

**THERANOS, INC.**  
**MINUTES OF A MEETING**  
**OF THE BOARD OF DIRECTORS**

**Friday, October 30, 2009**

Pursuant to notice duly given or waived, a regular meeting of the Board of Directors (the “Board”) of Theranos, Inc., a Delaware corporation (the “Company”), was held on Friday, October 30, 2009 beginning at 9:15 a.m. (Pacific Time) at the Company Offices located at 3200 Hillview Avenue, Palo Alto, California. Present at all or parts of the meeting in person were directors Elizabeth Holmes, Donald L. Lucas, Channing Robertson, Robert Shapiro, and T. Peter Thomas. Ms. Holmes was appointed to act as secretary of the meeting.

After stating that a quorum of the Board was present and that the meeting had been duly noticed and convened, Mr. Lucas called the meeting to order.

**Approval of Minutes**

The board reviewed the minutes of the Board meeting held on June 2, 2009, the telephonic Board meeting held on June 26, 2009, the telephonic Board meeting held on June 30, 2009, and the Compensation Committee meeting held on August 12, 2009. After discussion and upon motion duly made and seconded, the following resolutions were adopted by all directors in attendance:

**RESOLVED:** That the minutes of the Board meeting held on June 2, 2009 are hereby approved as presented at the meeting.

**RESOLVED:** That the minutes of the telephonic Board meeting held on June 26, 2009 are hereby approved as presented at the meeting.

**RESOLVED:** That the minutes of the telephonic Board meeting held on June 30, 2009 are hereby approved as presented at the meeting.

**RESOLVED:** That the minutes of the Compensation Committee meeting held on August 12, 2009 are hereby approved as presented at the meeting.

### **Determination of Fair Market Value**

The Board reviewed the fair market value of a share of the Company's common stock. The Company had previously reviewed the independent valuation report by Aranca dated August 13, 2008, analysing the fair market value of a share of the Company's Common Stock pursuant to Section 409A of the Internal Revenue Code (the "**Independent Valuation Report**"). The Board, having considered all available information material to the valuation of the Company's common stock, including the Independent Valuation Report, determined in good faith that the fair market value of one share of the Company's Common Stock was to be \$0.36 as of September 15, 2008 (the "**Valuation Date**"). In considering the current fair market value of the Company's common stock, the Board determined in good faith that no material events affecting the Company have occurred since the Valuation Date. The Board also considered all of the available information it considered to be relevant in valuing the common stock of the Company including, but not limited to, (i) the value of the Company's tangible and intangible assets, (ii) the present value of anticipated future cash flows, (iii) the market value of similar companies engaged in a substantially similar business, particularly those which are at similar stages of development, and (iv) recent arm's length transactions involving the Company's common stock (of which there have been none), and (v) all other factors and considerations the Board deemed relevant. Based on the above considerations, the Board determined that the fair market value of one share of the

Company's common stock remained at \$0.36 per share as of the date of the meeting. The Board agreed to continue reviewing the valuation at each upcoming meeting or upon any material business transactions.

### **Approval of Option Grants and Change of Control Agreements**

The Board reviewed and approved the CEO-approved employee option grants, attached hereto as Exhibit A (the "CEO-Approved Employee Option Grants"). The Board also reviewed and approved the grant of options and the grant of a warrant to purchase shares of common stock (such warrant to be issued pursuant to terms set forth in a line of credit agreement) to the individuals listed on Exhibit B attached hereto in the amounts set forth next to each such individual's name, in each case effective as of the date of the meeting (the option grants on Exhibit B, the "New Option Grants"). The Board then reviewed the revised Change of Control Agreements that were approved by the Compensation Committee during its August 12, 2009 meeting. After further review and discussion, the Board agreed to revisit the revised Change of Control Agreements at the next meeting of the Board.

The CEO-Approved Employee Option Grants and New Option Grants are granted under the Company's Amended and Restated 2004 Stock Plan and subject to a stock option agreement in the form previously approved, are incentive stock options ("ISOs") to the maximum extent permitted by law or nonstatutory stock options ("NSOs") as indicated on Exhibit A and Exhibit B, as applicable, have a maximum term of ten (10) years, are scheduled to vest as set forth in Exhibit A and Exhibit B, as applicable, and otherwise are subject to the standard terms and conditions as set forth in the standard form of stock option agreement (regular, unless early exercise is indicated on Exhibit A

or Exhibit B, as applicable). The CEO-Approved Employee Option Grants and New Option Grants shall have an exercise price per share equal to 100% of the fair market value as of the grant date of the option (as discussed and determined above).

### **Board Updates**

The Board discussed adding a new director to the Board and reviewed several candidates for consideration. After discussion, the Board unanimously agreed to elect Ramesh “Sunny” Balwani as Vice Chairman.

### **Board Compensation**

The Board discussed compensation for board and committee members and chairs. After discussing both cash and equity compensation, the board agreed to consider a Board Compensation matrix as outlined in Exhibit C (the “**Draft Director Compensation Matrix For Consideration**”) for review at the next meeting. The Board further agreed that this matrix, once, approved, would be reviewed annually.

### **Committee Updates**

Ms. Holmes gave a brief update on the proceedings of the most recent Compensation Committee meeting, including the compensation matrix for new hires and employee performance adjustments, the 409A report and timing of next report, and goals and compensation. Ms. Holmes went on to provide an Audit Committee update, confirming that the 2008 Audit report had been issued. The Board discussed revenue recognition and plans for the next Audit Committee meeting and the 2009 Audit. Finally, the Board approved a change in auditors and authorized the CEO to engage KPMG.

### **Organization**

Ms. Holmes updated the Board on the Company's organizational structure and hiring focus areas. The Board then discussed the hires and the company's plans for growth. Questions were asked and a discussion regarding these matters ensued.

### **Product Update**

Ms. Holmes presented updates on Theranos products and provided details about progress against 2009 goals, and product roadmap for Theranos Field Systems and TheranOS. Ms. Holmes went on to discuss progress against operations and manufacturing goals and ongoing plans. Questions were asked and a discussion ensued among the directors regarding this update.

### **Commercial Overview**

Ms. Holmes provided the Board with an overview of the Company's commercial operations. Ms. Holmes outlined performance against goals for Sales and Service and updated the Board on strategy, pricing, growth plans, and success case studies. Questions were asked, and a full discussion ensued.

### **Legal Overview**

Ms. Holmes reviewed with the Board the status of intellectual property filings and issuance, outside counsel, and corporate structure, including the international subsidiary. A discussion ensued among the directors regarding this legal update.

### **Finance Overview**

Ms. Holmes reviewed with the Board the Company's finance operations, including the Company's cash management and planning. Questions were asked, and a full discussion ensued among the directors regarding this finance update.

*Executive Session*

Ms. Holmes excused was excused from the meeting while the remaining directors met in Executive Session, after which Ms. Holmes rejoined the meeting. The Board discussed director option grants.

*Adjournment*

There being no further business to come before the Board, the meeting was duly adjourned.

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Elizabeth Holmes, President

**EXHIBIT A**

**CEO-Approved Employee Option Grants**

Name	Reason for grant	Grant Type*	Vesting Commencement Date	Date of Approval	# of options	Notes
Arvind K. Jammalamadaka	New hire	ISO	8/31/2009	6/17/2009	5,000	(A)
George Welling	New hire	ISO	9/8/2009	8/3/2009	1,000	(A)
Christopher Scannell	New hire	ISO	9/8/2009	8/4/2009	15,000	(A), (B)
Chelsea Burkett	New hire	ISO	9/28/2009	8/3/2009	35,000	(A)
Aria Marinelli	New hire	ISO	9/28/2009	9/2/2009	5,000	(A)
Nahal Gharatti	New hire	ISO	10/7/2009	9/28/2009	500	(A)
So Han (Danise) Yam	Performance	ISO	7/30/2009	10/30/2009	3,500	(A), (B)
Carolyn Balkenhol	Performance	ISO	10/20/2009	10/30/2009	50,000	(A), (B), (C)
* Options designated as ISOs are intended to be ISOs to the maximum extent permitted by applicable U.S. law; the remainder shall be NSOs.						
(A) - Twenty-five percent (25%) of the shares subject to the Option shall vest on the one (1) year anniversary of the Vesting Commencement Date, and one forty-eighth (1/48 <sup>th</sup> ) of the shares subject to the Option shall vest each month thereafter on the same day of the month as the Vesting Commencement Date (and if there is no corresponding day, on the last day of the month), subject to the optionee continuing to be a "Service Provider" (as defined in the Amended and Restated 2004 Stock Plan) through each such date.						
(B) – Includes Early Exercise Provision (this grant only)						
(C) – Pursuant to her offer letter, Ms. Balkenhol was eligible to earn a cash bonus in an amount to be determined by the Company up to a specified limit if certain performance goals were met. The Company did not implement a performance-based bonus program for Ms. Balkenhol and determined Ms. Balkenhol was not entitled to and would not receive such a bonus, and therefore no bonus was earned by Ms. Balkenhol. The Board instead determined to grant this option.						

**EXHIBIT B**

**Option Grants and Warrants for Approval**

**Option Grants for Approval**

<b>Name</b>	<b>Reason for grant</b>	<b>Type of Option<sup>^</sup></b>	<b>Vesting Commencement Date</b>	<b># of Shares subject to Option</b>	<b>Vesting Schedule</b>	<b>Early Exercisable</b>
Ramesh "Sunny" Balwani	New employee	ISO	9/1/2009	277,777	Standard*	Yes
Ramesh "Sunny" Balwani	New employee	NSO	9/1/2009	322,223	Standard*	Yes
Donald L. Lucas	Board options	NSO	1/1/2009	75,000	Standard*	Yes
Pete Thomas	Board options	NSO	1/1/2009	40,000	Standard*	Yes
Robert Shapiro	Board options	NSO	1/1/2009	25,000	Standard*	Yes

<sup>^</sup> Options designated as ISOs are intended to be ISOs to the maximum extent permitted by applicable U.S. law; the remainder shall be NSOs.

\* The "standard" vesting schedule shall be: twenty-five percent (25%) of the shares subject to the Option shall vest on the one (1) year anniversary of the Vesting Commencement Date, and one forty-eighth (1/48<sup>th</sup>) of the shares subject to the Option shall vest each month thereafter on the same day of the month as the Vesting Commencement Date (and if there is no corresponding day, on the last day of the month), subject to Participant continuing to be a "Service Provider" (as defined in the Amended and Restated 2004 Stock Plan) through each such date.

**Warrants for Approval**

<b>Name</b>	<b>Reason</b>	<b>Warrant Price</b>	<b># of Shares subject to Warrant</b>
Ramesh "Sunny" Balwani	8/13/2009 Line of Credit Agreement	\$ 0.36	200,000



## EXHIBIT C

### Draft Director Compensation Matrix For Consideration

#### Annual Equity Compensation

Position	Board/Committee	Type of Option	# of Shares subject to Option	Vesting Schedule	Early Exercisable
Chairman	Board	NSO	50,000	Standard*	Yes
Member	Board	NSO	25,000	Standard*	Yes
Chairman	Audit Committee	NSO	10,000	Standard*	Yes
Chairman	Compensation Committee	NSO	10,000	Standard*	Yes
Chairman	Nomination & Governance Committee	NSO	5,000	Standard*	Yes

\* The "standard" vesting schedule shall be: twenty-five percent (25%) of the shares subject to the Option shall vest on the one (1) year anniversary of the Vesting Commencement Date, and one forty-eighth (1/48<sup>th</sup>) of the shares subject to the Option shall vest each month thereafter on the same day of the month as the Vesting Commencement Date (and if there is no corresponding day, on the last day of the month), subject to Participant continuing to be a "Service Provider" (as defined in the Amended and Restated 2004 Stock Plan) through each such date.

#### Annual Cash Compensation

Position	Board/Committee	Payment	Payment Frequency	Payable
Member	Board	\$15,000	per year	Quarterly
Chairman	Audit Committee	\$15,000	per year	Quarterly
Chairman	Compensation Committee	\$10,000	per year	Quarterly
Chairman	Nomination & Governance Committee	\$5,000	per year	Quarterly
Member	Board	\$1,500	per meeting	Annually
Member	Board	\$1,000	per call	Annually
Member	Board Committees	\$1,000	per meeting	Annually