSIN ECONOMIC DEVELOPMENT TAX CREDITS

During the first quarter of 2015, the Company entered into an agreement with the Wisconsin Economic Development Corporation (“WEDC”) to earn \$9.0 million in refundable tax credits if the Company expends \$26.3 million in capital investments and establishes and maintains 758 full-time positions in the state of Wisconsin over a seven year period. The tax credits earned should first be applied against the tax liability otherwise due and if there is no such liability present, the claim for tax credits will be reimbursed in cash to the Company. The maximum amount of the refundable tax credit to be earned for each year is fixed, and the Company earns the credits by meeting certain capital investment and job creation thresholds over the seven year period. Should the Company earn and receive the job creation tax credits but not maintain those full-time positions through the end of the agreement, the Company may be required to pay those credits back to the WEDC.

The Company will record the earned tax credits as job creation and capital investments occur. The amount of tax credits earned will be recorded as a liability and amortized as a reduction of operating expenses over the expected period of benefit. The tax credits earned from capital investment will be recognized as an offset to depreciation expense over the expected life of the acquired capital assets. The tax credits earned related to job creation will be recognized as an offset to operational expenses over the life of the agreement as the Company is required to maintain the minimum level of full-time positions through the seven year period.

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

As of December 31, 2015 the Company has earned \$2.2 million of tax credits. \$1.1 million is reported in prepaid expenses and other current assets and \$1.1 million is reported in other long-term assets, reflecting when collection of the refundable tax credits is expected to occur.

During the year ended December 31, 2015, the Company has amortized \$0.2 million of the credits earned as a reduction of operating expenses. As of December 31, 2015, the Company also has recorded a \$0.4 million liability in other short-term liabilities and a \$1.6 million liability in other long-term liabilities, reflecting when the expected benefit of the tax credit amortization will reduce future operating expenses.

(15) INCOME TAXES

The Company is subject to taxation in the U.S. and various state jurisdictions. All of the Company's tax years are subject to examination by the U.S. and state tax authorities due to the carryforward of unutilized net operating losses.

Under financial accounting standards, deferred tax assets or liabilities are computed based on the differences between the financial statement and income tax bases of assets and liabilities using the enacted tax rates. Deferred income tax expense or benefit represents the change in the deferred tax assets or liabilities from period to period. At December 31, 2015, the Company had federal net operating loss and state net operating loss carryforwards of approximately \$565.9 million and \$208.9 million, respectively for financial reporting purposes, which may be used to offset future taxable income. The Company also had federal and state research tax credit carryforwards of \$7.5 million and \$16.0 million, respectively which may be used to offset future income tax liability. The federal and state carryforwards expire beginning 2016 through 2035 and are subject to review and possible adjustment by the Internal Revenue Service and state tax jurisdictions. In the event of a change of ownership, the federal and state net operating loss and research and development tax credit carryforwards may be subject to annual limitations provided by the Internal Revenue Code and similar state provisions.

As of December 31, 2015 and 2014, the Company had \$45.5 million and \$39.8 million, respectively, in excess tax benefit stock option deductions. The excess tax benefit arising from these deductions is credited to additional paid in capital as the benefit is realized.

The components of the net deferred tax asset with the approximate income tax effect of each type of carryforward, credit and temporary differences are as follows. Amounts included in the table are in thousands.

	December 31,	
	2015	2014
Deferred tax assets:		
Operating loss carryforwards	\$ 189,007	\$ 140,471
Tax credit carryforwards	17,947	16,915
Deferred revenue	—	11
Other temporary differences	8,146	4,543
Tax assets before valuation allowance	215,100	161,940
Less—Valuation allowance	(215,100)	(161,940)
Net deferred taxes	\$ —	\$ —

A valuation allowance to reduce the deferred tax assets is reported if, based on the weight of the evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company has incurred significant losses since its inception and due to the uncertainty of the amount and timing of future taxable income, management has determined that a valuation allowance of \$215.1 million and \$161.9 million at December 31, 2015 and 2014, respectively, is necessary to reduce the tax assets to the amount that is more likely than not to be realized. The change in valuation allowance for December 31, 2015 and 2014 was \$53.2 million and \$37.4 million, respectively. Due to the existence of

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

the valuation allowance, future changes in our unrecognized tax benefits will not impact the Company's effective tax rate.

The effective tax rate differs from the statutory tax rate due to the following:

	December 31,					
	2015		2014		2013	
U.S. Federal statutory rate	35.0	%	34.0	%	34.0	%
State taxes	2.1		5.5		4.8	
Federal and state tax rate changes	(1.7)		—		—	
Research and development tax credits	0.9		(1.1)		16.9	
Stock-based compensation expense	(0.6)		(0.5)		(1.1)	
Other adjustments	(0.9)		(0.8)		(0.3)	
Valuation allowance	(34.8)		(37.1)		(54.3)	
Effective tax rate	0.0	%	0.0	%	0.0	%

There are no unrecognized tax benefits as of December 2015, 2014 and 2013, nor are there any tax positions where it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within the 12 months following December 31, 2015.

As of December 31, 2015, due to the carryforward of unutilized net operating losses and research and development credits, the Company is subject to U.S. Federal and state income tax examinations for the tax years 1995 through 2015, and to state income tax examinations for the tax years 1995 through 2015. There were no interest or penalties related to income taxes that have been accrued or recognized as of and for the years ended December 31, 2015, 2014 and 2013.

Table of Contents

EXACT SCIENCES CORPORATION

Notes to Consolidated Financial Statements (Continued)

(16) QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following table sets forth unaudited quarterly statement of operations data for each of the eight quarters ended December 31, 2015 and 2014. In the opinion of management, this information has been prepared on the same basis as the audited consolidated financial statements appearing elsewhere in this Form 10 K, and all necessary adjustments, consisting only of normal recurring adjustments, have been included in the amounts stated below to present fairly the unaudited quarterly results of operations. The quarterly data should be read in conjunction with our audited consolidated financial statements and the notes to the consolidated financial statements appearing elsewhere in this Form 10 K.

	Quarter Ended			
	March 31,	June 30,	September 30,	December 31,
	(Amounts in thousands, except per share data)			
2015				
Laboratory service revenue	\$ 4,266	\$ 8,119	\$ 12,632	\$ 14,420
Cost of revenue	4,212	5,094	7,528	7,667
Gross profit	54	3,025	5,104	6,753
Research and development	6,571	8,115	9,863	9,365
General and administrative	12,971	13,683	15,432	15,864
Sales and marketing	16,524	20,593	23,079	21,944
Loss from operations	(36,012)	(39,366)	(43,270)	(40,420)
Investment income	222	193	365	491
Interest income (expense)	(11)	107	(40)	(62)
Net loss	\$ (35,801)	\$ (39,066)	\$ (42,945)	\$ (39,991)
Net loss per share—basic and diluted	\$ (0.40)	\$ (0.44)	\$ (0.45)	\$ (0.41)
Weighted average common shares outstanding—basic and diluted	88,662	88,919	94,444	96,404
2014				
Laboratory service revenue	\$ —	\$ —	\$ —	\$ 1,504
License fee revenue	\$ 294	\$ —	\$ —	\$ —
Cost of revenue	—	—	924	3,401
Gross profit	294	—	(924)	(1,897)
Research and development	7,430	7,174	9,073	4,992
General and administrative	4,586	6,230	8,994	10,625
Sales and marketing	4,456	6,166	13,217	15,069
Loss from operations	(16,178)	(19,570)	(32,208)	(32,583)
Investment income	86	146	160	150
Interest expense	(15)	(13)	(12)	(11)
Net loss	\$ (16,107)	\$ (19,437)	\$ (32,060)	\$ (32,444)
Net loss per share—basic and diluted	\$ (0.23)	\$ (0.24)	\$ (0.39)	\$ (0.38)

Weighted average common shares outstanding—basic and diluted	70,987	82,048	82,941	84,734
---	--------	--------	--------	--------

Table of Contents

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no disagreements with accountants on accounting or financial disclosure matters.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures.

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934 (the “Exchange Act”), our management, including our principal executive officer and principal financial officer, conducted an evaluation as of the end of the period covered by this report, of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act. Based on that evaluation, our principal executive officer and principal financial officer have concluded that these disclosure controls and procedures were effective as of December 31, 2015 to provide reasonable assurance that information required to be disclosed by us in reports that we file under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in Securities and Exchange Commission rules and forms and that material information relating to the Company is accumulated and communicated to management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) under the Exchange Act during the quarter ended December 31, 2015, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management’s Report on Internal Control over Financial Reporting.

Management of the Company is responsible for establishing and maintaining effective internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. The Company’s internal control over financial reporting is designed to provide reasonable assurance to the Company’s management and board of directors regarding the preparation and fair presentation of published financial statements in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2015. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013). Based on our assessment, we concluded that, as of December 31, 2015, our internal control over financial reporting was effective based on those criteria.

Our independent registered public accounting firm, BDO USA, LLP, has issued an audit report on the effectiveness of our internal control over financial reporting as of December 31, 2015, which is included herein.

Item 9B. Other Information

William J. Megan, our Senior Vice President, Finance, is expected to terminate his employment with us on February 29, 2016. In connection with his termination, we expect to enter into a separation agreement and general release with Mr. Megan (the “Separation Agreement”). Under the Separation Agreement, Mr. Megan will receive (1) severance payments equal to 12 months of his current annual base salary and (2) continuation of group health benefits through no later than February 29, 2017. Further, pursuant to the agreement, 22,650 restricted stock units and 7,150 incentive stock options which were previously granted to Mr. Megan will vest upon the execution of the agreement. Mr. Megan is forfeiting all other equity awards.

83

Table of Contents

In partial consideration for the benefits provided under the Severance Agreement, Mr. Megan agreed to provide us, through August 30, 2016, consulting services in connection with any transition issues, business, needs, litigation, or investigation relating to our business.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required under this item is incorporated by reference to the following sections of our proxy statement for our 2015 Annual Meeting of Stockholders: “Information Concerning Directors and Nominees for Director,” “Information Concerning Executive Officers,” “Section 16(a) Beneficial Ownership Reporting Compliance,” “Corporate Governance Principles and Board Matters,” and “The Board of Directors and Its Committees.”

Item 11. Executive Compensation

The information required under this item is incorporated by reference to the following sections of our proxy statement for our 2015 Annual Meeting of Stockholders: “Compensation and Other Information Concerning Directors and Officers,” “The Board of Directors and Its Committees,” and “Report of The Compensation Committee.”

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required under this item is incorporated by reference to the following sections of our proxy statement for our 2015 Annual Meeting of Stockholders: “Equity Compensation Plan Information” and “Securities Ownership of Certain Beneficial Owners and Management.”

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required under this item is incorporated by reference to the following sections of our proxy statement for our 2015 Annual Meeting of Stockholders: “Certain Relationships and Related Transactions” and “Corporate Governance Principles and Board Matters.”

Item 14. Principal Accountant Fees and Services

The information required under this item is incorporated by reference to the following sections of our proxy statement for our 2015 Annual Meeting of Stockholders: “Independent Registered Public Accounting Firm” and “Pre Approval Policies and Procedures.”

PART IV

Item 15. Exhibits and Financial Statement Schedules

- (a) The following documents are filed as part of this Form 10 K:
- (1) Financial Statements (see “Consolidated Financial Statements and Supplementary Data” at Item 8 and incorporated herein by reference).
 - (2) Financial Statement Schedules (Schedules to the Financial Statements have been omitted because the information required to be set forth therein is not applicable or is shown in the accompanying Financial Statements or notes thereto).
 - (3) Exhibits (The exhibits required to be filed as a part of this Report are listed in the Exhibit Index).

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EXACT SCIENCES CORPORATION

Date: February 24, 2016 By: /s/ Kevin T. Conroy

Kevin T. Conroy
President & Chief Executive Officer

POWER OF ATTORNEY AND SIGNATURES

We, the undersigned officers and directors of Exact Sciences Corporation, hereby severally constitute and appoint Kevin T. Conroy our true and lawful attorney, with full power to him to sign for us and in our names in the capacities indicated below, any amendments to this Annual Report on Form 10 K, and generally to do all things in our names and on our behalf in such capacities to enable Exact Sciences Corporation to comply with the provisions of the Securities Exchange Act of 1934, as amended, and all the requirements of the Securities Exchange Commission.

Pursuant to the requirements of the Securities and Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Kevin T. Conroy	President and Chief Executive Officer (Principal Executive Officer) and Chairman of the Board	February 24, 2016
/s/ Maneesh K. Arora	Senior Vice President and Chief Operating Officer and Director	February 24, 2016

Chief
 Financial
 /s/ John K. Officer
 Bakewell (Principal
 Financial February 24,
 John K. Officer and 2016
 Bakewell Principal
 Accounting
 Officer)

/s/ Thomas
 D. Carey Director February 24,
 Thomas D. 2016
 Carey

/s/ James
 E. Doyle Director February 24,
 James E. 2016
 Doyle

/s/ John A.
 Fallon M.D Director February 24,
 John A. 2016
 Fallon

/s/ Daniel
 J. Levangie Director February 24,
 Daniel J. 2016
 Levangie

/s/
 Katherine
 Napier Director February 24,
 Katherine 2016
 Napier

/s/ Lionel
 Sterling Director February 24,
 Lionel 2016
 Sterling

/s/ David Lead February
 Thompson Independent 24, 2016
 Director

David
Thompson

/s/ Michael
S. Wyzga

Director February
Michael S. 24, 2016
Wyzga

Table of Contents

Exhibit Index to Annual Report on Form 10-K

Exhibit Number	Description
3.1	Sixth Amended and Restated Certificate of Incorporation of the Registrant (previously filed as Exhibit 3.3 to the Registrant's Registration Statement on Form S-1 (File No. 333-48812) and incorporated herein by reference)
3.2	First Amendment to Sixth Amended and Restated Certificate of Incorporation of the Registrant (previously filed as Appendix A to the Definitive Proxy Statement for the Registrant's 2014 Annual Meeting of Stockholders filed on June 20, 2014 and incorporated herein by reference)
3.3	Second Amended and Restated By-Laws of the Registrant (previously filed as Exhibit 3.3 to the Registrant's Report on Form 10-Q for the period ended September 30, 2015 and incorporated herein by reference)
3.4	Certificate of Designations of Series A Junior Participating Preferred Stock of the Registrant (previously filed as Exhibit 3.1 to the Registrant's Registration Statement on Form 8-A filed on February 23, 2011 and incorporated herein by reference)
4.1	Specimen certificate representing the Registrant's Common Stock (previously filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-48812) and incorporated herein by reference)
4.4	Rights Agreement, dated February 22, 2011, by and between the Registrant and American Stock Transfer & Trust Company, LLC (previously filed as Exhibit 4.1 to the Registrant's Registration Statement on Form 8-A filed on February 23, 2011 and incorporated herein by reference)
10.1*	2000 Stock Option and Incentive Plan (previously filed as Exhibit 10.2 to the Registrant's Annual Report on Form 10-K filed for the period ended December 31, 2008 and incorporated herein by reference)
10.2*	2000 Stock Option and Incentive Plan Form of Restricted Stock Award Agreement (previously filed as Exhibit 10.29 to the Registrant's Annual Report on Form 10-K for the period ended December 31, 2007 and incorporated herein by reference)
10.3**	Collaboration, License and Purchase Agreement dated January 27, 2009 by and between the Registrant and Genzyme Corporation (previously filed as Exhibit 10.1 to the Registrant's Report on Form 8-K filed on January 28, 2009 and incorporated herein by reference)
10.4*	Employment Agreement dated March 18, 2009 by and between Kevin T. Conroy and the Registrant (previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on March 18, 2009 and incorporated herein by reference)
10.5*	Employment Agreement dated March 18, 2009 by and between Maneesh Arora and the Registrant (previously filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on March 18, 2009 and incorporated herein by reference)
10.6*+	Employment Agreement dated January 1, 2016 by and between John Bakewell and the Registrant
10.7*+	Employment Agreement dated October 30, 2015 by and between Scott Coward and the Registrant
10.8*	Employment Agreement dated August 1, 2009 by and between Graham Lidgard and the Registrant (previously filed as Exhibit 10 to the Registrant's Current Report on Form 10-Q for the period ended September 30, 2009 and incorporated herein by reference)
10.9**	Technology License Agreement by and among Hologic, Inc., Third Wave Technologies, Inc., and the Registrant, dated as of October 14, 2009 (previously filed as Exhibit 10.39 to the Registrant's Annual Report on Form 10-K filed for the period ended December 31, 2009 and incorporated herein by reference)
10.10	Loan Agreement, dated November 10, 2009, by and between the Wisconsin Department of Commerce and the Registrant (previously filed as Exhibit 10.40 to the Registrant's Annual Report on Form 10-K filed

- for the period ended December 31, 2009 and incorporated herein by reference)
- 10.11 Lease Agreement, dated November 1, 2009, by and between University Research Park Incorporated and the Registrant (previously filed as Exhibit 10.41 to the Registrant's Annual Report on Form 10-K filed for the period ended December 31, 2009 and incorporated herein by reference)
- 10.12* The Registrant's 2010 Omnibus Long Term Incentive Plan, as amended and restated effective April 28, 2015 (previously filed as Appendix A to the Definitive Proxy Statement for the Registrant's 2015 Annual Meeting of Stockholders filed on April 30, 2015 and incorporated herein by reference)
- 10.13* The Registrant's 2010 Employee Stock Purchase Plan (previously filed as Appendix B to the Definitive Proxy Statement for the Registrant's 2010 Annual Meeting of Stockholders filed on April 30, 2010 and incorporated herein by reference)
- 10.14* First Amendment to the Registrant's 2010 Employee Stock Purchase Plan (previously filed as Appendix A to the Definitive Proxy Statement for the Registrant's 2014 Annual Meeting of Stockholders filed of June 20, 2014, and incorporated herein by reference)
- 10.15* 2010 Omnibus Long Term Incentive Plan Form Stock Option Award Agreement, as amended and restated effective April 28, 2015 (previously filed as Exhibit 4.7 to the Registrant's Registration Statement on Form S-8 (File No. 333-207703) and incorporated herein by reference)
- 10.16* 2010 Omnibus Long Term Incentive Plan Form Restricted Stock Award Agreement, as amended and restated effective April 28, 2015 (previously filed as Exhibit 4.6 to the Registrant's Registration Statement on Form S-8 (File No. 333-207703) and incorporated herein by reference)

Table of Contents

Exhibit Number	Description
10.17*	2010 Omnibus Long Term Incentive Plan Form Restricted Stock Unit Award Agreement, as amended and restated effective April 28, 2015 (previously filed as Exhibit 4.5 to the Registrant's Registration Statement on S 8 (File No. 333 207703) and incorporated herein by reference)
10.18*	2015 Inducement Award Plan (previously filed as Exhibit 4.8 to the Registrant's Registration Statement on Form S 8 (File No. 333 207703) and incorporated herein by reference)
10.19*	2015 Inducement Award Plan Form Restricted Stock Unit Award Agreement (previously filed as Exhibit 4.9 to the Registrant's Registration Statement on Form S 8 (File No. 333 207703) and incorporated herein by reference)
10.20*	Amended and Restated License Agreement between the Registrant and MAYO Foundation for Medical Education and Research (previously filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2015 and incorporated herein by reference)
10.21**	Amendment dated December 7, 2012 to Technology License Agreement dated October 14, 2009 by and between Hologic, Inc., Third Wave Technologies, Inc., and the Registrant (previously filed as Exhibit 10.37 to the Registrant's Annual Report on Form 10 K for the period ended December 31, 2012 and incorporated herein by reference)
10.22*	Employment Agreement by and between William J. Megan and the Registrant, dated as of November 10, 2014 (previously filed as Exhibit 10.20 to the Registrant's Annual Report on Form 10-K filed for the period ending December 31, 2014 and incorporated herein by reference)
10.23*	Non Employee Director Compensation Policy dated April 28, 2015 (previously filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10 Q for the period ended June 30, 2015 and incorporated herein by reference)
10.24	Lease Agreement dated June 25, 2013 by and between Tech Building I, LLC and Exact Sciences Laboratories, Inc. (previously filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10 Q for the period ended June 30, 2013 and incorporated herein by reference)
10.25**	License Agreement dated July 26, 2010 by and between MDx Health S.A. and the Registrant (previously filed as Exhibit 10.25 to the Registrant's Annual Report on Form 10-K for the period ended December 31, 2013 and incorporated herein by reference)
10.26**	Addendum dated May 6, 2011 to License Agreement dated July 26, 2010 by and between MDx Health S.A. and the Registrant (previously filed as Exhibit 10.26 to the Registrant's Annual Report on Form 10-K for the period ended December 31, 2013 and incorporated herein by reference)
10.27	Amendment One to Lease dated November 1, 2010 by and between University Research Park Incorporated and the Registrant (previously filed as Exhibit 10.27 to the Registrant's Annual Report on Form 10-K for the period ended December 31, 2014 and incorporated herein by reference).
10.28	Lease Agreement dated April 16, 2014 by and between Ultratec, Inc. and the Registrant (previously filed as Exhibit 10.28 to the Registrant's Annual Report on Form 10-K for the period ended December 31, 2014 and incorporated herein by reference)
10.29	First Amendment to Lease dated September 26, 2014 by and between Ultratec, Inc. and the Registrant (previously filed as Exhibit 10.29 to the Registrant's Annual Report on Form 10-K for the period ended December 31, 2014 and incorporated herein by reference)
21+	Subsidiaries of the Registrant
23.1+	Consent of BDO USA, LLP
24.1	Power of Attorney (included on signature page)
31.1+	Certification Pursuant to Rule 13a 14(a) or Rule 15d 14(a) of the Securities Exchange Act of 1934
31.2+	Certification Pursuant to Rule 13a 14(a) or Rule 15d 14(a) of the Securities Exchange Act of 1934
32+	Certification Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes Oxley Act of 2002

101 Interactive Data Files

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

**Confidential Treatment requested for certain portions of this Agreement.

+Filed herewith.

87
