FOUNDATION MEDICINE, INC.

FORM 8-K
(Current report filing)

Filed 08/01/17 for the Period Ending 07/31/17

Address	150 SECOND STREET CAMBRIDGE, MA 02141
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Industry	Biotechnology & Medical Research
Sector	Healthcare
Fiscal Year	12/31

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): July 31, 2017

Foundation Medicine, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**001-36086**	**27-1316416**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

150 Second Street Cambridge, MA	**02141**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code (617) 418-2200

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☒

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

Item 1.01. Entry into a Material Definitive Agreement.

On July 31, 2017, Foundation Medicine, Inc. (the "Company") entered into an Amendment Letter Agreement (the "Amendment") with Roche Finance Ltd ("Roche"), amending the Credit Facility Agreement, dated August 2, 2016, between the Company and Roche (the "Existing Credit Facility" and as amended by the Amendment, the "Roche Credit Facility"). The effectiveness of the Amendment is subject to certain customary closing conditions. Roche is an affiliate of Roche Holdings, Inc., the Company's majority stockholder.

The Amendment amends certain provisions of the Existing Credit Facility to provide for an extension of the period during which the Company may borrow funds from three to four years, ending August 2, 2020 (the "Draw Period"), and an increase in the available funds from $100 million to $200 million, of which $80 million is available immediately, $70 million will be available upon the achievement of certain milestones, and $50 million will be available upon the achievement of certain additional milestones. Pursuant to the Amendment, loans made under the Roche Credit Facility will bear interest at 6.5% per annum, as compared to 5% under the Existing Credit Facility. The Company shall pay Roche quarterly during the Draw Period and for six months thereafter accrued interest on the outstanding principal of the loans. Beginning six months after the Draw Period and for five years thereafter, the Company shall pay Roche quarterly equal payments of principal, with accrued interest, in arrears until maturity of the Roche Credit Facility on February 02, 2026 (the "Final Maturity Date"). The Company shall also pay Roche a quarterly commitment fee of 0.4% per annum on the available commitment until the end of the Draw Period, as compared to 0.3% under the Existing Credit Facility. In addition, the prepayment fees and schedules were revised to be 4% of the prepaid amount during the Draw Period, 3% for the next 30 months, 2% for the next 12 months, 1% for the next 12 months, and no prepayment penalty during the last 12 months immediately prior to the Final Maturity Date. The other provisions of the Existing Credit Facility remain substantially unchanged.

The Roche Credit Facility is secured by a lien on all of the Company's tangible and intangible personal property, including, but not limited to, shares of its subsidiaries (65% of the equity interests in the case of foreign subsidiaries), intellectual property, insurance, trade and intercompany receivables, inventory and equipment and contract rights, and all proceeds and products thereof (other than certain excluded assets).

The Roche Credit Facility contains certain affirmative covenants, including, among others, obligations for the Company to provide monthly and annual financial statements, to meet specified minimum cash requirements, to provide tax gross-up and indemnification protection, and to comply with laws. The Roche Credit Facility also contains certain negative covenants, including, among others, restrictions on the Company's ability to dispose of certain assets, to acquire another company or business, to encumber or permit liens on certain assets, to incur additional indebtedness (subject to customary exceptions) and to pay dividends on the Company's common stock.

The Roche Credit Facility also provides for a number of events of default, including, among others, defaults due to non-payment, bankruptcy, failure to comply with covenants, breaches of a representation and warranty, change of control, or material adverse effect and judgment defaults. The Roche Credit Facility is governed under the laws of Switzerland.

The foregoing summary of the Roche Credit Facility does not purport to be complete and is qualified in its entirety by reference to the full text of the Amendment, which is attached to this Current Report on Form 8-K as Exhibit 10.1 and incorporated herein by reference, and by reference to the full text of the Credit Facility Agreement, dated as of August 2, 2016, by and between the Company and Roche, which was attached as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on August 2, 2016.

Item 2.02. Results of Operations and Financial Condition.

On August 1, 2017, Foundation Medicine, Inc. issued a press release announcing its financial and operating results for the quarter ended June 30, 2017. A copy of the press release is being furnished as Exhibit 99.1 to this Report on Form 8-K.

The information in this Report on Form 8-K and Exhibit 99.1 attached hereto is intended to be furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The discussion in Item 1.01 of this Current Report on Form 8-K regarding the Roche Credit Facility is hereby incorporated in its entirety into this Item 2.03 by reference.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
10.1	Amendment Letter Agreement, dated as of July 31, 2017, by and between Foundation Medicine, Inc. and Roche Finance Ltd.
99.1	Press release issued by Foundation Medicine, Inc. dated August 1, 2017, furnished hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 1, 2017

FOUNDATION MEDICINE, INC.

By: /s/ Robert W. Hesslein
Robert W. Hesslein
Senior Vice President and General Counsel

EXHIBIT INDEX

Exhibit No.	Description
10.1	Amendment Letter Agreement, dated as of July 31, 2017, by and between Foundation Medicine, Inc. and Roche Finance Ltd.
99.1	Press release issued by Foundation Medicine, Inc. dated August 1, 2017, furnished hereto.

Exhibit 10.1

Foundation Medicine, Inc.
150 Second Street
Cambridge, MA 02141
USA

July 31, 2017

Amendment Letter Agreement (the "Amendment Letter Agreement")

Ladies and Gentlemen,

Reference is made to the Credit Facility Agreement, dated August 02, 2016 (the "Credit Agreement") and the Side Letter Agreement, dated August 02, 2016 (the "Side Letter Agreement "), each by and among Foundation Medicine, Inc., a Delaware corporation (the "Borrower"), and Roche Finance Ltd, a corporation incorporated and organized under the laws of Switzerland (the "Lender"). Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the Credit Agreement.

The Borrower and the Lender (together the "Parties", each a "Party") intend, with effect as of the Effective Time, to amend the Credit Agreement as set forth herein. For the purpose of this Amendment Letter Agreement, "Effective Time" means the Business Day on which the Lender confirms to the Borrower that the conditions precedent referred to in Schedule 1 (Conditions Precedent) of this Amendment Letter Agreement have been satisfied or waived.

The Borrower and the Lender hereby agree as follows:

1. Amendments to Credit Agreement

1.1 With effect as of the Effective Time, the existing definition of "Agreement" shall be replaced in its entirety with the following new definition:

" **Agreement** means this USD 200,000,000 credit facility agreement, as amended, amended and restated, supplemented or otherwise modified from time to time, between FMI as Borrower and Roche Finance as Lender as well as any other person becoming a Party hereto."

1.2 With effect as of the Effective Time, the following new definition of "Amendment Letter Agreement" shall be inserted after the definition of "Agreement":

" **Amendment Letter Agreement** means that certain Amendment Letter Agreement dated July 31, 2017, by and between Borrower and Lender."

Roche Finance Ltd Grenzacherstrasse 122
CH-4058 Basel

1.3 With effect as of the Effective Time, the existing definition of "Drawdown Period" shall be replaced in its entirety with the following new definition:

" **Drawdown Period** means the period from and including the date of this Agreement to and including August 02, 2020."

1.4 With effect as of the Effective Time, the existing definition of "Facility" shall be replaced in its entirety with the following new definition:

" **Facility** means the USD credit facility as described in Clause 3 (Facility), consisting of the First Tranche, the Second Tranche and the Third Tranche."

1.5 With effect as of the Effective Time, the existing definition of "Final Maturity Date" shall be replaced in its entirety with the following new definition:

" **Final Maturity Date** means February 02, 2026."

1.6 With effect as of the Effective Time, the existing definition of "Prepayment Fee" shall be replaced in its entirety with the following new definition:

" **Prepayment Fee** means

a) during the Drawdown Period: 4% (four percent) on the prepaid amount;

b) within 30 months after the end of the Drawdown Period: 3% (three per cent) on the prepaid amount;

c) 30 months to 42 months after the end of the Drawdown Period: 2% (two per cent) on the prepaid amount;

d) 42 months to 54 months after the end of the Drawdown Period: 1% (one per cent) on the prepaid amount; and

e) 54 months to 66 months after the end of the Drawdown Period: 0% (zero per cent) on the prepaid amount."

1.7 With effect as of the Effective Time, the existing definition of "Second Tranche Milestone" shall be replaced in its entirety with the following new definition:

" **Second Tranche Milestone** means (a) $150 million of trailing 12 month Adjusted Revenue or (b) (i) $115 million of trailing 12 month Adjusted Revenue and (ii) at any time prior to end of such 12 month period the approval by the US. Food and Drug Administration (FDA) of Borrower's FoundationOne comprehensive genomic profiling assay."

1.8 With effect as of the Effective Time, the following new definition of "Third Tranche Milestones" shall be inserted after the existing definition of "Tax Sharing Agreement":

" **Third Tranche Milestone** means (a) $175 million of trailing 12 month Adjusted Revenue or (b) (i) $155 million of trailing 12 month Adjusted Revenue and (ii) at any time prior to end of

such 12 month period the issuance by the Centers for Medicare Services (CMS) of a national coverage determination, indicating coverage for a minimum of three tumor types, for Borrower‘s FoundationOne comprehensive genomic profiling assay.”

1.9 With effect as of the Effective Time, the existing definition of “Total Commitment” shall be replaced in its entirety with the following new definition:

“ **Total Commitment** means the aggregate of the Commitment, being USD 200,000,000, at the Effective Time of the Amendment Letter Agreement and consisting of the First Tranche, the Second Trance and the Third Tranche.”

1.10 With effect as of the Effective Time, the existing definition of “Tranche” shall be replaced in its entirety with the following new definition:

“ **Tranche** means the First Tranche, the Second Tranche and the Third Tranche.”

1.11 With effect as of the Effective Time, the existing Clause 3.3 (Second Tranche) shall be replaced in its entirety by the following new Clause:

“Subject to the conditions precedent listed in Schedule 1 Part 2 (*Conditions precedent for the Second Tranche*), the Lender makes available to the Borrower a USD credit facility in an aggregate amount not to exceed USD 70,000,000 (the **Second Tranche**).”

1.12 With effect as of the Effective Time, the following the following new Clause “3.4 (Third Tranche) shall be inserted after Clause “3.3 Second Tranche”:

“3.4 Third Tranche

Subject to the conditions precedent listed in Schedule 1 Part 3 (*Conditions precedent for the Third Tranche*), the Lender makes available to the Borrower a USD credit facility in an aggregate amount not to exceed USD 50,000,000 (the **Third Tranche**).”

1.13 With effect as of the Effective Time, the following new Clause “5.3 (Conditions precedent to Third Tranche)” shall be inserted after the existing Clause “5.2 (Conditions precedent to Second Tranche)”:

“5.3 Conditions precedent to Third Tranche

The Lender shall not be required to make a Loan under the Third Tranche unless the Lender has received all of the documents and other evidence listed on Schedule 1, Part 3, in form and substance satisfactory to the Lender, whereby such documents and evidence shall be delivered at least 10 (ten) Business Days prior to delivery of a Utilisation Request with respect to the Third Tranche.”

1.14 With effect as of the Effective Time, the heading and leading in sentence of the existing Clause "5.3 (Further condition precedent)" shall be amended as follows:

"5.4 Further conditions precedent

Subject to Clause 5.1 (Initial conditions precedent), Clause 5.2 (Conditions precedent to Second Tranche) and Clause 5.3 (Conditions precedent to Third Tranche), in each case, as applicable, the Lender will only be obliged to make available any Loan if on the date of the Utilisation Request and on the proposed Utilisation Date:"

[the remainder of the existing Clause "5.3 (Further conditions precedent)" shall remain unchanged]

1.15 With effect as of the Effective Time, the existing Clause "7 (Repayment)" shall be replaced in its entirety by the following new Clause:

"a) Subject to Clause 8.2 (Mandatory prepayments) and Clause 18.15 (Acceleration), the Borrower shall have no obligation to repay any portion of any outstanding Loan during the Drawdown Period. After the expiration of the Drawdown Period, the Borrower shall repay the Loan Amount of any outstanding Loans through 20 equal instalments, payable in arrears on the last day of each successive period of three months starting six months after the last day of the Drawdown Period (i.e., February 02, 2021), calculated to provide for the complete repayment of the aggregate outstanding Loan Amounts as of the Final Maturity Date.

b) At Final Maturity Date any Unpaid Sum shall be paid in full."

1.16 With effect as of the Effective Time, the existing Clause "9.1 (Commitment fee)" shall be replaced in its entirety by the following new Clause:

"From the Effective Time of the Amendment Letter Agreement, the Borrower shall pay a commitment fee of 0.4% (zero point four per cent) p.a. on the Available Commitment until the end of the Drawdown Period. Such fee is payable in arrears on the last day of each successive period of three months starting from the date of this Agreement."

1.17 With effect as of the Effective Time, the existing Clause "9.2 (Calculation of Interest)" shall be replaced in its entirety by the following new Clause:

"From the Effective Time of the Amendment Letter Agreement, the rate of interest on each Loan for each Interest Period is 6.5% (six point five per cent) p.a. (the **Interest Rate**) and shall be calculated on an actual|360-basis, i.e., the actual number of days elapsed per month against a 360 days-year."

1.18 With effect as of the Effective Time, new "Part 3: Conditions Precedent to Third Tranche" shall be inserted in Schedule 1 after the existing part "Part 2: Condition Precedent to Second Tranche":

"Part 3: Conditions Precedent to Third Tranche

Evidence satisfactory to the Lender that the Borrower has achieved the Third Tranche Milestones."

1.19 With effect as of the Effective Time, the existing Clause 3 in Schedule 2 shall be replaced in its entirety by the following new Clause:

"We confirm that each condition specified in Clause 5.4 (Further conditions precedent) of the Agreement is satisfied on the date of this Utilisation Request."

2. Amendments to Side Letter Agreement

With effect as of the Effective Time, the Side Letter Agreement shall be deleted in its entirety.

3. Representations

The representations set forth in Clause 14 (Representations) of the Credit Agreement shall be made by the Borrower on the date of this Amendment Letter Agreement and the Effective Time by reference to the facts and circumstances then existing.

4. Scope of the Amendments

The Parties agree that (i) the terms and conditions of the Credit Agreement and all other Finance Documents shall remain unchanged and in full force and effect and binding upon the Parties, unless specifically provided for otherwise in this Amendment Letter Agreement, and (ii) all security interests, pledges, mortgages or other liens granted by the Borrower pursuant to the Security Agreements are hereby ratified and confirmed in all respects.

Each Party acknowledges that the term "Credit Agreement" or any equivalent defined term relating to the Credit Agreement in each Finance Document, with effect from the date of this Amendment Letter Agreement, refers to the Credit Agreement as amended by this Amendment Letter Agreement.

5. Designation

The Parties designate this Amendment Letter Agreement as a Finance Document.

6. Transaction Expenses

The Borrower shall promptly on demand pay the Lender the amount of all documented out-of-pocket costs and external expenses (including documented legal fees) reasonably incurred for services rendered by third parties in connection with the negotiation, preparation, printing and execution of this Amendment Letter Agreement and any other documents referred to in this Agreement.

7. Governing Law and Jurisdiction

This Amendment Letter Agreement shall be governed by and construed in accordance with the substantive laws of Switzerland.

Place of performance as well as the exclusive place of jurisdiction for any disputes arising out of or in connection with this Amendment Letter Agreement shall be the City of Zurich.

[*Signature page follows*]

Sincerely,

Roche Finance Ltd as Lender

/s/ Beat Krähenmann
Name: Beat Krähenmann
Title: Authorized Signatory

/s/ Andreas Knierzinger
Name: Andreas Knierzinger
Title: Authorized Signatory

Confirmed, accepted and agreed:

Foundation Medicine , Inc. as Borrower

/s/ Troy Cox
Name: Troy Cox
Title: Chief Executive Officer

SCHEDULE 1
CONDITIONS PRECEDENT

1. Corporate documents

(a) A copy of the up-to-date constitutional documents of the Borrower;

(b) A copy of a resolution of the board of directors of the Borrower:

(i) inter alia, approving the terms of, and the transactions contemplated by, the Amendment Letter Agreement, and if necessary, any security confirmation agreement, resolving that it executes and delivers and performs its obligations under the Amendment Letter Agreement and if necessary, any security confirmation agreement;

(ii) authorizing a specified person or persons to execute the Amendment Letter Agreement and, if necessary, any security confirmation agreement, on its behalf; and

(iii) authorizing a specified person or persons, on its behalf, to sign and/or dispatch all documents and notices to be signed and/or dispatched by it under or in connection with the Amendment Letter Agreement and if necessary, security confirmation agreement.

(c) A certificate of the Borrower, signed by an authorized signatory of the Borrower:

(i) containing a specimen signature of each person authorized to execute the Amendment Letter Agreement and if necessary, any security confirmation agreement, or any document or notice in connection there with on behalf of the Borrower;

(ii) confirming that each of the representation and warranties in accordance with Clause 14 (Representations) are true, correct, accurate, complete and not misleading as of the date they are given according to the facts and circumstances then existing on those dates;

(iii) confirming that no material adverse change in the financial or business condition of the Borrower and the FMI Group taken as a whole has occurred since the most recent audited financial statements of the Borrower and/or FMI Group; and

(iv) confirming that each copy document delivered pursuant to 6(a) and (b) above is complete and in full force and effect.

2. Finance Documents

A copy of this Amendment Letter Agreement, duly executed by the Borrower.

3. Other Documents and Evidence

Evidence satisfactory to the Lender that (i) the Borrower and each Subsidiary granting Security under a Security Agreement continue to be bound by the obligations as set out in the Security Agreements to which they are a party following the Effective Time and (ii) the Security interests granted under each Security Agreement (x) are and continue to be in full force and effect after the Effective Time and (y) extend to and continue to secure all obligations of the Borrower under the Finance Documents (including the Credit Agreement, as amended by this Amendment Letter Agreement).

Exhibit 99.1

NEWS RELEASE

Foundation Medicine Announces 2017 Second Quarter Results and Recent Highlights

CAMBRIDGE, Mass. – August 1, 2017 - Foundation Medicine, Inc. (NASDAQ:FMI) today reported financial and operating results for its second quarter ended June 30, 2017. Results and business highlights for the quarter included:

- Achieved second quarter revenue of $35.0 million, 24% year-over-year growth;
- Reported 15,924 clinical tests in the second quarter, 55% year-over-year growth;
- Submitted the final module to the FDA in June for FoundationOne CDx™ as part of the Parallel Review process with FDA and CMS;
- Presented new data at the 2017 annual meeting of the American Society of Clinical Oncology (ASCO) which continues to validate the clinical utility of Comprehensive Genomic Profiling (CGP) in guiding treatment towards targeted therapy, immunotherapy and clinical trials;
- Announced a collaboration with ASCO to identify patients for its Targeted Agent and Profiling Utilization Registry (TAPUR) study;
- Announced a collaboration with the National Cancer Institute (NCI) and ECOG-ACRIN Cancer Research Group to identify patients for NCI-Match (Molecular Analysis for Therapy Choice) study; and,
- Published 29 manuscripts in high-quality, peer-reviewed journals and delivered 49 podium and poster talks at various medical and scientific meetings.

“Foundation Medicine delivered a strong second quarter, highlighted by record clinical volume and total revenue, increased adoption of our molecular information solutions by both clinicians and biopharma partners, and importantly, improved cancer care for the patients we serve,” said Troy Cox, chief executive officer of Foundation Medicine. “In addition, we advanced the parallel review with FDA and CMS for FoundationOne CDx with the submission of our final module to the FDA in June, a significant milestone in the process. If approved, FoundationOne CDx would become the first pan-cancer universal companion diagnostic, a highly differentiated and valuable solution for patients, oncologists and biopharma partners.”

Foundation Medicine reported total revenue of $35.0 million in the second quarter of 2017, compared to $28.2 million in the second quarter of 2016. Revenue from biopharmaceutical customers was $22.1 million in the second quarter of 2017, compared to $18.9 million in the second quarter of 2016. The results of 4,762 tests were reported to biopharmaceutical customers in this year’s second quarter.

Revenue from clinical testing in the second quarter of 2017 was $12.9 million, compared to $9.4 million in the second quarter of 2016. The company reported 15,924 tests to clinicians in the second quarter of 2017, a 55% increase from the same quarter last year. This number includes 12,442 FoundationOne ® tests, 1,608 FoundationOne ® Heme tests, 1,594 FoundationACT ® tests, and 280 FoundationFocus ™ CDx *BRCA* tests.

Total operating expenses for the second quarter of 2017 were approximately $57.7 million, compared with $45.5 million for the second quarter of 2016. The increase in operating

expenses was partially driven by investments in the company's universal companion diagnostic assay, certain non-recurring cash and non-cash expenses, and investments in the company's technology infrastructure. Net loss was approximately $44.3 million in the second quarter of 2017, or a $1.24 loss per share. At June 30, 2017, the company held approximately $71.5 million in cash, cash equivalents and marketable securities.

The company will now be reporting revenue in two components: Molecular Information Services and Pharma Research and Development Services. Molecular Information Services is revenue derived from commercially available platforms and services such as sample profiling, data access and SmartTrials, and includes revenue from both clinical and biopharma customers. Pharma Research and Development Services is revenue derived from work funded primarily by biopharma partners to develop new assays and other services. This new disclosure is intended to provide additional information related to the revenue and cost of revenue specifically related to the company's commercially available platforms and services. During the second quarter, Molecular Information Services revenue was $30.3 million, including $12.9 million in revenue generated from our clinical customers, and $17.4 million in revenue generated from our biopharma customers. Pharma Research and Development Services revenue was $4.7 million.

On July 31 st , Foundation Medicine entered into an agreement to expand its credit facility with Roche Finance from $100 million to $200 million. Any outstanding balance of the credit facility will convert to a term loan payable over a five-year period beginning on February 2, 2021. No funds were drawn under the credit facility at the time of the expansion. The company intends to use the proceeds to further fund product development, commercialization, corporate development initiatives and working capital.

2017 Outlook

Foundation Medicine's business and financial outlook for 2017 is the following:

- The company expects 2017 revenue will be in the range of $135 million to $145 million.
- The company is increasing clinical volume guidance and now expects to deliver between 61,000 and 64,000 clinical tests in 2017.
- The company is increasing operating expenses and now expects they will be in the range of $215 million and $225 million.
- The company expects to advance its pan-cancer universal companion diagnostic assay, FoundationOne CDx, through the FDA and CMS Parallel Review process with a decision anticipated in the fourth quarter of 2017.
- The company expects to continue reimbursement progress made in 2016 and pursue additional coverage decisions for its CGP assays.

Conference Call and Webcast Details

The company will conduct a conference call today, Tuesday, August 1st at 4:30 p.m. Eastern Time to discuss its financial performance for the 2017 second quarter and other business activities, including matters related to future performance. To access the conference call via phone, dial 1-877-270-2148 from the United States or dial 1-412-902-6510 internationally. Dial in approximately ten minutes prior to the start of the call. The live, listen-only webcast of the conference call may be accessed by visiting the investors section of the company's website

at investors.foundationmedicine.com . A replay of the webcast will be available shortly after the conclusion of the call and will be archived on the company's website for two weeks following the call.

About Foundation Medicine

Foundation Medicine (NASDAQ:FMI) is a molecular information company dedicated to a transformation in cancer care in which treatment is informed by a deep understanding of the genomic changes that contribute to each patient's unique cancer. The company offers a full suite of comprehensive genomic profiling assays to identify the molecular alterations in a patient's cancer and match them with relevant targeted therapies, immunotherapies and clinical trials. Foundation Medicine's molecular information platform aims to improve day-to-day care for patients by serving the needs of clinicians, academic researchers and drug developers to help advance the science of molecular medicine in cancer. For more information, please visit http://www.FoundationMedicine.com or follow Foundation Medicine on Twitter (@FoundationATCG).

Cautionary Note Regarding Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including, but not limited to, statements regarding the value of the company's business; the benefits of our products to physicians, biopharmaceutical companies, payers and patients in the treatment of cancer and personalized cancer care; the company's financial and operational forecasts, including projections regarding the generation of revenue, the number of tests to be conducted, the incurrence of operating expenses, the timing of product development, and the expansion of reimbursement progress, including any changes to any earlier guidance; the benefits provided by a FDA-approved and CMS-covered FoundationOne CDx and progress with the Parallel Review process with FDA and CMS; the scope and timing of any approval of our universal companion diagnostic assay as a medical device by the FDA and any coverage decision by CMS; strategies for achieving Medicare coverage decisions at the local or national level and new and expanded coverage from third-party payers; and use of any funds from its credit facility. All such forward-looking statements are based on management's current expectations of future events and are subject to a number of risks and uncertainties that could cause actual results to differ materially and adversely from those set forth in or implied by such forward-looking statements. These risks and uncertainties include the risks that the FDA does not approve our universal companion diagnostic assay as a medical device or that CMS does not decide to offer our universal companion diagnostic assay as a covered benefit under Medicare; the FDA or CMS is delayed in the completion of the Parallel Review process; the company's new facilities in North Carolina and Germany do not facilitate the company's ability to achieve it business objectives; the company's distribution partner outside the United States is not able to achieve market penetration in new and existing markets as quickly or as extensively as projected; Foundation Medicine's relationships with third-party or government payers do not increase or expand; Foundation Medicine is unable to sustain or grow relationships with biopharmaceutical partners; the company's revenue, test or operating expense projections may turn out to be inaccurate because of the preliminary nature of the forecasts; the company's expectations and beliefs regarding the future conduct and growth of the company's business are inaccurate; Foundation Medicine is unable to achieve profitability, to compete successfully, to manage its growth, or to develop its molecular information platform; and the

risks described under the caption "Risk Factors" in Foundation Medicine's Annual Report on Form 10-K for the year ended December 31, 2016, which is on file with the Securities and Exchange Commission, as well as other risks detailed in Foundation Medicine's subsequent filings with the Securities and Exchange Commission. All information in this press release is as of the date of the release, and Foundation Medicine undertakes no duty to update this information unless required by law.

Media Contact:
Lee-Ann Murphy, 617-245-3077
pr@foundationmedicine.com

Investor Contact:
Kimberly Brown, 617-418-2215
ir@foundationmedicine.com

- Financial Tables to Follow -

FOUNDATION MEDICINE, INC.
Condensed Consolidated Balance Sheets
(In thousands)
(unaudited)

	June 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 36,532	$ 63,617
Marketable securities	34,985	79,402
Accounts receivable, net	17,727	10,213
Inventory	8,922	10,438
Prepaid expenses and other current assets	5,102	5,251
Total current assets	103,268	168,921
Property and equipment, net	38,713	41,486
Restricted cash	2,305	1,395
Other assets	2,080	2,233
Total assets	$ 146,366	$ 214,035
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 15,175	$ 11,898
Accrued expenses and other current liabilities	25,269	20,578
Deferred revenue	5,668	5,851
Current portion of deferred rent	1,384	2,324
Total current liabilities	47,496	40,651
Other non-current liabilities	9,354	8,538
Total stockholders' equity	89,516	164,846
Total liabilities and stockholders' equity	$ 146,366	$ 214,035

FOUNDATION MEDICINE, INC.
Condensed Consolidated Statements of Operations
(In thousands, except share and per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Molecular information services	$ 30,297	$ 22,683	$ 51,395	$ 42,612
Pharma research and development services	4,707	5,554	9,937	16,003
Total revenue	35,004	28,237	61,332	58,615
Costs and expenses:				
Cost of molecular information services	21,582	11,955	39,599	23,345
Selling and marketing	17,115	14,481	33,551	28,274
General and administrative	17,648	12,503	32,925	21,727
Research and development	22,973	18,500	46,258	31,956
Total costs and expenses	79,318	57,439	152,333	105,302
Loss from operations	(44,314)	(29,202)	(91,001)	(46,687)
Other income:				
Interest income	56	208	146	386
Other income	—	—	144	—
Net loss	$ (44,258)	$ (28,994)	$ (90,711)	$ (46,301)
Net loss per common share applicable to common stockholders, basic and diluted	$ (1.24)	$ (0.84)	$ (2.55)	$ (1.34)
Weighted-average common shares outstanding, basic and diluted	35,660,430	34,613,513	35,544,003	34,575,260