

Message

---

**From:** Miquelon, Wade [wade.miquelon@walgreens.com]  
**Sent:** 9/5/2013 6:12:43 PM  
**To:** Elizabeth Holmes [eholmes@theranos.com]  
**Subject:** Partner framework

Elizabeth,

Great talking to you. Attached is the conceptual framework I shared last night. Take a look and let me know your ideas of how you might modify, etc.

Let's connect on this soon. Best

Wade

THERANOS – WALGREENS  
CONTRACT AMENDMENT TERM SHEET

As we contemplate our joint future potential and as we move closer to pilot launch, we believe there is an opportunity to revise terms in the agreement that would strengthen our partnership and insure greater success for both companies.

I. **Scale Timeline & Volume/Space Commitments-** After completion of the pilot, subject to Theranos having received necessary approvals to operate laboratories in the selected markets, Walgreens is willing to commit to developing Theranos lab services at 1,500 locations within the first 12 months after the start of rollout with an additional 1,500 locations in the following 12 months. We feel 3,000 is the proper number for initial scale as this will give Theranos access to more locations than either of the two major lab providers. The mix of stores will give Theranos nationwide geo-access that is superior to the existing lab providers within 2 years of launch.

We see three categories of stores/style of build out:

- A. Gold - The “Gold” option will have dedicated space to Theranos lab services and a bathroom that would be adjacent to or in close proximity to the dedicated space.
- B. Silver - The “Silver” option will have a private room that will be available for sample collection. An existing bathroom will also be available for use for collection services. The existing bathroom will receive a refresh prior to lab services being offered at the store.
- C. Bronze - The “Bronze” option will make use of a privacy screen at least equivalent to what will be used in the Phoenix pilot.

The addition of dedicated space represents a shift for Walgreens. We previously believed that the majority of the locations could be served well by the Bronze option. We have concluded that we will be best served by pushing the majority of the locations into either the Gold or Silver category.

**How we saw the mix prior to 1 month ago**

Gold – 0  
Silver -500  
Bronze – 2500

**How we see the mix now**

Gold – 1,000  
Silver – 1,000  
Bronze – 1000

Should Theranos wish to increase the number of Gold stores beyond what is detailed above, we would be amenable to that approach, provided that Theranos contribute to the build out costs. We believe a 50/50 split of the costs would be equitable, as this is what we have agreed to for the Palo Alto store. We would apply the same 50/50 split for Gold locations as we continue to increase the count beyond the initial 3,000 locations. The parties shall work together to define standard space, branding, fixture/build out standards and construction details for each build out category. Based on this standard, the parties will agree upon an average cost per build out for the Gold stores. The parties agree that the parties’ total contribution shall not exceed 50% of the average Gold location build out cost multiplied by the number of Gold locations added in a given quarter. For purposes of clarity, the parties will mutually

{ PAGE \\* MERGEFORMAT }

09/05/13 Draft

plan the pace and location of the rollout up to 3,000 stores. As such, the mix of Gold locations added in any given quarter will likely vary based on what is the appropriate mix for a given market.

II. **Innovation Fee payment schedule-** We believe that the schedule of Innovation Fee payments currently contemplated in the agreement does not align with our shared goal to quickly hit the marketplace, as such we are willing to accelerate payments to Theranos and not have them be subject to certain performance goals. With that in mind, we suggest the following schedule in order to provide Theranos access to capital faster than what was originally contemplated:

\$35M on 10/1/13

\$20M on 11/1/13

\$20M on 12/1/13

The mechanism by which Theranos can earn the Innovation Fee would be unchanged.

III. **Exclusivity-** In exchange for the commitment that Walgreens is making with respect to scale and speed of scale, we think an expansion of exclusivity is required. In committing to a higher cap-ex build out plan, acceleration of training and other expenditures that are necessary to make the rollout a success, we would like to solidify Theranos' and Walgreens' partnership for the long haul. As such, we require the following expansion of the exclusivity provision:

With respect to all Tests, during the Term of the Agreement, Theranos would agree not to provide access to tests/lab services to the following entities for the term of the agreement: Wal-Mart Stores, Inc., CVS Caremark Corporation, Rite Aid Corporation, and Target Corp. We acknowledge that initially we may not have 100% coverage from a geo-access perspective with respect to sample collection. As such, we will work with Theranos to ensure that market planning is done in a manner so that Theranos can infill with other retailers not named above to meet patient demand. With respect to individual markets, Walgreens acknowledges that Theranos may desire to have additional outlets at which to provide its services.

IV. **TERM/TERMINATION-** Given the scale and build out commitments that we are willing to make, we require that the initial term (3 years) be extended an additional two years to five years total.

Given the commitment that Walgreens will make to the rollout, we are willing to waive our right to terminate the agreement if the Pilot is not successful. We believe the parties are both committed to making this project successful. We hope that this change will give Theranos, and Theranos' investors comfort that Walgreens is committed as Theranos' long term partner.

V. **MUTUAL EXPECTATIONS-** In addition to terms already addressed within our agreement, we believe it is necessary that each party make commitments to ensure that the following items are addressed:

{ PAGE \\* MERGEFORMAT }

09/05/13 Draft

<b>THERANOS</b>	<b>WALGREENS</b>
Train the Walgreens trainer at a pace equal to the suggested rollout/provide Walgreens with training collateral	Build locations in stores
Commit to add additional operational management to meet the pace of an accelerated rollout	Train thousands of technicians per Theranos training
Have adequate laboratory space(s) available to meet the scale of rollout	Diligently monitor service for exemplary patient experience
Receive regulatory approvals to operate laboratories/collect samples in each market	Maintain facilities, including bathrooms, in a manner that promotes a positive patient experience.
Have an adequate supply of equipment and collection supplies to avoid delay in rollout	Communicate with Theranos with respect to supply needs.
Collaborate with Walgreens on Marketing	Collaborate with Theranos on Marketing
Align with Walgreens on scale planning	Align with Theranos on scale planning
Call center planning & process	Potential outsource provider of call center services
Courier selection/logistics optimization/process planning	
Payer contracts/billing for scale markets	
Physician detailing	

VI. **DATA-** In addition to the data provisions that are currently in the Agreement, we request that Walgreens have the right to share raw lab scores with patients via our patient portal, provided that both the clinician and patient consent. Currently Walgreens shares prescription information, EMR and immunization histories with its patients. We feel adding the lab scores would increase awareness for the patients. We would not share any of the analytical tools/analysis that Theranos provides, and would agree to include a directional element on the page along the following lines: “For additional information and analysis regarding your laboratory results please go to [www.theranos.com](http://www.theranos.com).”

VII. **INTERNATIONAL EXPANSION-** Walgreens agrees that it will continue to assist Theranos in order to advance discussions with its partner Alliance Boots GmbH in order to facilitate expansion of Theranos laboratory services in the markets in which Alliance Boots operates. To that end, Alliance Boots shall have the right of first refusal to carry out a pilot with Theranos for lab services in an European market to be mutually determined some time during calendar year 2014. Until the earlier to occur of (i) Alliance Boots refusing to conduct a pilot in 2014; or (ii) the end of 2014, Theranos shall not enter into any agreements pertaining to, or offer laboratory services within Europe.

{ PAGE \\* MERGEFORMAT }

09/05/13 Draft