

To: 'Lyubochkina, Ksenia Y'[ksenialyubochkina@KPMG.com]
Cc: Nguyen, Oanh[onguyen@kpmg.com]; Gorzalka, Travis C[tgorzalka@kpmg.com]
From: Danise Yam
Sent: Sat 8/29/2015 4:32:59 AM
Importance: Normal
Subject: RE: Question Log 8/28/15
Received: Sat 8/29/2015 4:33:00 AM
[#43 Recognize Celgene Revenue SOW2 Q310.xlsm](#)
[#67 Recognize Celgene Revenue SOW2 Q410.xlsm](#)
[Contract summary 123109.xlsx](#)
[Contract summary 123110 updated.xlsx](#)

Hi Ksenia,

Here are the contract summaries that you can review with the other two revenue recognition policies. Also added the JL to true up the balances according to the contract summary.

Thanks,

Danise

From: Lyubochkina, Ksenia Y [mailto:ksenialyubochkina@KPMG.com]
Sent: Friday, August 28, 2015 1:19 PM
To: Danise Yam <dyam@theranos.com>
Cc: Nguyen, Oanh <onguyen@kpmg.com>; Gorzalka, Travis C <tgorzalka@kpmg.com>
Subject: RE: Question Log 8/28/15

Hi Danise,

One more issue just come up to our attention (question #28).

Please, see an updated question log attached.

Thank you!

Ksenia

From: Lyubochkina, Ksenia Y
Sent: Friday, August 28, 2015 12:53 PM
To: 'Danise Yam'
Cc: Nguyen, Oanh; Gorzalka, Travis C
Subject: Question Log 8/28/15

Hi Danise,

Thank you for your responses.

Please, find an updated Question Log 8/28/15 attached.

Let me know if you have any questions.

Have a great weekend!

Regards,

Ksenia

From: Danise Yam [mailto:dyam@theranos.com]

Sent: Thursday, August 27, 2015 5:26 PM

To: Lyubochkina, Ksenia Y

Cc: Nguyen, Oanh; Gorzalka, Travis C

Subject: RE: Question Log 8/27/15

Hi Ksenia,

#24 (1) George Shultz is a director. That's why he was included as employee. (2) John F's option would have been valid for 10 year. But the vesting stopped on 11/1/2011. So there would be no expense after that. See image of set up below.

The screenshot shows a software window titled "Leave of Absence - Open". It contains several input fields and a table. The "Account" section has a dropdown menu for "Name" with "Frankovich, John" selected and an "ID" field with "10160". The "Leave Detail" section has "Begin Date" and "End Date" fields, with "11/1/2011" entered in the first "Begin Date" field. The "Vesting Stop" section has "Begin Date" and "End Date" fields, with "11/1/2011" entered in the first "Begin Date" field. The "Exercise Block" section has a "Begin Date" field. Below these fields are three tabs: "Selection", "Vesting Schedule", and "Comment". The "Selection" tab is active, showing a table with the following data:

Number	Grant Date	Plan	Type	Price	Shares
40000441	4/27/2011	2004	ISO	\$1.0300	7,500
40000457	8/25/2011	2004	ISO	\$1.0300	7,500

At the bottom of the window are "Save" and "Undo" buttons.

I will look into the deferred rent and revenue adjustments.

Thanks,

Danise

From: Lyubochkina, Ksenia Y [mailto:ksenialyubochkina@KPMG.com]

Sent: Thursday, August 27, 2015 3:05 PM

To: Danise Yam <dyam@theranos.com>

Cc: Nguyen, Oanh <onguyen@kpmg.com>; Gorzalka, Travis C <tgorzalka@kpmg.com>

Subject: Question Log 8/27/15

Hello Danise,

Please, find an updated Question Log 8/27/15 attached.

Please, let me know if you have any questions.

Thank you!

Ksenia

Confidential

From: Danise Yam [mailto:dyam@theranos.com]

Sent: Wednesday, August 26, 2015 8:00 PM

To: Lyubochkina, Ksenia Y

Subject: RE: Question Log 8/25/15

Hi Ksenia,

Please see updated schedules.

Thanks,

Danise

From: Lyubochkina, Ksenia Y [mailto:ksenialyubochkina@KPMG.com]

Sent: Wednesday, August 26, 2015 1:34 PM

To: Danise Yam <dyam@theranos.com>

Subject: RE: Question Log 8/25/15

Thank you for an updated rollforward provided.

From: Danise Yam [mailto:dyam@theranos.com]

Sent: Wednesday, August 26, 2015 1:29 PM

To: Lyubochkina, Ksenia Y

Subject: RE: Question Log 8/25/15

The previous discussion was that we would change from May grant, which was where the discussion started because it was close to the new share issuance. We do not believe that we would like to change for March grants.

Thanks.

From: Lyubochkina, Ksenia Y [mailto:ksenialyubochkina@KPMG.com]

Sent: Wednesday, August 26, 2015 1:23 PM

To: Danise Yam <dyam@theranos.com>

Subject: RE: Question Log 8/25/15

Hi Danise,

I have couple questions about Option Rollforward for 2010 provided (updated version):

- 1) Why \$1.03 price was not used for each individual?
- 2) Total Market Value (column O) is not updated (should be equal to 'Shares*Market Value')

Please, provide an updated Option Rollforward.

Thank you!

Ksenia

From: Danise Yam [mailto:dyam@theranos.com]

Sent: Wednesday, August 26, 2015 12:30 AM

Confidential

THPFM0000402346

To: Lyubochkina, Ksenia Y
Cc: Nguyen, Oanh
Subject: RE: Question Log 8/25/15

#2 and #4 provided in previous email.

#16. Can you please make sure you are using the correct version? I believe the version that you sent me on 8/21 was not updated (e.g. we had discussed that the b/fwd balance was different from both audited report for 2008). That may explain the difference.

#17 attached.

#19 provided. (also provided explanation for the change in forfeiture rate (significant grant in 2010 was for executive management, which we don't expect those to be forfeited) and the reason for canceled shares not tying out (they are not meant to match in 2010)).

#20 So Han Spivey = Danise Yam. I hope you found my name in the minute.☺Confirmed that John's shares were stopped as of 11/1/2011. This info was entered properly in the system. His two option numbers are #441 and #457.

#21 – we did not have any 2012 minutes

#22 – can you please send me a couple samples to calculate?

Thanks,

Danise

From: Lyubochkina, Ksenia Y [<mailto:ksenialyubochkina@KPMG.com>]
Sent: Tuesday, August 25, 2015 11:29 AM
To: Danise Yam <dyam@theranos.com>
Cc: Nguyen, Oanh <onguyen@kpmg.com>
Subject: Question Log 8/25/15

Hi Danise,

Please, find an updated question log attached.

Please, let me know if you have any questions.

Thank you!

Ksenia

From: Danise Yam [<mailto:dyam@theranos.com>]
Sent: Monday, August 24, 2015 4:13 PM
To: Lyubochkina, Ksenia Y
Cc: Nguyen, Oanh
Subject: RE: Question Log 8/24/15

Hi Ksenia,

I updated the assumption for 2011.

The "cancel" numbers should not be matched with previous year because those were the "cumulative cancellation" numbers. For example, a total of 4,166,033 shares were cancelled as of 12/31/2010. Of this total, these shares were original granted in different

year, i.e. 17K shares were granted in 2010, 433K shares were granted in 2009 etc. As of 2011, more of the shares that we granted in 2010 were cancelled in 2011, i.e. it went up from 17,000 to 45,810 in 2011 schedule.

Hope this makes sense.

Will move on to equity recon.

Thanks,

Danise

From: Lyubochkina, Ksenia Y [<mailto:ksenia.lyubochkina@KPMG.com>]

Sent: Monday, August 24, 2015 9:04 AM

To: Danise Yam <dyam@theranos.com>

Cc: Nguyen, Oanh <onguyen@kpmg.com>

Subject: Question Log 8/24/15

Good morning Danise,

Please, find an updated Question Log attached.

I will call you at 11:30 am to discuss all the questions.

Regards,

Ksenia

From: Danise Yam [<mailto:dyam@theranos.com>]

Sent: Friday, August 21, 2015 3:59 PM

To: Lyubochkina, Ksenia Y

Cc: Nguyen, Oanh

Subject: RE: Equity section 2009-2010

650 470 6204.

From: Lyubochkina, Ksenia Y [<mailto:ksenia.lyubochkina@KPMG.com>]

Sent: Friday, August 21, 2015 3:37 PM

To: Danise Yam <dyam@theranos.com>

Cc: Nguyen, Oanh <onguyen@kpmg.com>

Subject: RE: Equity section 2009-2010

Hi Danise,

Thank you for your explanations.

We will discuss with Oanh on Monday morning and I will give you a call at 11:30 am.

Please, let me know what is the best number I can reach you at.

Thanks,

Ksenia

From: Danise Yam [mailto:dyam@theranos.com]

Sent: Friday, August 21, 2015 3:17 PM

To: Lyubochkina, Ksenia Y

Cc: Nguyen, Oanh

Subject: RE: Equity section 2009-2010

How about 11:30am?

I am attaching the 2008 R/F so you can see where the 5,191,170 came from, it was the number before adjusting the repurchasable shares. However, I am not sure why your w/p would still be showing this number. I checked, both E&Y and KPMG audited report for 2008 were using the correct number (after adjustment for repurchasable shares).

A lot of the questions were relatd to \$0.36 vs \$1.03. I think the confusion here is that we granted options/warrants at \$0.36, this price isn't going to change regardless of what Theranos and KPMG subsequently agreed on the value. The only thing that will be changed to \$1.03 is the "market value" for valuation and SBC calc purpose. I hope this makes sense.

If there are further questions, we can discuss over the phone.

Have a great weekend.

Thanks,

Danise

From: Lyubochkina, Ksenia Y [mailto:ksenialyubochkina@KPMG.com]

Sent: Friday, August 21, 2015 2:56 PM

To: Danise Yam <dyam@theranos.com>

Cc: Nguyen, Oanh <onguyen@kpmg.com>

Subject: RE: Equity section 2009-2010

Hi Danise,

Can we schedule a call on Monday (8/24/15)?

Anytime from 8 am till 5 pm.

Please, let me know what time works best for you and what number I can reach you at.

Thank you!

Ksenia

From: Danise Yam [mailto:dyam@theranos.com]

Sent: Friday, August 21, 2015 2:50 PM

To: Lyubochkina, Ksenia Y

Cc: Nguyen, Oanh

Subject: RE: Equity section 2009-2010

Hi Ksenia,

Do you have time for a call today? I am available between now and 4p and then after 5p.

Thanks,

Confidential

Danise

From: Lyubochkina, Ksenia Y [<mailto:ksenialyubochkina@KPMG.com>]

Sent: Friday, August 21, 2015 8:48 AM

To: Danise Yam <dyam@theranos.com>

Cc: Nguyen, Oanh <onguyen@kpmg.com>

Subject: RE: Equity section 2009-2010

Good morning Danise,

Please, find attached 2009 Options Rollforward (KPMG version).

Difference of '1 or 2' options is non-significant. Just wanted to make sure that you are aware of it.

For 2010 and 2011 schedules that you send – the main question is about share price amount used (\$0.36 instead of market value of \$1.03).

We also reviewed Warrants recalculation 2010 and identified the same issue (\$0.36 used instead of \$1.03).

Per our understanding Theranos agreed to use Market Price per Aranca report (2010) and all the relevant schedules should be updated.

Please, let me know if you have any questions.

Thank you!

Best regards,

Ksenia Lyubochkina

Audit Associate

KPMG LLP

Mission Towers I - Suite 100

3975 Freedom Circle Drive

Santa Clara, CA 95054

(408) 367 4184

From: Danise Yam [<mailto:dyam@theranos.com>]

Sent: Thursday, August 20, 2015 7:42 PM

To: Lyubochkina, Ksenia Y

Cc: Nguyen, Oanh

Subject: RE: Equity section 2009-2010

Hi Ksenia,

Confidential

Will you have time tomorrow to discuss? (or tonight.☺)

For those that we asked me about reconciling with your w/p, please send those to me so I can take a look.

For the 2009 rollforward, you have a question about the 1/1/2009 b/fwd number. The schedule I provided tied out to the ending balance of 2008 audited report. So, I am not sure why the working paper would be different. If you send me what you have, I should be able to see what's going on.

For those "rounding difference" of 1 or 2, I don't think they are of any significance to look further. Do you agree?

Thanks,

Danise

From: Lyubochkina, Ksenia Y [<mailto:ksenialyubochkina@KPMG.com>]

Sent: Thursday, August 20, 2015 3:20 PM

To: Danise Yam <dyam@theranos.com>

Cc: Nguyen, Oanh <onguyen@kpmg.com>

Subject: RE: Equity section 2009-2010

Hi Danise,

We went through Option Rollforward for 2009 and 2010 also and identified some differences with our working papers, as well as some additional questions.

Please, refer to the files attached with relevant comments.

Let me know if you have any questions.

Best regards,

Ksenia

From: Lyubochkina, Ksenia Y

Sent: Thursday, August 20, 2015 10:29 AM

To: 'Danise Yam'

Cc: Nguyen, Oanh

Subject: Equity section 2011

Hi Danise,

We started reviewing provided support for Equity section (2011) and we have some questions.

Please, find files with comments (yellow highlights) attached.

Let me know if you want to discuss, so that we can schedule a phone call.

Thank you!

<< File: Option Rollforward 2011 (no note receivable).xlsx >> << File: 16 Assumptions for Black scholes 2011.xls >>

Best regards,

Ksenia Lyubochkina

Audit Associate

KPMG LLP

Mission Towers I - Suite 100

3975 Freedom Circle Drive

Santa Clara, CA 95054

(408) 367 4184

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