

Message

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Sent: 1/1/2014 6:03:36 PM

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Subject: Theranos

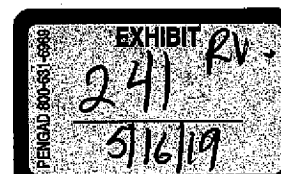
Happy new year, all.

Wade asked me to send you a quick note to share positive developments on Theranos. Yesterday, we finalized an agreement with Theranos under which we will have the benefit of enhanced exclusivity and additional equity rights.

The key terms are as follows:

- **Restatement of Intent.** Both sides restated their commitment to develop a mutually beneficial strategic relationship that facilitates the successful deployment of Theranos nationally and establishes Walgreens as the national partner for laboratory services that Theranos is able to provide, and confirmed the expectation that Walgreens will be Theranos exclusive retail pharmacy and clinic partner.
- **Accelerated Payment.** We previously agreed to advance \$75M to Theranos once they achieve certain milestones related to our pilot and roll-out (the \$75M is a pre-purchase, and will be refunded in the event Theranos fails to reach expected volumes). We agreed to accelerate these payments, and are now obligated to pay Theranos \$75M within 5 business days.
 - This is not a new capital commitment (it is only acceleration of payments we were already committed to make).
- **Enhanced Exclusivity.** We broadened the scope of and extended our exclusivity protections.
 - We now have certainty that CVS Caremark, Rite Aid, Target will not be able to access Theranostechonology for 18 months after our roll-out in AZ, CA and NY (with the intention that this also cover additional states when the roll-out plan is determined, assuming WAG has coverage and has performed); after the 18 months, 12 month extensions will be negotiated in good faith.
 - WMT will also be restricted from accessing the technology through 2014; thereafter, Theranos can make it available to WMT if needed to protect their market position or fill in gaps in our coverage, after good faith consultations with us.
- **Additional Equity Rights.** We have the right to invest up to \$100M in Theranos equity (\$50M of which could come out of the above \$75M and \$50M of which would be new capital)
 - We will receive an option to purchase up to \$50M in equity on preferred terms (the terms available to investors who invested last year at a price of \$15/share).
 - We also have the right to convert up to \$50M of the \$75M pre-purchase payment into equity on the terms established for their upcoming equity round (which will be at a premium to the \$15 share price).
- **Roll-out Plans.** Both sides agreed to work in good faith to develop a new market entry plan that sets forth the expected timing, stores included, expected in-store experience (i.e., Gold, Silver, Bronze locations), staffing model and WAG fee. This will be developed based on learnings from the pilots.

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All in, considering all we are really doing is accelerating payments we are already obligated to make and agreeing that we will provide an enhanced store experience (on terms to be negotiated at the time we open new markets), I think we got to a good place.

Greg, Alan and Brad were all instrumental in getting this agreement over the finish line. They can speak for themselves, but I am confident they are aligned with this result. Guys, please feel free to add any additional color.

Let us know if you have any questions.

Thanks,
Mark

Be Well,
Mark

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Every day I help people **get, stay and live well.**

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