

<p><b>RDV Opportunity</b></p>	<p>RDV was recently introduced to Theranos and its Founder/Chairman/CEO, Elizabeth Holmes, through attorney Dan Mosley. Theranos is a new healthcare company that is working to shape the future of lab testing and the way health information is collected, analyzed, and communicated to individuals. To date, the Company has raised over \$400 from various individual investors and venture capital firms. The last equity raise was completed in Jan-2014 at a \$9,000 valuation. Theranos has no debt and no plans to take on any debt financing. There is significant interest from a large number of private equity funds to acquire an equity stake in Theranos; however, Holmes has found significant long-term conflicts with where she wants to take her company and the inherent need for PE/VC funds to be short-term return focused. Holmes is therefore hand-picking a targeted group of high net worth investors that share a like-minded investment philosophy, can invest for material long-term gains, and is eager to be part of a long-term, mission-driven healthcare company. She plans to surround herself with investors that have built great companies and can potentially help her strategically in growing Theranos. This current equity raise of \$500-600 is expected to come from 5-6 high net worth families, and the cash used to redeem earlier investors with shorter-term investment horizons. RDV has been invited by Holmes to participate in this equity raise using the valuation metrics from the Jan-2014 transaction. RDV has indicated an interest to invest \$100.</p>
<p><b>Company Overview</b></p>	<p>Theranos is a revolutionary blood diagnostics company founded by Holmes in 2003 and located in Palo Alto, CA. Instead of vials of blood (one for every test needed), Theranos requires only a pin-prick and a drop of blood to perform hundreds of tests, from standard cholesterol checks to sophisticated genetic analyses<sup>1</sup>. The results are faster (couple hours), more accurate (100% automated, no manual handling of the sample), and far cheaper than conventional methods (All tests cost 50%-90% less than standard Medicare/Medicaid reimbursement rates). Holmes describes her company as a “sensors and software company” that is developing solutions to make actionable health information accessible to people everywhere in the world at the time it matters most, giving people an unprecedented view into their own health and the potential to head-off serious chronic diseases from cancer to diabetes to heart disease.</p> <p>Theranos manufactures its analyzer equipment. How they accomplish what they do with such small blood-samples is a trade-secret. Holmes will only say that “their equipment uses the same fundamental chemical methods existing labs do”. Its advances relate to “optimizing the chemistry” and “leveraging software” to permit those conventional methods to work on micro-sized blood samples.</p> <p>Theranos initially targeted its blood testing services to 10 of the top 15 major pharmaceutical companies for use in clinical trials for new drugs. Early-on this was a way for the Company to stealthily refine its technology while earning revenue to build out its infrastructure. They would test drug-trial subjects 3x a day (not feasible using vein-puncture), with the objective of catching adverse drug effects before they became dangerous, which gave clinicians earlier reads on efficacy dynamics and allowed for quicker dose-response. Through this work, Theranos has been comprehensively validated since 2005 by 10 major pharmaceutical companies, with hundreds of thousands of assays processed.</p> <p>Theranos’ mission is to provide all individuals with easy and affordable access to actionable healthcare information when it matters most, and empower people to improve their own lives. Theranos is the world’s first high-complexity CLIA/CMS-certified laboratory running tests from a finger-stick and micro-size blood samples. Their primary focus today is becoming a major player in the US retail lab market currently dominated by Quest and LabCorp with plans to place a Theranos Wellness Center within 5 miles of almost every American, and within 1 mile of every city dweller. “Consumerizing” the healthcare experience is a huge element of their mission. To accomplish this goal, Theranos teamed with Walgreens in Sep-2013 and announced a long-term plan to bring Theranos’ new lab testing service to all 8,200 Walgreens stores nationwide. They have the infrastructure already built to enable Theranos to reach its goals. Since Nov-2013, 40 Theranos Wellness Centers have successfully opened in Walgreens stores across the Phoenix metropolitan area and they currently rank as the largest retail lab operator in the State of Arizona. Holmes’ plan is to first succeed in Phoenix, then replicate it State-by-State in a national roll-out at a much quicker pace (see next section), and eventually to Europe via Walgreens’ UK-based affiliate, Alliance Boots.</p>  <p>The diagram shows two vials. The top vial is labeled '3.9 inches' and 'old blood draw'. The bottom vial is labeled '0.5 inch' and 'theranos method'. Both vials contain a small amount of red liquid at the bottom, illustrating the significantly smaller sample size required by the Theranos method.</p>

<sup>1</sup>In the case of virus or bacteria, Theranos does not culture – they use their traditional finger-stick methods to measure the DNA of the pathogen to identify a bug and its resistance profile, and they can do it in <4 hours vs. traditional culture methods which can take 3-4 days. Cheaper, real-time detection of viruses and bacteria is a major game-changer for all constituents in the healthcare spectrum.

**Growth Plans**

With the successful build-out of the Phoenix market, Therasanos will be ready in 2015 to begin a broader national roll-out. Walgreens and Therasanos plan to have 900 Wellness Center locations in 5 major metropolitan markets next year. Therasanos is also under contract with Safeway for a national roll-out to a substantial number of their stores with plans to open in 300 Safeway locations during 2015. Safeway has already spent \$400 on the infrastructure build-out at 1,000 locations and is ready for Therasanos to launch. Therasanos is also concurrently launching operations with hospital and physician groups. UCSF Medical Center, Dignity Health, and Intermountain have all recently contracted with the Company to use its low-cost methods at its facilities. In addition to physician and hospital groups, Therasanos has signed long-term contracts with major insurance providers and Medicare/Medicaid programs. To date, the Company has contracted with payors and providers covering over 150 million lives that are committed to use Therasanos as their long-term laboratory infrastructure.

At maturity, Therasanos' retail footprint, physician, hospital, and health plan partnerships will create an unprecedented laboratory infrastructure that exceeds that of all current competitors. Therasanos will be located at a smaller radius from patients with much longer hours than currently available, offering greater convenience at an unprecedented value.

International expansion given Walgreens recent purchase of Alliance Boots (4,000 locations across Europe) is planned once they have gained adequate penetration in the US market. Expansion opportunities beyond commercial include the direct-to-consumer test market and adjacent testing verticals (ie: pets/veterinary, livestock, chemicals, water, air, biosecurity, etc).



Retail Footprint at Maturity			
	1 Mile	3 Miles	5 Miles
<b>theranos</b>		<b>95%</b>	
Quest Diagnostics	9%	45%	69%
LabCorp	7%	35%	56%

**Financial Summary**

	I/S December 31 FYE		2014E		%		2015F		%		B/S July 2014	
Lab Svcs US Retail Pharmacies	\$42.0	30.0%	\$470.0	47.5%							Cash/Inv	\$162.7
Lab Svcs Physicians Offices	\$11.0	7.9%	\$160.0	16.2%							A/R	\$25.0
Lab Svcs Hospitals	\$47.0	33.6%	\$290.0	29.3%							Inv	\$5.9
Onsite Lab Svcs Hospitals	\$0.0	0.0%	\$10.0	1.0%							Other	\$3.0
Lab Svcs Pharma	\$40.0	28.6%	\$60.0	6.1%							Total CA	\$196.5
Lab Svcs DOD/govt	tbd		tbd								Note Rec	\$27.0
<b>US Revenues</b>	<b>\$140.0</b>	<b>100.0%</b>	<b>\$990.0</b>	<b>100.0%</b>							PP&E	\$21.5
Revenue Growth %			607.1%								<b>Total Assets</b>	<b>\$245.0</b>
COGS Retail Lab Svcs	(\$16.0)	-11.4%	(188.0)	-19.0%							Curr Liab	\$8.8
COGS All Other Lab Svcs	(\$23.0)	-16.4%	(166.0)	-16.8%							Def Rev/Deposits	\$168.8
Total COGS	(\$39.0)	-27.9%	(354.0)	-35.8%							Other L-T Liabs	\$15.6
<b>Gross Profit</b>	<b>\$101.0</b>	<b>72.1%</b>	<b>\$636.0</b>	<b>64.2%</b>							Common	\$25.8
R&D	(\$57.0)	-40.7%	(127.0)	-12.8%							Preferred	\$331.7
CLIA lab operations	(\$10.0)	-7.1%	(76.0)	-7.7%							Accumulated Deficit	(\$305.8)
Data Center	(\$3.0)	-2.1%	(25.0)	-2.5%							Stockholder Equity	\$51.8
SG&A	(\$32.0)	-22.9%	(171.0)	-17.3%							<b>Total Liabs +Stockholder Eq</b>	<b>\$245.0</b>
Operating Expenses	(\$102.0)	-72.9%	(399.0)	-40.3%								
<b>EBITDA</b>	<b>(\$1.0)</b>	<b>-0.7%</b>	<b>\$237.0</b>	<b>23.9%</b>								

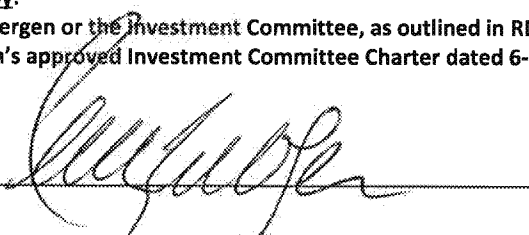

**FINANCIAL NOTES:**

- Everything in the 2015 forecast has contracts with pharmacies, physicians, hospitals and payors to support the projected revenues.
- 2015 assumes they open ~1,200 locations across Walgreens (900) and Safeway (300) retail networks in 4 new metropolitan markets.
- They plan to open 12 new markets in 2016.
- Therasanos is debt-free and has no plans to take on any debt financing.
- 24% EBITDA margins are expected to increase as each market matures post the initial build-out.
- Management expects the onsite hospital market to take-off by 2017 as they bring their real-time testing methods to where it's most critical - into every hospital ICU and emergency room. Traditional labs have never been able to bring rapid lab results to these departments.

<p><b>Current Market Dynamics</b></p>	<ul style="list-style-type: none"> <li>- The US commercial lab market is a \$180B market which performs nearly 7 billion tests annually. There are more than 4,000 different diagnostic tests available today that drive an estimated 70-80% of clinical decisions by physicians, while accounting for &lt;2.5% of US healthcare expenditures.</li> <li>- Chronic diseases (heart disease, cancers, stroke, chronic respiratory diseases, diabetes, Alzheimer’s disease, mental illness, etc.) account for ~75% of US health expenditures and ~70% of American deaths each year.</li> <li>- Due to a lack of timely, accurate lab information, physicians are prone to prescribing ineffective/improper meds, increasing cost to the system.</li> <li>- 40-60% of people given a requisition by a doctor to get a blood test - don’t go for a variety of reasons (fear of needles, inability to draw enough blood because of collapsed veins, find it inconvenient, worry about the process and the results, or find it cost prohibitive, etc).</li> <li>- There hasn’t been any major change to clinical chemistry in 30+ years. Decades old business processes, and technology investments around those business processes, with very little motivation to innovate, has created a duopoly in the lab market today (Quest/LabCorp with a combined 3,400 labs) burdened with high infrastructure costs and little/no R&amp;D.</li> <li>- The current commercial lab market is antiquated, expensive, inefficient, not innovative, and fraught with quality and usability issues due to the high amount of manual handling of samples at every step of the process.</li> <li>- Historically, Quest and LabCorp have relied heavily on their long-term contracts with insurers as a significant barrier to entry for competing players. They have set a precedent for higher costs for “pull through” patients, leaving physicians/patients without a low-cost option if they want insurance coverage for lab work.</li> <li>- All of these Quest/LabCorp-Payor contracts have carve-outs for “new technologies” which has allowed Theranos to enter the market and be favorably embraced by physicians, hospitals, payors and patients.</li> <li>- Theranos is “upping the game” on accessibility by publishing its prices for every test on their website – payors as well as Medicare/Medicaid and the uninsured are offered all the same services at the same prices – and all tests are offered at 50%-90% less than standard Medicare/Medicaid reimbursement rates.</li> <li>- The pre and post analytical phases of the lab testing process (human interaction parts) account for ~93% of all errors. Theranos automates the pre-and post-analytic processes (no manual handling of the sample), drastically minimizing the human elements of blood processing and increasing their testing accuracy.</li> <li>- Consumers are currently taking greater responsibility for their healthcare and provider models are shifting to cater to consumer demands vs. payer focused. Theranos’ mission is to drive increased consumer-directed and preventative testing and their business model is designed to give consumers full access to their own lab results and empower them to change their own healthcare outcomes.</li> <li>- Healthcare reform, increasing healthcare costs, and changing market dynamics make this industry ripe for innovation. All parties in the healthcare spectrum are shopping for ways to be more efficient and lower the costs of delivery and benefits.</li> </ul>	<p style="text-align: center;"><b>US Physician Directed Lab Market</b></p>  <p style="font-size: small;">*Ultimate market size for Theranos is much larger as above does not include preventative testing or consumer directed testing which is not legal in most States today. Theranos is working hard to break down the barrier to patient access.</p>
<p><b>Transaction Summary</b></p>	<p>RDV has indicated an interest to invest \$100 at the same \$17.00 (actual) share price as the Company’s Jan-2014 equity raise. Holmes is planning to raise a minimum of \$500-\$600 from 5-6 new shareholders, and use the cash to redeem earlier investors with shorter-term investment horizons. They are targeting a close by the end of October. RDV will hold Series C-2 preferred stock which is convertible into Class A Common stock with an equity ownership stake of approximately 1% post close (Holmes owns &gt;50%). There is no accumulating dividend or other preferred return. The Company can redeem our shares at any time at fair market value as determined by the Board in good faith. Holmes holds the majority of the voting stock. The Company will hold regular in-person shareholder meetings to update investors on the Company’s progress and discuss financial performance.</p>	

<b>HQ/Mfg. Footprint</b>	The Company is headquartered in Palo Alto, CA, and they have a 262,000SF manufacturing plant in nearby Newark, CA, where they manufacturer all their own analyzer equipment.		
<b>Current Board of Directors</b>	<p>Elizabeth Holmes (30) Founder, Chairman and CEO of Theranos</p> <p>Sunny Balwani President and COO of Theranos; Entrepreneur and computer scientist; joined Theranos after dropping out of the Computer Science program at Stanford University. He received his MBA at UC Berkeley and undergraduate degree from UT Austin. Began his career at Lotus Development Corporation, after which he served at Microsoft in various roles, and later started his own company in the B2B ecommerce space which he sold to CommerceOne</p> <p>George P. Shultz (93) Former Secretary of State, Treasury, Labor, Director of the Office of Management and Budget; Professor of economics at MIT and University of Chicago (Dean of the graduate School); President Bechtel Corporation</p> <p>Gary Roughead (63) Retired US Navy Admiral; Former Commandant of the Naval Academy; Deputy Commander US Pacific Command; Serves on board of Northrup Grumman</p> <p>Henry Kissinger (91) Chairman of Kissinger Associates, Inc., an international consulting firm; Former Assistant to President for National Security Affairs; Former Secretary of State; Numerous awards for his work in foreign policy, including the Nobel Peace Prize and the Presidential Medal of Freedom; Serves on a number of governmental boards and author of several books</p> <p>Sam Nunn (76) Former US Senator from Georgia (24 years); Former Chairman of the Senate Armed Services Committee; Currently Co-Chair and CEO of the Nuclear Threat Initiative; Served on a number of corporate boards including Chevron, Coca-Cola, Dell and GE</p> <p>James N. Mattis (64) Retired (41 yrs in the military) US Marine Corp General; Commanded US Joint Forces Command and served concurrently as NATO's Supreme Allied Commander Transformation; Former Commander Marine Expeditionary Force, US Marine Forces Central Command, and the 1st Marine Division during the Iraq War</p>	<p>William H. Frist (62)</p> <p>William H. Foege (78)</p> <p>Riley P. Bechtel (62)</p> <p>William J. Perry (87)</p> <p>Richard Kovacevich (71)</p>	<p>Nationally recognized heart and lung transplant surgeon; Former Senate Majority Leader, and Chairman of the Executive Council of Cressey &amp; Co. As Senator from TN for 12 years he served on both the Health and Finance committees</p> <p>Epidemiologist and Former Director of the CDC who has left an indelible mark on the field of global health; Recognized as the health innovator behind the successful campaign to eradicate smallpox in the 1970s; Received the Presidential Medal of Freedom in 2012; Former senior medical advisor for the Bill and Melinda Gates Foundation from 1999 until his retirement in 2011.</p> <p>Chairman of Bechtel Group, Inc. (SF based construction and engineering co - 4th largest privately owned US co); Former CEO, President and COO; Joined the company his great-grandfather started in 1981 and served in a variety of operational roles, both domestically and overseas. Prior to Bechtel, he practiced law at Thelen, Marrin, Johnson &amp; Bridges</p> <p>Entrepreneur, mathematician, and engineer; Former Secretary of Defense; Former Deputy Secretary of Defense and Secretary of Defense for Research &amp; Engineering; Serves on the boards of several high-tech companies and as Chairman of Global Technology Partners; Founder and President of Electromagnetic Systems Laboratory Inc.; Currently the Michael and Barbara Berberian Professor (emeritus) at Stanford University, with a joint appointment at the Freeman Spogli Institute for International Studies and the School of Eng</p> <p>Former CEO and Chairman of Wells Fargo; Former Divisional General Manager at General Mills; Former Head of Regional Retail Banking at Citicorp; President and CEO of Norwest; Serves on a number of corporate boards including Cargill, Cisco, The Clearing House, and as a member of the Fed Reserve's Federal Advisory Council</p>

<p><b>Investment Strengths</b></p>	<ul style="list-style-type: none"> <li>- Opportunity to invest with a company and founder dedicated to making long-term, revolutionary changes to our healthcare system by <i>redefining diagnosis</i> and removing patient barriers to access, and giving people an unprecedented view into their own health with the potential to head-off serious chronic diseases. Holmes hopes that her Company can help identify cancer signatures as they change over time, enabling earlier intervention.</li> <li>- The convenient access and unprecedented affordability of over 200 tests they offer today (all of them priced at 50-90% less than standard Medicare reimbursement rates) are expected to lead to quick adoption by all healthcare constituents. Widespread adoption by Medicare/Medicaid could save taxpayers billions.</li> <li>- Theranos has been comprehensively validated over the past 9 years by 10 major pharmaceutical companies, with hundreds of thousands of assays processed and reams of documented support from these customers. Further validation has been gained from partnerships with Walgreens, Safeway, hospital groups, payors and Medicare/Medicaid programs. And although not required, Theranos is seeking FDA certification for every one of its tests.</li> <li>- A Theranos analyzer station is a small fraction of the size of a current lab making it possible to place a Theranos lab in the operating room or in a military evacuation helicopter, on ships, in refugee camps - virtually anywhere. Real-time data in the ER and hospital ICUs will reduce hospital bed stays and costs.</li> <li>- Theranos' proprietary technology and testing processes is a trade secret and patent protected by over 200 patents filed globally, half of which have been granted to date.</li> <li>- Theranos automates the pre-and post-analytic processes – there's no manual handling of the sample - drastically minimizing the human elements of processing which is proven to cause of ~93% of lab test errors.</li> <li>- The only high complexity CLIA/CMS certified laboratory running tests from a finger-stick and micro-sized blood samples.</li> <li>- Numerous growth opportunities:             <ul style="list-style-type: none"> <li>+ Signed contracts with Walgreens and Safeway for a national roll-out to nearly 10,000 retail locations in their respective networks.</li> <li>+ Early prompts from Walgreens to move globally through their ownership of 4,000 Alliance Boots locations throughout Europe.</li> <li>+ Signed contracts with numerous payors and providers covering over 150 million lives that are committed to use Theranos as their long-term laboratory infrastructure.</li> <li>+ Major opportunity for Theranos to significantly aid hospitals with their continued problems with hospital-acquired infections. Conventional methods of identifying viruses and bacteria and figuring out which antibiotics will combat them (by using cultures and growing bacteria on agar in petri dishes) can take 3-5 days. Meanwhile patients languish in hospital beds, take ineffective antibiotics, and incubate antibiotic-resistant bacteria. Using DNA profiling Theranos can, for less than the cost of conventional tests, identify a bug and its resistance profile in &lt; 4 hours.</li> <li>+ Expansion to the direct-to-consumer test market and adjacent testing verticals such as pets, livestock, chemicals, water, air, biosecurity, etc.</li> </ul> </li> <li>- Superstar board designed to provide management with operational experts, strategic thinkers and military men who know how to lead and build future leaders.</li> <li>- Healthcare reform, increasing healthcare costs, and changing market dynamics make this industry ripe for innovation. All healthcare constituents are shopping for ways to be more efficient and lower the costs of delivery and benefits. Theranos is well positioned to take full advantage of current industry trends, offering patients increased convenience at unprecedented value.</li> </ul>	
<p><b>Investment Risks</b></p>	<p><u>Risks</u>  <b>Execution</b> of the business plan</p>	<p><u>Mitigants</u>                  The rollout of Theranos Wellness Centers into 8,000+ Walgreens and over 1,000 Safeway stores across the US will test the Company's ability to manage the build-out in a timely and efficient manner, as well as attract and retain a quality workforce. The management team identifies this as their #1 risk and is laser-focused on hiring the right people at all levels of the organization to avoid the traditional pitfalls of companies trying to scale at such a fast pace. All of the contracts are in place. Management spent a year perfecting the model in the Phoenix market and now they are ready to replicate it in a State-by-State roll-out.</p>

<p><b>Investment Risks (Cont.)</b></p>	<p><b>Risks</b>                  Technology and validation                   Customer acceptance</p>	<p><b>Mitigants</b>                  Theranos’ blood testing systems and software have been comprehensively validated over the last 9 years by 10 of the top 15 largest pharmaceutical companies, with hundreds of thousands of assays processed and reams of documented support from these customers. Further validation has been gained from the documented partnerships with Walgreens, Safeway, hospital groups, payors and Medicare/Medicaid programs.                   Competitors criticize Theranos’ lack of publication of any validation studies in peer-review journals. Since Theranos’ tests employ the same fundamental chemical methods as existing tests, Holmes views peer-review publication of validation studies as both unnecessary and inappropriate. Furthermore, unlike most labs, Theranos does not buy analyzer equipment from a 3rd party, and they do not sell their analyzers to other labs, and therefore are not required to seek FDA approval on their analyzer equipment (for other players, only the equipment is FDA certified in addition to the labs being CLIA/CMS certified). Theranos is CLIA/CMS certified in all 50 states, and although not required, the Company is seeking FDA certification every one of its tests – they will be the only player with test-based FDA certification                   The convenient access and unprecedented affordability of over 200 tests they offer today should lead to quick adoption by all payors, providers and patients. Widespread adoption by Medicare/Medicaid could save taxpayers billions.</p>
<p><b>Recommendation</b></p>	<p>RDV Investment Group recommends a \$100.0 investment in the equity of Theranos.</p>	
<p><b>SIGNATURE BLOCKS</b></p>	<p><b>Approved By:</b>                  Jerry L. Tubergen or the Investment Committee, as outlined in RDV Corporation’s approved Investment Committee Charter dated 6-13-07</p> <p>                  _____                  Date: _____</p>	<p><b>Reviewed By:</b>                  Randall S. Damstra, Senior Managing Director – Head of Global Private Equity</p> <p>                  _____                  Date: _____</p>