
From: Brian Grossman <Brian@pfmlp.com>
Sent: Monday, January 27, 2014 9:43 PM
To: Sunny Balwani
Subject: Questions for Call on Financial Model

Sunny – here are the questions

How did they come up the 25 patients/day in Walgreen's and \$50/test for the hospital market? (courier).

What is max hourly capacity in a WAG store for the peak period of 6-10am. How many patients can they process with one room. If they reach capacity in morning do they add a second room? Does a dedicated tech help during peak periods if there is only 1 room? What is a realistic max capacity given the time it takes to wait in line, register, and wait for a room? Will WAG add extra rooms? Who pays for this?

Can WAG walk away or dial back the rollout if they are not satisfied with the uptake?

what is pharma service revenues? what is margin on this? How big a business could this be?

How do they think about R&D spend beyond 2015? What is the right level of spending as they ramp revenues over next few years. How do they think about this?

For SG&A, how should we think about this longer term? How many reps, support do they need beyond 2015? How much advertising do they think they need? How much do you think you need to spend to drive demand in a market? What is the relationship between reps and patient population in MSA's?

Where do you see EBIT and EBITDA margins for the overall business at steady state?

In model you have 11 active sites in jan going to 21 in Feb. And then to 41 in April . is that schedule still realistic? How many samples per day are they processing in PA store? In Phoenix store?

How do they deal with the venous draw issue. I had tests done today in PA walgreens and had to get venous draw. I wasn't offered a finger stick. How do you get rid of a CPT if patient shows up with a rec form? Can the rollout proceed with Certified or Licenced PT or is the ramp in the model we see assuming they lose the CPT or LPT? In real world what % of patients need a venous blood draw? When do they lose the CPT in Arizona?

What is the ramp in #tests/day and rev per test over 4 stages of intermountain deal.

Will there be future rounds? What are their goals from a financing standpoint?

What is net working capital the business needs as it ramps up?

From: Sunny Balwani [mailto:sbalwani@theranos.com]
Sent: Monday, January 27, 2014 3:27 PM
To: Brian Grossman
Subject: RE: Open Items for PFM Investment

Great. I have blocked off 9-930 am tomorrow morning for a tentative call for now.

Assuming your conversations with Adam are productive and we continue to move forward, lets also tentatively block off Friday morning from 8-10 to go visit Newark.

Thanks
Sunny.

From: Brian Grossman [mailto:Brian@pfmlp.com]
Sent: Monday, January 27, 2014 3:23 PM
To: Sunny Balwani
Subject: Re: Open Items for PFM Investment

sunny

thanks. we should have more than enough time to talk to adam. i will send over questions on financial model when i'm back in office in front of a computer. thanks again. and my morning is open tomorrow so if we need a short follow up call i can work with you or your team on times.

thanks again

brian

On Jan 27, 2014, at 11:57 AM, "Sunny Balwani" <sbalwani@theranos.com> wrote:

Brian.

I sent the CDA for Adam to Kimberley a bit ago. Hopefully you will get to spend time with Adam early in the week to get the feedback you need. In parallel, if possible you can send us the questions about the financial model and we will respond in real time. We can also do a call tomorrow if needed o answer these questions. I am working on visit to Newark for Thursday or Friday - will confirm that tomorrow. Can you please ask Kimberly to send me her questions and I will direct them within our team based on nature of questions and will have the appropriate counsel work with her.

Regards,
Sunny.

From: Brian Grossman [mailto:Brian@pfmlp.com]
Sent: Sunday, January 26, 2014 6:13 PM
To: Sunny Balwani
Subject: Open Items for PFM Investment

Sunny

Everything looking good for next week's close. We have a few open items that should be relatively straight forward.

1. We'd like to tour the lab.
2. We'd also like to see the Newark facility
3. Would it be possible to speak to somebody for 20-30 minutes on the Theranos financial model. I want to be sensitive to your time, as you've already been generous with us over last few weeks. I was wondering if there was somebody else that might be able to answer some of our questions on the model you sent over. Or maybe we could send you some questions in email form if that's easier.
4. We'd like to get adam clammer, one of our outside consultants, under a CDA. I think we are waiting to hear from your legal department on that.
5. Ken Freeman – is this a no go or can we reach out to him?

Lastly, our GC Kimberly Summe, will have deal related questions having reviewed the term sheet you sent over at the end of the week. Are her questions best directed to you? And our plan is to come back to you with a hard number at the end of the week as we work through the above list.

Regards,

Brian