



Program Charter

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Document Version Control

Date	Version #	Revision Description	Author(s)
12/17/2010	1.0	Initial Version	Patty Haworth
02/25/2011	2.0	Incorporated feedback from Health Law, Marketing, Pharmacy Ops, Accounting, Store Ops, Market Planning and Research, IT, Sales Training and Development	Patty Haworth/Kim Romanski/Mike Rubin
3/5/2014	3.0	Updates made based on revised business and operating model	Patty Haworth/Kim Romanski/Shannon Fairfield

Approvals

Date	Approver(s)	Notes
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	Brad Wasson	



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Executive Summary:

Diagnostic Testing allows Walgreens to expand its scope of services to include clinical lab testing at the point of care. It transforms the role of pharmacy by offering disruptive innovation for laboratory services in a retail setting. This is a healthcare game changer with the combination of the Theranos science and Walgreens platform.

This service offering includes:

- More convenient locations and hours
- Better patient and clinician experience
- A science that is more accurate
- Disruptive model that leads to industry cost savings

The overall goal is to expand to 2500 stores nationwide by the end of FY16. The plan for FY14 is to roll out diagnostic testing services to 40 stores by 8/1/14.

A winning business case is predicated on the following:

- A variable labor model utilizing trained technicians
- A scalable training plan with Theranos services

The scope of this Program Charter is targeted at the Pilot phase, with an overview for what is currently known about scale plans.

Business Need/Opportunity:

Opportunity:

The Walgreens opportunity (based on \$73 billion market forecasted size according to the U.S. Clinical Laboratory and Pathology Testing report for 2013-2015 (G2 Report)) is 633M requisitions.

The Walgreens revenue opportunity, at a capture rate of 100% of the market, is \$6.3B based on current contract. The re-negotiated contract at target state (\$14 rev/requisition) is \$8.8B.

The total market size is \$73B Revenue or ~633M requisitions, up from 2 years ago \$60B and 520M requisitions. Based on Revenue share, for the calculations depicted below, it would be \$24.1B Theranos revenue opportunity, \$6.3B WAG revenue opportunity and 633M requisitions.

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**Lab Industry
Summary**

WAG market opportunity is \$6.3B-\$8.8B with 633M requisitions

	Opportunity in billions	
	Revenue	Requisition
Theranos Opportunity	\$24.1	0.631
WAG Opportunity Range	\$6.3 @ \$10 Rev/Req \$8.8 @ \$14 Rev/Req	0.631

Calculation support:		<i>in billions</i>		
	Total Market Revenue	Total Market Requisitions	Opportunity Requisitions	
YR2012	\$60	1.52	0.520	
YR2014	\$73	1.85	0.633	
	Rev Share	Req Share		
Hospital	63%	53%		
Indep Lab	33%	34%		
Other	4%	13%		

Logic

- For a \$60B market – there are a total of a Billion requisitions or patients. Of that market – Walgreens has the opportunity to capture the outpatient clinical lab market. The lab market consists of pathology (tissues) and clinical (fluids). Walgreens market opportunity is not on the revenue for lab industry – it is on the patient count or also commonly called – requisition count. The opportunity is determined based on the approximate 1.85 billion requisitions and determining the number of clinical outpatient requisitions. The market opportunity was 520M requisitions in YR2012. If Theranos and Walgreens captured 100% of the 520M requisitions and Theranos paid Walgreens \$10/requisition, then Walgreens will earn \$5.2B of revenue in diagnostic testing.
- Using that same ratio/logic for the approximate \$73B revenue market - $\$60B/520M = \$72B/X$ this computes $x = 633M$ requisitions or patients. If Theranos and Walgreens captured 100% of the market and Theranos paid Walgreens \$10/patient, then Walgreens will earn \$6.3B of revenue in diagnostic testing.
- The Theranos and Walgreens relationship in the US market does not have a revenue sharing model due to Health law. Rather it is a per patient model. Internationally the opportunity exists for a revenue share model in some countries. Ideally this would be structured as a licensing agreement with Theranos.

Proposed Solution:

Walgreens plans to offer laboratory services through our Retail stores. We plan on performing the majority of the same tests (see Theranos Test Menu in Appendix C of Program Charter Appendix) that the industry leaders do today (LabCorp and Quest). The fundamental difference will be that Walgreens, through our convenient locations, will offer greater ease and access than is currently found in the industry today. Walgreens will be entering the lab market with a disruptive

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technology advantage. Moreover, we have found an ideal partner, Theranos, which can offer less invasive, faster, and cost-effective results to the patients. The Theranos technology only requires a small sample in order to automatically process multiple tests from a menu of 300+ tests in less than 4 hours. Samples collected include blood, urine, feces, and sputum. Approximately 120 mL of blood is collected per finger stick, with approximately 2 blood collections per patient. A drop of blood is 5 mL.

Theranos Background:

Theranos is an ideal partner to deliver on the strategy and the closest known competitor is 2+ years behind.

- Leadership with a shared vision and collaborative in approach
- Technology capable of completing almost all outpatient tests and powering a vastly improved patient experience
- A company and technology that is not lab centric, but patient centric
- A scientific team that wants to change the boundaries of healthcare by developing new and innovative tests

Theranos has a world-class scientific team that has built the company from inception ten years ago to a position ready for rapid commercial growth today.

- Elizabeth Holmes is CEO of Theranos, which she founded in 2003. Elizabeth left Stanford University's School of Engineering to build Theranos around her patents and vision for healthcare.
- President and Chief Operating Officer, Sunny Balwani, is an entrepreneur and a computer scientist. Sunny 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. Sunny began his career at Lotus Development Corporation, after which he served at Microsoft in various roles, and later started his own company in the business-to-business ecommerce space which he sold to CommerceOne.
- Theranos' technology combines a diverse range of expertise including computing, biochemistry, statistics, robotics and machine learning.
- Comprehensively validated over the last ten years by ten of the fifteen largest pharmaceutical companies with hundreds of thousands of assays processed

Goals and Objectives:

Strategic Intent and Vision

In the Phoenix market, Walgreens and Theranos will:

- Create an incredibly positive consumer healthcare experience that inspires people to become our ambassadors
- Strategically expand Theranos lab services in a phased rollout to become the premier provider in the Phoenix metropolitan market
- Instill pride and enthusiasm in Walgreens staff through education, engagement, and collective ownership
- Showcase our partnership to build excitement around future launches
- Establish the model framework for the national expansion of our partnership

Priorities

- People
- Access
- Quality
- Safety
- Innovation

Financial Outlook

Financial Recap - Current Contract <i>(in thousands, except per patient data)</i>			
	FY14	FY15	Steady State (FY20)
Patients/Store/Day	5	5	20
# Stores	40	1,502	2,500
Revenue	\$277	\$9,447	\$181,422
Key Costs			
Labor	(\$125)	(\$4,251)	(\$81,640)
Training	(\$441)	(\$26,777)	(\$8,786)
Front End	(\$30)	(\$991)	(\$4,843)
Capital Investment	(\$5,720)	(\$102,395)	\$0
EBIT	(\$3,405)	(\$44,560)	\$69,295
EBIT/Patient	(\$122.82)	(\$47.17)	\$3.82
IRR (10 YR)	7.1%		

Financial Recap - Target State <i>(in thousands, except per patient data)</i>			
	FY14	FY15	Steady State (FY20)
Patients/Store/Day	5	5	20
# Stores	40	1,502	2,500
Revenue	\$388	\$13,226	\$253,991
Key Costs			
Labor	(\$125)	(\$4,251)	(\$81,640)
Training	(\$441)	(\$26,777)	(\$6,806)
Front End	(\$30)	(\$991)	(\$4,843)
Capital Investment	(\$6,639)	(\$111,248)	(\$670)
EBIT	(\$3,867)	(\$46,477)	\$109,564
EBIT/Patient	(\$139.48)	(\$49.20)	\$6.04
IRR (10 YR)	13.6%		

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Pilot Goals

Our goal for the pilot to achieve the following targets:

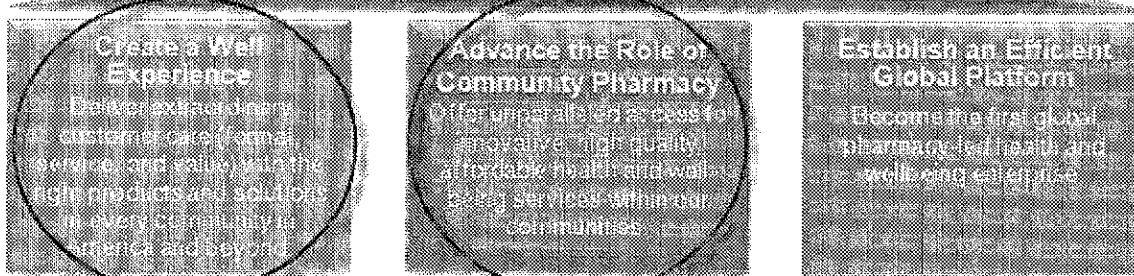
- Stand up 40 stores in Arizona by 8/1/14
- 15 patients per store per day within 3 months of 40 stores going live
- Determine scalable labor model
- Work toward a scalable training plan

Strategy/Program Alignment:

This fits in transforming health care strategy and ultimately transforming the role of the community pharmacy. We are not only elevating the role of community pharmacy, but we are doing so through offering the service through our pharmacy technicians, health guides, and pharmacists.



To be the first choice in health and daily living for everyone in America...and beyond.



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Program Measures for Success:

Pilot Success (see Scorecard measures below)

Operational

- Achieve acceptable labor model
- Achieve a training pass rate of 90% while still maintaining excellent customer experience

Patient experience

- Optimal Patient Experience
- Completing end to end patient processing in less than 15 minutes
- Minimal lost or invalid specimens
- Enhanced experience for other services (e.g. CSG)

IT

- IT system that enables operational efficiency
- Able to scale customer support system

Payor and Providers

- Payor coverage of at least 60%
- Clinical sales force in place to drive sufficient volume to WAG stores

Financial

- Achieve 15* patients/store/day during pilot period of 90 days

*Note that the pilot period will be extended for an additional 12 months if 3 patients/store/day is achieved

Scorecard (Example):

Diagnostic Testing

Metric

- Stand up 40 store pilot in Phoenix market by Q4
- Achieve 3 Theranos patients/store/day during pilot

YTD Metric Health



Commentary

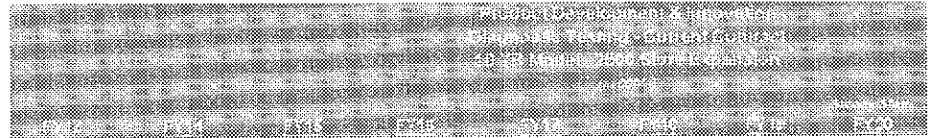
- 40 stores to be rolled out in AZ by Q4
- Theranos is beginning Commercial Sales

(Dollars in thousands)	January-14		YTD		Full Year
	Actual	vs Budget	Actual	vs Budget	Goal
Diagnostic Testing					
Sales	\$ -	\$ -	\$ 2	\$ -	\$ -
EBIT	(117)	(117)	(581)	(944)	(1,600)
Health Testing					
Sales	380	438	2,346	1,727	5,986
EBIT	(220)	(2)	(530)	(233)	588
HQ Expense	-	-	-	-	-
Project Expense	(115)	(117)	(643)	(944)	(1,600)
Project Capital	(7)	-	(37)	(200)	(200)

Metric	Target	Actual	YTD	Health
Stand up 40 store pilot in Phoenix market by Q4	40	40	Q4	Y
Theranos patients/store/day	3	3	Q4	R

(1) Diagnostic Testing Scorecard includes BETA program and Health Testing
 (2) Health Testing financials include free blood pressure tests
 (3) * Denotes that the data is not in thousands
 (4) % Yehous patients is between 25%-40%
 (5) Health Testing supplies of \$960k were purchased in the month of January based on anticipated contracts. These purchases are included in the expense, though have not sold through.

Financial Case:



# of Stores - Average	18	312	2,248	2,500	2,600	2,500	2,600
# of Stores	40	1,500	2,500	2,600	2,600	2,600	2,600
# of Days	365	365	365	365	365	365	365
Patients / Store / Day	5	6	9	16	20	20	20
Total Rec's	27,722	944,683	7,049,897	13,870,174	16,142,231	18,142,231	18,142,231
Average GP / Patient	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00	\$ 18.00
Revenue	\$ 277	\$ 9,447	\$ 70,499	\$ 138,702	\$ 181,422	\$ 181,422	\$ 181,422
COGS	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gross Profit	\$ 277	\$ 9,447	\$ 70,499	\$ 138,702	\$ 181,422	\$ 181,422	\$ 181,422

SG&A:

Employee Costs								
Tech Labor	125	4,251	31,725	62,866	81,848	81,848	81,848	
Tech Overtime Hours	125	4,251	31,725	-	-	-	-	
Training - First-time Training - WAG Employees	301	10,890	23,220	-	-	-	-	
Training - First-time Training - WAG Employees - Turnover	20	664	2,016	1,042	3,242	3,242	3,242	
Trainer Cost	100	7,513	5,544	8,644	5,544	5,544	5,544	
Hepatitis B Vaccinations	23	643	578	-	-	-	-	
Hepatitis B Vaccinations - Turnover	3	89	389	433	433	433	433	
Store Costs								
Re merchandising Costs	50	1,818	-	-	-	-	-	
Front End Impact	56	991	4,355	4,645	4,348	4,645	4,345	
Corporate Costs								
Marketing	49	1,482	609	800	600	800	609	
Legal	316	245	140	50	80	60	80	
Project Manager	175	175	175	175	175	175	175	
Corporate Travel	650	835	383	91	81	-	-	
Corporate Project Team	1,500	3,000	3,800	2,500	2,900	2,600	2,000	
Depreciation and Amortization	118	9,368	14,800	14,800	14,800	14,800	13,930	
Total SG&A Expenses	\$ 3,682	\$ 54,007	\$ 118,327	\$ 95,144	\$ 113,418	\$ 113,327	\$ 112,127	
Total EBIT, excluding Innovation Fee	\$ (1,000)	\$ (3,405)	\$ (44,560)	\$ (47,828)	\$ 44,558	\$ 68,004	\$ 68,085	\$ 69,295
Tax @ 37%	\$ (370)	\$ (1,260)	\$ (16,487)	\$ (17,696)	\$ 16,486	\$ 25,162	\$ 25,195	\$ 25,639
Net Income	\$ (630)	\$ (2,145)	\$ (28,047)	\$ (38,124)	\$ 29,072	\$ 77,849	\$ 77,900	\$ 73,515
Cash Flow without Innovation fees	\$ -	\$ (7,728)	\$ (124,566)	\$ (88,892)	\$ 37,396	\$ 52,167	\$ 52,224	\$ 52,224
Cash flow with Innovation fees	\$ (25,758)	\$ (82,728)	\$ (124,566)	\$ (88,892)	\$ 37,396	\$ 52,167	\$ 152,224	\$ 52,224
IRR with Innovation Fees (tax effected)	7.1%							
EBIT / Patient	\$ (122.82)	\$ (47.17)	\$ (6.78)	\$ 3.19	\$ 3.75	\$ 3.75	\$ 3.82	
EBITDA/Patient	\$ (114.97)	\$ (37.25)	\$ (4.88)	\$ 4.25	\$ 4.56	\$ 4.57	\$ 4.57	
Innovation Fees	\$ 25,000	\$ 75,000					\$ 100,000	

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Program Scope and Exclusions:

In the new business arrangement with Theranos, the bulk of the responsibility falls on Theranos for pilot and may be transferred to Walgreens for long-term. The transfer of responsibilities is predicated on an update to the contract and financial terms.

Theranos is the lab in the new business arrangement. Walgreens' role is to take care of the experience in the store based on Theranos' training.

Theranos Responsibilities	Walgreens Responsibilities
Lab	Space for Providing Service
Phlebotomists	Training
Training Content & SOPs	Trained Team Members to Offer Theranos Services
IT Application	Point of Sale payment collection
Medical Billing	In-store Marketing
Computer Equipment	Field Support
Supplies	
Courier	
Clinical Sales	
Call Center	
Broad Marketing Campaigns	
Provide Operational Data to Walgreens	
Provide Patient Results to Walgreens	

Background

Walgreens/Theranos relationship:

The relationship between Walgreens and Theranos began in February 2010. For several years the two organizations worked to find a business relationship that also met regulatory requirements. As such, it was determined in early 2013 that the original conceived business arrangement was not a viable relationship that mitigated regulatory concerns. As such, a new business model was formed and agreed to. Within that new arrangement, Theranos is the laboratory, and Walgreens is then contracted by Theranos to provide services on Theranos' behalf. The mechanism by which Walgreens will provide those services will be to use the pharmacy team members in the stores to be able to do patient sample collection on Theranos' behalf. Moreover, the Theranos specimens are **not** processed in the Walgreens retail stores. Rather, the specimens are picked up and taken to a Theranos central laboratory for processing.

Training

Pharmacy team members as well as health guides will and are being trained to be able to perform both the check-in as well as the sample collection. Given that the tests are not resulted in the stores, and there is no consultation required. The primary team members for performing the activities assigned will be Technicians and Health Guides.

Currently, the training curriculum is designed to be high touch. The ratio of trainer to trainee is 3:1 in order to provide adequate oversight of the blood specimen draw. The specimen draws that occur are from the finger, but require manual dexterity in both hands. Moreover, there is a specific grip that Theranos has designed that enhances the ability to collect the appropriate amount of blood. The combination of the amount of blood needed, gripping technique, and the collection into a unique Theranos device (called a Capillary Theranos Nanotainer (CTN) (Formerly called a Blood Collection Device (BCD)), as well as a high propensity for 'perfection' on specimen draw the first time – has resulted in a lower than

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anticipated pass rate from the initial rounds of training. Improvements have been made in the training plan that we believe will lend itself to a higher pass rate as we progress through training.

In-store Experience

All the tests that Theranos performs will require a Clinician order. While there are some states that allow for a patient to order their own tests, the organizations have agreed strategically that our go to market strategy will be to require a clinician order. Clinicians are a critical part of the care of patients, and Walgreens and Theranos do not want to disintermediate clinicians from the care of patients. Moreover, clinicians order a lot of prescriptions and Walgreens does not want to aggravate the physician communities.

For reference, below is a process flow that outlines the patient experience.

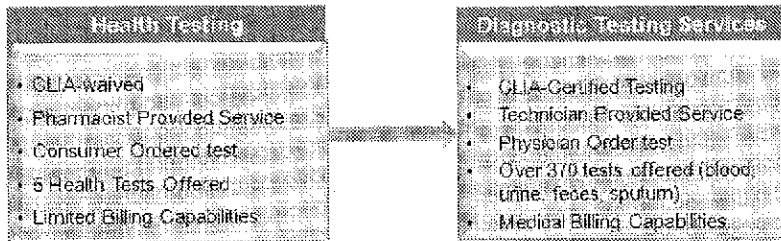
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Health Testing:

Currently, Walgreens offers patients select Health Tests upon patient request at CLIA-waived locations. Theranos Diagnostic Testing services provide physicians and patients a simple solution for laboratory services under a CLIA-certified laboratory.

Both parties must work together to clearly differentiate the patient and physician experience of Health Testing from Theranos services. The CLIA-Waived testing that is performed as part of Health Testing is very different than the high complexity testing that Theranos is able to provide.

Difference between Health Testing and Diagnostic Testing Services with Theranos:



Pilot Plans:

There has been a step wise approach with Walgreens and Theranos for entering into the market. With the level of disruption the partnership creates, measures were taken to ensure product readiness before the unveiling.

- 1. Controlled Soft Launch with clinical trial patients** (March – June 2013): Walgreens and Theranos worked together to stand up 3 locations in Arizona with the intent of **not publicly announcing** the services. Rather, the technicians would be trained to perform the services, Theranos would provide the IT equipment and support needed, and clinical trial patients would be paid by Theranos to come in for finger sticks and possible urine draws. Through this time period the IT application was enhanced as well as SOPs to help streamline the process.
- 2. CA Launch** (9/9/2013): The teams collaborated on adding the services to a store in Palo Alto within proximity of the Theranos HQ. Given the location and the intended purposes of being a showcase store for Theranos services, this location underwent remodeling to include a dedicated room for Theranos Services that met Theranos specifications. This location was not viewed as a scalable solution, but rather something that could be used for PR visits to show the best in class partnership and experience both parties have to offer. With the opening of this location the **public announcement** occurred and the services were open to the public for patients with clinician lab orders. *Note due to the regulatory requirements in CA for fingerstick certification. The*

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CA location is currently operating under a model in which the check-in is performed by the pharmacy team members and the specimen collection is performed by a trained Theranos phlebotomist. At the point that pharmacy team members in California go through the training to meet the state's requirements, then the Walgreens pharmacy team members will be able to provide both the check-in as well as the specimen collection.

3. **AZ Launch (11/11/2013):** The teams worked to focus efforts on the Arizona market – the primary market and focus for the pilot. Beginning in June over 100 team members were trained to stand up 10 stores for a **ribbon cutting** ceremony on 11/11. Due to support and experience concerns raised by Theranos, the number of stores that went live on 11/11 was scaled back to 2 locations: 3464 and 5453. Since the go-live, there have been rapid iterations of the IT solution, collection devices, and also SOPs in order to garner improvements in services. As such, scaling back to 2 locations has made it more manageable for both parties.
4. **Expanded Arizona Rollout (40 stores by 8/1/2014):** The overall goal is to expand to a total of 40 locations in Arizona by 8/1 in order to provide adequate market coverage and also test scalability. (See list of stores and map in Appendix D of Program Charter Appendix). The rollout schedule below outlines the plan to get to 40 locations.

Arizona Rollout schedule:

- Wave 1 - April 15 – 8 stores
- Wave 2 - May 15 – 10 stores
- Wave 3 - June 16 – 10 stores
- Wave 4 - July 15 – 10 stores

Scale Plans:

Both parties are aligned to reach a goal of nationwide coverage with at least 2500 locations. If the market demand exists, we will expand to additional locations. Rapid expansion to additional locations will be dictated by:

- **Market Entry Parameters**

- **Payor coverage** – Theranos needs to have payor coverage in a market, overarching goal is to have 60% of the covered lives contracted, with an ideal target of 80%.
- **Regulatory** – State specific regulations may make it more difficult to enter certain states over others (e.g. in CA the state requires Limited Phlebotomy Technician licensure by an approved educator in the state, NY has strict facility requirements for Patient Service Centers.)
- **Unions** – Union negotiations and contracting may be a rate limiting step for entering into certain markets quickly. (E.G. – City of San Francisco, Duane Reede stores in NY).

- **Operational Readiness**

- **PSC Operations** – labor model is determined and is scalable. Current model assumes entire end to end process is less than 15 minutes. Pilot metrics will be used to assess readiness for scale.
- **Training** – Scalable training plan is determined and enables (hand selected) technicians as trainers as well as a higher ratio of trainer/trainee than what is currently the standard in pilot (pilot standard is 3:1)
- **Courier** – couriers are in place for transporting specimens from stores to Theranos Central lab. For Pilot, Theranos has elected to whole own the courier process. Consideration might need to be given to Theranos contracting with a courier organization.
- **Clinician Sales Force** – Sales force is deployed to facilitate volume to the stores. For pilot, Theranos has elected to whole own the sales process. For rapid scale – Theranos may need to consider a contract sales organization such as Inventiv.
- **Call Center** – For pilot, Theranos has elected to run their own call center. For scale planning, it may make sense for Theranos to outsource Level 1 calls.

- **Lab Operations** – The proximity of the central lab to the store locations will be a key consideration in the ability to meet turnaround time promises.
- **Supply Chain** – For pilot, Theranos is managing the supplies needed for the stores to offer Theranos services. A scalable solution may include Walgreens management of supplies (excluding Theranos proprietary items like CTNs and Finger Warmers).
- **Contractual updates/obligations**
 - As learnings occur from the pilot and both parties align on a scale plan, it is likely that both Theranos and Walgreens will update the contract to support scale.

Store Selection Criteria

The Walgreens and Theranos teams collaborated on criteria for selection of stores in the market. The belief is that these selection criteria will also hold true for scale. However, pilot results or market specific dynamics may require some adjustments. Below were the selection criteria:

- **High Medicare/Medicaid population:** The majority of lab tests that are ordered in the US fall into this patient population.
- **24 hour Pharmacy:** Peak service times for laboratory testing occur in the early morning due to fasting requirements needed for many common lab tests. As such, 24 hour pharmacies offer a convenience to patients that is unmatched in the industry.
- **Healthcare Clinic:** Stores with Health Care clinics compliment the service offering of pharmacy as well as now the new Theranos service. Walgreens NPs can write lab orders for patients, and those lab orders can be fulfilled by Theranos in the same store.
- **Select high volume pharmacy stores for geographic coverage:** Access for patients is key, so if in the event a store is needed to provide adequate coverage, a high volume pharmacy was selected to offer services as well.

Store Layouts and Design for Services

For many of the retail pharmacies, there may need to be facilities changes to add privacy panels with appropriate networking and power support for Theranos equipment. In addition, some bathrooms may need to be refreshed in order to support a positive patient experience for urine lab testing. We are exploring options to improve patient experience, e.g. better privacy panels, sound deadening, etc.

Equipment and Space Requirements:

Estimated footprint needed for patient service center space will be 24-36 sq. ft. with electrical outlets for several pieces of equipment. Equipment used in the store is dependent on existing store layout:

Specimen collection equipment

- Electrical supply source near specimen collection point
- Chair for patient
- Chair/stool on wheels for technician
- Table for specimen collection
- Theranos refrigerator for sample storage
- Theranos mini-refrigerator for keeping glucose drinks cold
- Computer/printer/scanner/QR bar code reader
- Centrifuge
- Phone
- Supplies
- Bio-waste container

Check-in equipment

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- Computer/printer/scanner/driver's license scanner/pad for taking signatures
- Phone
- Walgreens POS system
- Refrigerator for sample storage (in addition to the one in the specimen collection space)

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Multiple layouts will be used to offer the services

- **Dedicated Theranos rooms:** Some locations will have rooms built for providing Theranos services only. Both parties will work together to align on the design aesthetic for the Theranos rooms. Below is an example of the layout for store 5453 in Arizona.

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- **Consultation Nooks or rooms for health care services:** In some locations, the store will have an existing consultation nook or room where health care services are performed. This space is designed to be used by the pharmacy team members for providing services such as Immunizations, Consultations, Health Testing, and also Theranos testing.
- **Privacy Panel:** In some locations there will be privacy panels set up for performing health care services. This is not the preferred option, but may be needed based on store space constraints. Below is an example of store 1197 of a privacy panel space.

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IT Solution

Theranos is the lab and therefore, Theranos owns the end to end process for the services they are providing – including the IT solution. Theranos takes in clinician orders through their system, performs medical billing, and also delivers results to clinicians. The approach for the pilot, to keep it simple, was for the Theranos IT solution to not be integrated into Walgreens systems. This allowed for the ability to test out the business model and buy-in, without having to worry about IT integration as a constraint to move forward with pilot. Further – the Theranos IT solution for connectivity uses cellular cards, rather than a Walgreens LAN or DSL connection. This enabled a faster pilot implementation.

The teams have worked together to outline a plan toward integration to enable faster check-in for patients and also facilitate scale. It should be noted that there will still be portions of the application that will be managed by Theranos, such as medical billing and performing eligibility checks. Those portions are owned by Theranos, because Theranos knows which contracts they have with payors and should maintain that information. Below is a graphical depiction of the phases that the IT solution will move through toward integration.

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Marketing/Sales

The dynamics of the relationship are such that the primary marketing and sales campaign are focused on Theranos services and Theranos is dominant in the branding. Both teams have worked together to determine the marketing signage for in-store. Theranos has developed the creative, and Walgreens then will work with the vendor to get the marketing materials to the stores in a sign pack.

Clinician detailing is the responsibility of Theranos to garner buy-in for the services, and also the account set-up for the services. It should be noted, that as a result of clinician detailing, many clinicians are trying the service themselves first hand. As a result of this, it is extremely important that the patient experience be great, because that clinician isn't just trying the service for themselves, but for all of their potential patients that they might send over for services.

The current sales model used by Theranos is to have their own captive sales force. There have been early discussions with Inventiv, a contract sales organization, to see if there was a possible fit for pilot or scale. Those discussions, as we get closer to scale may be revisited.

Reimbursement

Theranos is the laboratory and is responsible for medical billing, including submission of claims to payors and also the collection of payment from patients.

Walgreens and Theranos have a B2B relationship. As such, Walgreens is reimbursed by Theranos on a per patient basis. For more information on the fee arrangement, please refer to the Walgreens/Theranos Contract.

Pilot Out-of-scope:

- Health Testing Program – refer to Health Testing Project Charter authored by Judy Sommers-Hanson
- Test Types:
 - Consumer directed testing / Direct Access Testing (DAT)
 - Reflex testing
 - Nasal swabs
 - Throat swabs
 - Chain of custody drug testing

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Long-Term Scope:

We anticipate there will be a transition in responsibilities for operational items from Theranos to Walgreens as noted below:

- IT application
- Computer equipment
- Supplies (excluding Theranos proprietary devices (CTNs))
- Call Center
- Broad marketing

Note: Transition in responsibilities requires contractual updates before proceeding.

The long-term goal is to roll-out lab services across all Retail Pharmacies and other channels (e.g. specialty/infusion).
Future Service Offerings:

1. Companion Diagnostics
 - Increases likelihood of patient retention in instances where a lab test is required for as part of a prescription (e.g., impaired liver or kidney function)
2. Adherence Monitoring
 - Solves historic problem re: inadequacy of Medication Possession Ratio (MPR) as an adherence metric; can distinguish non-adherent to therapy vs. loyal to WAG
 - Test provides empirical data as to whether or not and to what extent someone is adherent to medications.
3. Healthcare Clinic
 - Complements movement from episodic to chronic care (e.g., HTN pilot), and keeps testing revenue in-house (currently outsourced)
4. Specialty/Infusion
 - Specialty and infusion nurses, as part of their scope of practice also perform blood draws for patients. In collaboration with Theranos there is an opportunity to offer Theranos lab draws as part of the offering. Note that this may require a modification to how the specimen is currently drawn by Theranos – through a finger. If a patient already has a line open for an infusion, it would be good to be able to use that same line for a specimen draw for Theranos labs.
5. Employer Solutions Group
 - Some employer sites also have clinical services where laboratory specimens are drawn. In the instance that Theranos offers a price competitive model, Theranos lab services could be incorporated into the ESG solution and offering for clients.

International

There are global implications to launching laboratory services. The business model and relationship that Walgreens and Theranos have is outlined for the US market. Internationally, the business relationship can be structured differently based on the regulatory environment and the assets that both parties can bring to the table. Internationally, there may be an opportunity to have the Theranos testing devices in the stores – which would allow for faster processing time as well as mitigating risk for additional hand offs to couriers for shipping to a central laboratory. Attached below is the most recent report regarding the global market for laboratory testing.

[EMBED AcroExch.Document.7]

Current Pilot Metrics:

In the current model, the operational metrics that Walgreen has access to is the POS data. As such, the POS data can be used to find out patient volume by store and time of day. There has been a request from Walgreens for additional



operational metrics from the Theranos system to determine check-in times, specimen times, Turnaround Time (TAT) for results. The timing of when the operational metrics from Theranos will be available is TBD.

See below for a statistical summary report as of 3/1/2014.

Store #	State	Open Date	Total # of Pts	Avg Pts / Str / Day	# of Patients			Avg # of Pts / Day / Qtr. Or Month		
					Qtr 1	Qtr 2	March	Qtr 1	Qtr 2	March
13596	CA	9/9/2013	303	1.74	143	154	6	1.72	1.71	6.00
3464	AZ	11/13/2013	77	0.71	9	68	0	0.50	0.76	0.00
5453	AZ	11/13/2013	107	0.98	12	94	1	0.67	1.04	1.00
AZ Total			184	0.87	21	162	1	0.58	0.90	0.50
Grand Total			487		164	316	7		1.17	2.33

*Data is current up to and including 3/1/14. There may be up to a 48 hour delay due to batch schedules that upload this data to EDW.

**Large amount of patients seen, during this time, may be Theranos family/friends rather than commercial patients (CA-13596 store ONLY).

Store #	State	Open Date	Total # of Draws	Total Venous	# of Draws Qtr 1	# Venous Qtr 1	% Venous Qtr 1	# of Draws Qtr 2	# Venous Qtr 2	% Venous Qtr 2	# of Draws March	# Venous March	% Venous March	# of UA	# of >1 CTN used
3464	AZ	11/13/2013	77	16	9	3	33%	68	13	19%	0	0	0%	4	27
5453	AZ	11/13/2013	107	46	12	6	50%	94	41	44%	1	0	0%	5	32
AZ Total			184	62	21	9	43%	162	54	33%	1	0	0%	9	59

Venous numbers are reported by the field not derived from EDW. Numbers reported through 3/1/14. Number of draws requiring >1 CTN includes extra CTN use due to faulty CTNs.

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Program Roles and Responsibilities:

Role	Name(s)	Responsibility
Program Sponsors	Wade Miquelon, Kermit Crawford	<ul style="list-style-type: none"> Acts as a "champion", providing ongoing visible support through communications and actions. Obtains funding and serves as approval authority for the program. Approves and authorizes major changes to the program scope. Requests and secures functional area and program team involvement. Identifies, resolves, and escalates major issues and risks.
Executive Steering Committee	Alex Gourlay, Kermit Crawford, Mark Wagner, Brad Fleugel, Jason Dubinsky, Nimesh Jhaveri, Brad Wasson, Sunny Balwani	<ul style="list-style-type: none"> Provides direction and ongoing, visible support for the project/program. Approves and authorizes all program changes impacting scope. Identifies, resolves, and escalates issues and risks. Identifies alignment and synergies with other strategic programs.
Operating Committee	Sylvia Van Loveren, Troy Mills, Dave Miller, David Barber, Sal Venegas, Jim Weeast, Adam Pellegrini, Matt Sesto, Lorinda Tisdell, Heidi Wold, Trent Riley, Priya Jagannathan, Erich Reutzel, Matt Reilly, Tim Engstrom, Jeff Gormanous, Karoline Dygas, Shannon Couffer, Greg Kunstman, Nimesh Jhaveri, Christian Holmes	<ul style="list-style-type: none"> An advocate for the successful outcome of the program. Informed about key program decisions. Provides program input, when applicable.
Business Owners	Nimesh Jhaveri, Brad Wasson	<ul style="list-style-type: none"> Defines and approves high-level and detailed program requirements. Approves the Program Charter. Provides direction and ongoing, visible support for the program through communications and actions. Approves and authorizes significant changes to the program scope. Identifies, resolves, and escalates issues and risks.
Program Manager/Project Managers	Patty Haworth – Program Manager, Joe Ahdoot – Theranos Program Manager, Chris Lynn – Walgreens IT Director, Aziz Skiredj – Walgreens IT Project Manager	<ul style="list-style-type: none"> Coordinates the management of related programs and/ or projects to achieve common objectives. Partners with Business Owner(s) to establish and develop a Program Roadmap. Monitors and drives program delivery. Identifies, resolves, and escalates issues and risks.

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Program Resource Chart:

Work Streams - Structure, Roles, and Expected Time Commitment

Change Mgmt. <i>L. Finley</i> 10% Partner with Rx Ops to plan & facilitate change	HR <i>R. Jagannathan</i> 10% Develop / revise policies & procedures for future roles	Finance <i>S. Fairfield</i> 20% • Test/ Validate economics • Lead monitoring & tracking	Market Schedule <i>L. Kay</i> 50% Schedule team members for training	IT <i>C. Lynn</i> 5% Two distinct roles: • Inform future state scenarios • Design & build	Scenarios <i>D. Rao</i> 5% Design & build digital order / touch points	MPAR <i>D. Miller</i> 15% Store selection based on stated criteria
CSG <i>A. Harrison</i> 10% Support Nurse Practitioner use of Theranos services	Marketing <i>K. White</i> 25% Provide oversight to Theranos collateral and create marketing support programs	Design <i>D. Meyer</i> 50% Develop Theranos footprint alternatives that align with / enhance future scenarios	Facilities/CONST <i>C. Dunn</i> 50% Facilities and construction updates to stores for Theranos services	LAD <i>A. Cortes</i> 50% Develop training for Theranos services	PR <i>J. Conn</i> 5% External communication for Theranos services	Comms <i>M. Mackintosh</i> 5% Internal communication for Theranos services
Accounting <i>R. Williams</i> 10% Liaison for Accounting and Invoicing for Theranos services	Legal <i>L. Lopez</i> 5% Open up cash lines for impacted stores	IT/Const <i>M. Roberts</i> 5% Two distinct roles: • Inform future state scenarios • Design & build	Const <i>L. Anderson</i> 5% Provide feedback on future scenarios regarding regulatory hurdles	Regulatory <i>R. Smith</i> 5% Serve as the point person with regulatory agencies approval	Contracts <i>G. Smith</i> 10% Design and develop Theranos contracts	Regulatory <i>M. Smith</i> 5% Regulatory support for Theranos contracts
IT/Const <i>M. Roberts</i> 5% Provide loss prevention oversight for Theranos services	Legal <i>L. Lopez</i> 5% Identify and validate labor impact of future state scenarios	Regulatory <i>R. Smith</i> 5% Be informed about Theranos services	Const <i>L. Anderson</i> 5% Analyse impact of future scenarios on packaging & other sourced materials	Regulatory <i>R. Smith</i> 5% Determine future state implementation for Theranos services	Contracts <i>G. Smith</i> 5% Two distinct roles: • Inform future state scenarios • Design & build	

Legend:

- Primary
- Support
- Future

Key Program Assumptions:

- Business partners, IT, Legal, Regulatory, and Contracting resources, with the correct level of skill set, will be available as subject matter experts
- A short-term IT approach for pilot will heavily leverage Theranos for virtually all systems support
- A long-term IT approach will be executing in parallel to establish more Walgreens control over lab services systems
- Implementation of projects such as Well Experience and Centralization on Demand in chosen retail stores should be coordinated to avoid negatively impacting the Pilot.

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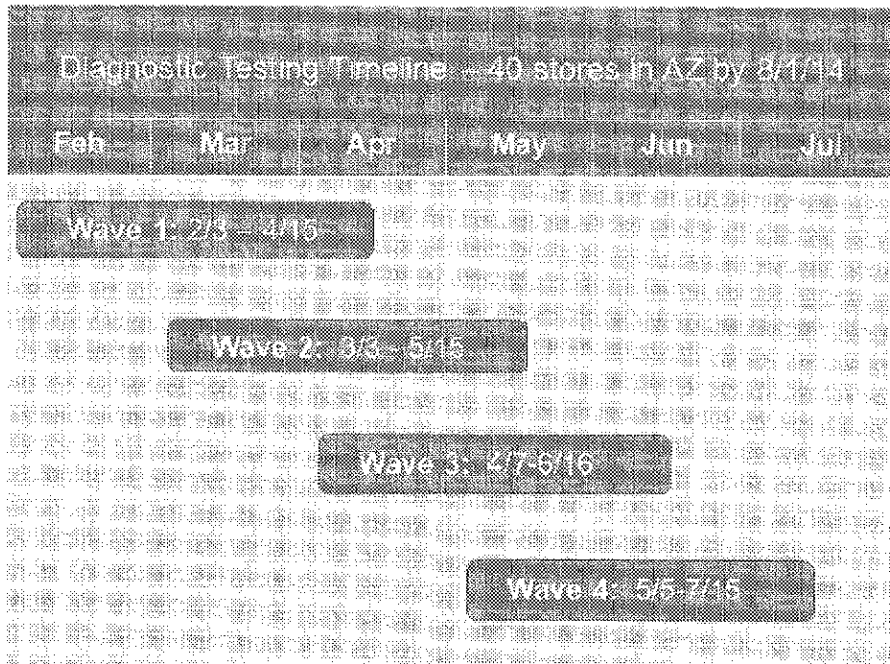
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Key Program Risks:

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Risk Description	Rating	Mitigation Strategy
1) Theranos devices and tests obtain regulatory approvals	H	Heather Zimmerman and Mike Simko to review potential issues with requirements of State Boards of Clinical Laboratories, State Boards of Pharmacies, Medicare, and CLIA.
2) Ability to secure favorable payor contracts	H	Process begun with payors: HCSC, United, and Wellpoint.
3) Develop productive provider relationships	H	Create a provider outreach strategy and formalize with Marketing team with consultation by Health Law.
4) Ensure our partner Theranos delivers what is needed, including IT systems for the pilot	H	Minimize by communicating external dependencies and due dates clearly to Theranos. Escalate to management for prioritization, if applicable.
5) Drive patient traffic for lab services	H	Create marketing campaigns that will meet target audience needs with review by Health Law. Work with prescribers and payors to drive customer traffic where possible.
6) Ability to leverage field sales force to focus on the Project Beta initiative	H	Confirm with IVRT and Specialty field sales teams that they plan to support this initiative and that there are sufficient resources in place to do so. Consider outsourcing provider sales to an organization that has expertise in this area.

Project Timeline:



Core Team Contact List:

Phone	Name	Involvement
	Lane Fraley	Partner with Rx Ops to plan and facilitate change
	Priya Jagannathan	Develop/revise policies and procedures for future roles
	Lindsay Kay	Schedule team members for training
	Chris Lynn	Two distinct roles: 1) inform future state scenarios 2) Design and build
	Aziz Skiredj	Two distinct roles: 1) inform future state scenarios 2) Design and build
	Jay Meyer	Two distinct roles: 1) inform future state scenarios 2) Design and build
	Dimple Rao	Design and build digital patient touch points
	Sarah Davis (interim)	Design and build digital patient touch points
	David Miller	Store selection based on stated criteria
	Jason Burke	Store selection based on stated criteria
	Angela Bankston	Support Nurse Practitioner use of Theranos services - CSG
	Katherine White	Provide oversight to Theranos collateral and create marketing support programs
	Shannon Fairfield	Test/validate economics; lead monitoring and tracking;
	Dana Meyer	Develop Theranos footprint alternatives that align with/enhance future scenarios
	Chris Dunn	Facilities and construction updates to stores for Theranos services
	Ardith Cortes	Develop training for Theranos services
	Jim Cohn	External communication for Theranos services
	Maggy MacPherson	Internal communication for Theranos services
	Andrea Biernacki	Liaison for Accounting and invoicing for Theranos services
	Del Robertson	Liaison for Accounting and invoicing for Theranos services
	Terry Lyza	Open up cash lines for impacted stores
	Mark Wooley	Two distinct roles: 1) inform future state scenarios 2) Design and build
	Heather Zimmerman	Provide feedback on future scenarios regarding regulatory hurdles
	Al Carter	Serve as the point person with regulatory agencies approval
	Greg Kunstman	Design and develop Theranos contracts
	Dan Tardiff	Regulatory support for Theranos contracts
	Javion Hutchinson	Provide loss prevention oversight for Theranos services
	Michael Fleming	Identify and validate labor impact of future state scenarios
	Gwen Holtan	Be informed re: Theranos services for Sales communication
	Maureen Charbonnet	Be informed re: Theranos services for Sales communication
	Gwen Holtan (interim)	Be informed re: Theranos services for Sales communication
	Karoline Dygas	Analyze impact of future scenarios on packaging and other sourced materials
	Kim Lampariello-Feldman	Determine future state implementation for Theranos Services – ESG
	Sue Thoss	Two distinct roles: 1) inform future state scenarios 2) Design

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	and build
Mahesh Raju	Product Manager
Patty Haworth	Overall program management
Beth Montague	Senior Business Analyst, Healthcare Solutions Group
Sarah Carr	Business Analyst, Healthcare Solutions Group
Sunny Balwani	Theranos COO, responsible for Legal
Christian Holmes	Theranos Product Management Director Accounting, responsible for Clinical Sales and Legal
Tracy Masson	Theranos General Manager Operations
Kimberly Alfonso	Theranos Phoenix General Manager Commercial
Joe Ahdoot	Theranos Program Manager, responsible for Training and Theranos Field Communication
Nick Menchel	Theranos Product Manager, responsible for Facilities, Supply Management and Courier
Max Fosque	Theranos Product Manager, responsible for Reporting & Analytics and Call Center
Jeff Blickman	Theranos Product Manager, responsible for Marketing, IT and IT Field Management

Program Charter Review / Approval:

A. Review / Approval Process:

The Diagnostic Testing Program will use a 3-step plan for reviewing and approving the program charter:

- 1) The Program Manager will route the Program Charter for review to the Business Owners. All feedback should be provided verbally or sent electronically to Program Manager for consideration within 3 business days
- 2) The Program Manager will review all feedback and determine if adjustments need to be made to the Program Charter. Feedback contributors may be invited to a meeting to describe the change requested. Approved changes will be incorporated into the document.
- 3) The final Program Charter will be routed to approvers for signoff allowing 5 business days to complete this process.

B. Reviewing / Approving Parties:

Name	Role	Review (R) Approve (A)
Wade Miquelon	Executive Sponsor	R
Kermit Crawford	Executive Sponsor	R
Nimesh Jhaveri	Business Owner, Pharmacy Transformation	A
Brad Wasson	Business Owner, Healthcare Solutions Group	A
TBD	Product Director	R
Mahesh Raju	Product Manager	R
Patty Haworth	Program Manager	R
Beth Montague	Sr Business Analyst	R
Sarah Carr	Business Analyst	R
TBD	Operations Director	R
TBD	Operations Manager	R
Raeann Nelson	Operations Business Analyst	R
Chris Lynn	IT Director	R
Aziz Skiredj	IT Project Manager	R

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Alex Gourlay	Executive Steering Committee	R
Kermit Crawford	Executive Steering Committee	R
Mark Wagner	Executive Steering Committee	R
Brad Fleugel	Executive Steering Committee	R
Jason Dubinski	Executive Steering Committee	R
Nimesh Jhaveri	Executive Steering Committee	R
Sunny Balwani	Executive Steering Committee	R
Sylvia Van Loveren	Operating Committee	R
Troy Mills	Operating Committee	R
Dave Miller	Operating Committee	R
David Barber	Operating Committee	R
Sal Venegas	Operating Committee	R
Jim Weeast	Operating Committee	R
Adam Pellegrini	Operating Committee	R
Matt Sesto	Operating Committee	R
Lorinda Tisdell	Operating Committee	R
Heidi Wold	Operating Committee	R
Trent Riley	Operating Committee	R
Priya Jagannathan	Operating Committee	R
Erich Reutzel	Operating Committee	R
Matt Reilly	Operating Committee	R
Tim Engstrom	Operating Committee	R
Jeff Gormanous	Operating Committee	R
Karoline Dygas	Operating Committee	R
Shannon Couffer	Operating Committee	R
Greg Kunstman	Operating Committee	R
Nimesh Jhaveri	Operating Committee	R
Christian Holmes	Operating Committee	R

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