

# Theranos Investigation

Generated on 2026-06-26T20:34:30.459Z

## Subject Overview

### The Idea

#### The Idea: Theranos's Revolutionary Claims

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

The indictment alleges that the defendants claimed that Theranos developed a revolutionary and proprietary analyzer that the defendants referred to by various names, including as the TSPU, Edison, or minilab. The defendants claimed the analyzer was able to perform a full range of clinical tests using small blood samples drawn from a finger stick. The defendants also represented that the analyzer could produce results that were more accurate and reliable than those yielded by conventional methods all at a faster speed than previously possible.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

This article recounts the rise and fall of Elizabeth Holmes and Theranos, tracing how a promising medical startup that claimed to revolutionize blood testing ultimately collapsed due to fraudulent technology, misleading investors, and harming patients, leading to Holmes's conviction for fraud.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Medical start-up Theranos promised to revolutionise blood tests but the technology didn't work.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Elizabeth Holmes founded her company Theranos at the age of 19 and it set out to revolutionise laboratories through blood tests that could be performed rapidly while using very small amounts of blood.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

During her first year at Stanford in 2003, Elizabeth Holmes developed the idea of creating a patch that would test microscopic blood samples for infectious diseases and dose antibiotics for treatment. She even filed the necessary paperwork to acquire a patent. A short time later, this gave rise to the business idea of Theranos whereby patients should no longer be required to hand over several tubes

full of blood for blood testing. Instead, just a few drops should be enough to look for markers of cholesterol, diabetes, cancer and a range of other diseases. Samples were taken with a specially designed blood collection pen (similar to the way diabetics measure blood sugar levels) and analysed in the company's specially developed mini-laboratory device called 'Edison'. Theranos promised to make blood tests easier, faster and cheaper. Patients would benefit not just from a less painful procedure but also from cheaper tests which can currently prove expensive under the American health system. In doing so, the company would have challenged US market leaders such as Labcorp and Quest Diagnostics, who use tubes of blood for tests while the results take several days. Holmes' business idea promised billions in sales.

## **Origin of the Theranos Concept**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

During her first year at Stanford in 2003, Elizabeth Holmes developed the idea of creating a patch that would test microscopic blood samples for infectious diseases and dose antibiotics for treatment. She even filed the necessary paperwork to acquire a patent. A short time later, this gave rise to the business idea of Theranos whereby patients should no longer be required to hand over several tubes full of blood for blood testing. Instead, just a few drops should be enough to look for markers of cholesterol, diabetes, cancer and a range of other diseases. Samples were taken with a specially designed blood collection pen (similar to the way diabetics measure blood sugar levels) and analysed in the company's specially developed mini-laboratory device called 'Edison'.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

After dropping out of Stanford, Holmes used the money her parents had saved for her education as seed money for Theranos. She convinced her Stanford professor, Channing Robertson, of her idea and recruited him as the first board member.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Theranos claimed to be able to perform numerous tests for indications of diseases such as diabetes or cancer with just a few drops of blood. In the interviews with company founder Elizabeth Holmes, the number of tests that could supposedly be carried out varied: there was often talk of over 200 and a company profile in US business magazine Inc. in 2015 even spoke of more than 250.

## **The Idea: A Young Entrepreneur's Vision**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt narrative]\*

Holmes was just 19 when she founded Theranos, driven by an ambitious idea to revolutionize blood testing using a device that could run 200 tests from a single finger prick sample.

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt narrative]\*

A transformative idea if it had worked

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt narrative]\*

Holmes founded Theranos in 2003 while still a student at Stanford University, captivating mentors and investors with a transformative vision quick, painless and affordable blood testing that would enable detection of a range of physical ailments, potentially upending the entire healthcare industry.

## **The Rise**

### **The Rise: Promotions and Inducements**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

Holmes and Balwani used advertisements and solicitations to encourage and induce doctors and patients to use Theranos's blood testing laboratory services. Through these advertisements, the defendants explicitly represented to individuals that Theranos's blood tests were cheaper than blood tests from conventional laboratories to induce individuals to purchase Theranos's blood tests.

### **Article Metadata**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Updated: 22/11/2023. 13 min.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

A year later, Holmes had dropped out of her studies at California's elite Stanford University so she could focus entirely on Theranos. By age 31 she was a celebrated young entrepreneur in male-dominated Silicon Valley. By then she was worth \$9 billion the youngest self-made billionaire in the United States.

### **Theranos's Promised Disruption**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Theranos promised to make blood tests easier, faster and cheaper. Patients would benefit not just from a less painful procedure but also from cheaper tests which can currently prove expensive under the American health system. In doing so, the company would have challenged US market leaders such as Labcorp and Quest Diagnostics, who use tubes of blood for tests while the results take several days. Holmes' business idea promised billions in sales.

### **The Rise of Theranos and Holmes**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

After dropping out of Stanford, Holmes used the money her parents had saved for her education as seed money for Theranos. She convinced her Stanford professor, Channing Robertson, of her idea and recruited him as the first board member. Robertson put Holmes in touch with venture capitalists and she had raised \$6 million in capital by the end of 2004. Initially, the company operated in 'stealth mode' without a corporate website or press releases. Although Holmes entered the limelight in 2013 and quickly turned into a media star, the aura of mystery surrounding Theranos would persist until the company's fall.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Robertson put Holmes in touch with venture capitalists and she had raised \$6 million in capital by the end of 2004. Initially, the company operated in 'stealth mode' without a corporate website or press releases. Although Holmes entered the limelight in 2013 and quickly turned into a media star, the aura of mystery surrounding Theranos would persist until the company's fall. Holmes is said to have worshipped and emulated Apple founder Steve Jobs. She hired Apple designers for the product design of the laboratory's 'Edison' device and she soon appeared wearing only black turtlenecks. Holmes also began to speak with a deeper voice. She went public with this image in 2013. Two years later, the company entered into a partnership with US drugstore chain 'Walgreens' whereby the company's tests would be offered in more than 40 shops. Holmes promised that Theranos blood tests would soon be available within 5 miles of every American household. She claimed to investors and business partners that the tests were being used by the US military in their medivac helicopters, a claim she only recanted when questioned by investigators under oath. Holmes became a media star and celebrated visionary, appearing on the cover of Fortune, Forbes and Inc. In 2015, Theranos was valued at \$9 billion and with Holmes considered the youngest self-made billionaire in the US, she landed on Time magazine's list of the 100 most influential people. That same year, then Vice President Joe Biden visited the Theranos lab in Palo Alto and praised Holmes as an inspiration.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Theranos claimed to be able to perform numerous tests for indications of diseases such as diabetes or cancer with just a few drops of blood. In interviews with company founder Elizabeth Holmes, the number of tests that could supposedly be carried out varied: there was often talk of over 200 and a company profile in US business magazine Inc. in 2015 even spoke of more than 250.

## **The Rise and Fall of Theranos**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Three years after the end of Theranos, the trial of founder Elizabeth Holmes got underway in California on August 31, 2021. She is now separated from Balwani and is in a relationship with wealthy heir William 'Billy' Evans the two had their first child in July 2021 and in March 2023 it was revealed that she had given birth to a second child after her conviction.

## **The Rise: Charismatic Founder and Silicon Valley Hype**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt narrative]\*

The case about the rise and fall of Holmes company, 'Theranos: Fake It till You Make It?', is about more than just an entrepreneur in over her head, an overly trusting board, or venture capital and wealthy angel investors who got caught up in Silicon Valley hype.

## **Cultivation of Celebrity Status**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt narrative]\*

Holmes cultivated celebrity status, donning black turtlenecks in homage to her hero, Apple's Steve Jobs, and speaking in a husky, authoritative voice, as she graced the covers of Fortune, Vanity Fair, Glamour, and Inc.

## **The Edison Device and Its Failure**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt narrative]\*

Eventually, the company created a device called Edison, after inventor Thomas Edison's famous quote, I have not failed 10,000 times. I've successfully found 10,000 ways that will not work. The name was all too prescient as the machine failed to function, even as it was rolled out to clinics in Walgreens and Safeway stores. The Edison gave inaccurate and inconsistent results, and Theranos began to rely on third-party equipment to process blood, sending samples back to the clinics while giving the impression the results came from the Theranos machine.

## **The Supporters**

### **The Supporters: Investor Misrepresentations**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

According to the indictment, the defendants also allegedly made numerous misrepresentations to potential investors about Theranos's financial condition and its future prospects. For example, the defendants represented to investors that Theranos conducted its patients tests using Theranos-manufactured analyzers; when, in truth, Holmes and Balwani knew that Theranos purchased and used for patient testing third party, commercially available analyzers. The defendants also represented to investors that Theranos would generate over \$100 million in revenues and break even in 2014 and that Theranos expected to generate approximately \$1 billion in revenues in 2015; when, in truth, the defendants knew Theranos would generate only negligible or modest revenues in 2014 and 2015.

## Supporters and Partnerships

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Holmes is said to have worshipped and emulated Apple founder Steve Jobs. She hired Apple designers for the product design of the laboratory's 'Edison' device and she soon appeared wearing only black turtlenecks. Holmes also began to speak with a deeper voice. She went public with this image in 2013. Two years later, the company entered into a partnership with US drugstore chain 'Walgreens' whereby the company's tests would be offered in more than 40 shops. Holmes promised that Theranos blood tests would soon be available within 5 miles of every American household. She claimed to investors and business partners that the tests were being used by the US military in their medivac helicopters, a claim she only recanted when questioned by investigators under oath. Holmes became a media star and celebrated visionary, appearing on the cover of Fortune, Forbes and Inc. In 2015, Theranos was valued at \$9 billion and with Holmes considered the youngest self-made billionaire in the US, she landed on Time magazine's list of the 100 most influential people. That same year, then Vice President Joe Biden visited the Theranos lab in Palo Alto and praised Holmes as an inspiration.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Holmes was able to rally a powerful circle of supporters around her. As mentioned already, one of her first and most important advocates was Stanford professor Channing Robertson. Holmes had worked in his lab, Robertson became her mentor, and shortly afterwards the first board member at Theranos. The bioengineering expert helped the company gain scientific credibility externally and he received a lavish salary in return. He spent a significant period defending Holmes and Theranos against critical questions and doubts about the effectiveness of the technology. Whether Robertson was aware of the deficiencies himself remains an open question. In 2011, Holmes met former US Secretary of State George Shultz and shortly afterwards, he too became a Theranos board member. With the help of his connections, the board was filled with influential people from politics and business over the next few years including former Secretary of State Henry Kissinger, former Secretary of Defence William Perry, former General Jim Mattis, and former Wells Fargo Bank CEO Richard Kovacevich. Holmes received money for the startup from no less famous names: Walmart's founding Walton family invested \$150 million, media mogul Rupert Murdoch put in more than \$120 million while former Secretary of Education Betsy DeVos contributed \$100 million. They all lost their investments when Theranos collapsed.

## Powerful Supporters and Board Members

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Holmes was able to rally a powerful circle of supporters around her. One of her first and most important advocates was Stanford professor Channing Robertson. Holmes had worked in his lab, Robertson became her mentor, and shortly afterwards the first board member at Theranos. The bioengineering expert helped the company gain scientific credibility externally and he received a lavish

salary in return. He spent a significant period defending Holmes and Theranos against critical questions and doubts about the effectiveness of the technology. Whether Robertson was aware of the deficiencies himself remains an open question. In 2011, Holmes met former US Secretary of State George Shultz and shortly afterwards, he too became a Theranos board member. With the help of his connections, the board was filled with influential people from politics and business over the next few years including former Secretary of State Henry Kissinger, former Secretary of Defence William Perry, former General Jim Mattis, and former Wells Fargo Bank CEO Richard Kovacevich.

## High-Profile Investors

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Holmes received money for the startup from no less famous names: Walmart's founding Walton family invested \$150 million, media mogul Rupert Murdoch put in more than \$120 million while former Secretary of Education Betsy DeVos contributed \$100 million. They all lost their investments when Theranos collapsed.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

In 2009, Ramesh "Sunny" Balwani joined Theranos. He took care of the day-to-day business but had no knowledge of biomedicine and had never worked in a tech start-up. Employees quickly realised he did not understand the processes and technologies in the lab. Due to his fiery temper, Balwani quickly became known in the company as an "enforcer". Holmes hid the fact that she was in a relationship with Balwani from staff and the board.

## Holmes's Defense Strategy: Blaming Balwani and Investigators

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Holmes testified at the end of November, contrary to all expectations. She stated that she had been raped as a student at Stanford and that she dropped out of her studies and concentrated on Theranos afterwards. In her seven-day testimony, Holmes also accused her former partner Balwani of psychological and sexual abuse. As an 18-year-old, Holmes had met Balwani who was 20 years her senior and was in a relationship with him for a decade. He allegedly patronised and controlled her, starting with her diet to contact with her family and decisions at work. She tried to refute the accusation that she had given false information about a contract with the military as a misunderstanding. She stated that she regretted the falsified report with the company logos inserted. She also admitted that she had harassed former employees such as whistleblowers Erika Cheung and Tyler Shultz with private investigators and lawyers. The defence repeatedly tried to blame the investigators for a lack of due diligence. Under cross-examination, Holmes lawyers repeatedly tried to accuse the backers of not having done enough research on the startup out of greed for money. The logic behind the strategy is that big promises are part and parcel of Silicon Valley companies like Uber or We Work lure investors with grand visions of their sometimes immature technology, which only becomes a profitable business after years.

## **The Supporters: Board and Mentors**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt analysis]\*

Professor Les Alexander notes: 'Here is an entrepreneur who was very young at the time, who had a very large idea to change the world. She went into this with strong conviction, but I don't think she got the best advice and mentorship from her partner, her board members, or others who had the experience she lacked.'

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt analysis]\*

Alexander notes: 'Here is an entrepreneur who was very young at the time, who had a very large idea to change the world. She went into this with strong conviction, but I don't think she got the best advice and mentorship from her partner, her board members, or others who had the experience she lacked.'

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt evidence]\*

Early backers such as Tim Draper at Draper, Fisher, Jurvetson (DFJ) saw enough promise to have DFJ invest \$500,000 in 2004; over the next decade, venture capital firms and wealthy angel investors including Sam Walton, Betsy De Vos, Rupert Murdoch and Robert Kraft contributed up to \$900 million in funding.

## **High-Profile Board Members**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt evidence]\*

Holmes was able to attract high-profile names to her board, including former Secretaries of State George Shultz and Henry Kissinger, former Secretary of Defense William Perry, and future Secretary of Defense Jim Mattis in anticipation of breaking into the lucrative military market.

## **Holmes's Celebrity and Board Recruitment**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt narrative]\*

Along the way, Holmes cultivated celebrity status, donning black turtlenecks in homage to her hero, Apple's Steve Jobs, and speaking in a husky, authoritative voice, as she graced the covers of Fortune, Vanity Fair, Glamour, and Inc. She was also able to attract high-profile names to her board, including former Secretaries of State George Shultz and Henry Kissinger, former Secretary of Defense William Perry, and future Secretary of Defense Jim Mattis in anticipation of breaking into the lucrative military market.

## **Board Oversight Failure**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt analysis]\*

The board's oversight or lack thereof was another big failure. Composed of influential figures with little scientific or startup expertise, Theranos board lacked the ability to effectively challenge Holmes. They weren't able to add value or even ask the right questions, Alexander points out. The job of a board is to be a resource and hold the CEO accountable, especially in early-stage companies, and if that doesn't happen, you are going to have issues. A key question for every founder to ask, he adds, is who they need on the board to make up for their own gaps in knowledge.

## **The Whistleblowers**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Through whistleblower revelations and the research of a Wall Street Journal Reporter, it came to light that more than 200 blood tests that Theranos advertised could not be performed on the company's specially developed 'Edison' machine while results of the few tests it could handle were flawed and unreliable.

### **Whistleblowers Tyler Shultz and Erika Cheung**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Tyler Shultz started working for Theranos in 2013 and he was an enthusiastic follower of Holmes' vision. He was given a full-time position on the diagnostic team and he soon encountered problems with test results. Despite the erroneous results, reports were being documented in the internal statistics department while data was being altered. Shultz noticed that no one was exactly aware of the way 'Edison' worked. Even inspectors were denied access to the laboratory where the machines were installed. This was because blood tests there were not run through Theranos' own devices but through third-party equipment. Lab assistant Erika Cheung also joined the company because she was excited by Holmes' vision. Cheung worked in the Theranos lab for six months in 2013 and 2014 before also discovering that faulty test results were being erased. When she had her own blood tested by a Theranos machine, the results indicated a vitamin D deficiency that conventional tests disproved. She brought the problems to the attention of Balwani but he questioned her competence. After six months at the company, Cheung was so alarmed by what was happening that she resigned. Theranos then began harassing Cheung, hiring private investigators who followed her. She later said she felt so threatened and monitored that she changed residence several times and got a prepaid phone so her calls could not be monitored. Shultz also drew attention to the problems internally. He sought a conversation with Holmes but his concerns were not taken seriously. She refused to grant him a second discussion and asked him to summarise his observations in an email. The reply did not come from Holmes but from her partner Balwani who insulted and threatened Shultz in the email. He then turned to his grandfather, former Secretary of State George Shultz who sat on the board of Theranos, who refused to believe him at first. Tyler Shultz was advised to quit the company by his family and the situation culminated in a meeting at his grandfather's house where Theranos lawyers urged him to sign a confidentiality agreement. He refused. Like Shultz, Cheung was also pressured by company lawyers. After a Wall Street Journal reporter named John Carreyrou contacted her, she received a threatening legal action from Theranos' high-profile corporate lawyer. In 2015, Cheung wrote a letter to the Centers

for Medicare & Medicaid Services (CMS), the regulatory agency, exposing the problems at the Theranos lab. The agency then undertook a surprise inspection of the start-up s labs which uncovered numerous violations. Tyler Shultz, meanwhile, did not turn to the authorities but to reporter Carreyrou. With the help of Shultz s information and his own research, Carreyrou published an internal article in October 2015 revealing that Theranos was not using its own machines for the blood tests and that the 'Edison' device provided unreliable results. Theranos denied all the allegations as false while threatening Carreyrou and Shultz with lawsuits.

## **Whistleblowers at Theranos**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Tyler Shultz started working for Theranos in 2013 as an enthusiastic follower of Holmes' vision. He was given a full-time position on the diagnostic team and soon encountered problems with test results. Despite erroneous results, reports were being documented in the internal statistics department while data was being altered. Shultz noticed that no one was exactly aware of the way 'Edison' worked. Even inspectors were denied access to the laboratory where the machines were installed because blood tests there were not run through Theranos' own devices but through third-party equipment. Lab assistant Erika Cheung also joined the company because she was excited by Holmes' vision. Cheung worked in the Theranos lab for six months in 2013 and 2014 before discovering that faulty test results were being erased. When she had her own blood tested by a Theranos machine, the results indicated a vitamin D deficiency that conventional tests disproved. She brought the problems to the attention of Balwani but he questioned her competence. After six months at the company, Cheung was so alarmed by what was happening that she resigned. Theranos then began harassing Cheung, hiring private investigators who followed her. She later said she felt so threatened and monitored that she changed residence several times and got a prepaid phone so her calls could not be monitored. Shultz also drew attention to the problems internally. He sought a conversation with Holmes but his concerns were not taken seriously. She refused to grant him a second discussion and asked him to summarise his observations in an email. The reply did not come from Holmes but from her partner Balwani who insulted and threatened Shultz in the email. He then turned to his grandfather, former Secretary of State George Shultz who sat on the board of Theranos, who refused to believe him at first. Tyler Shultz was advised to quit the company by his family and the situation culminated in a meeting at his grandfather's house where Theranos lawyers urged him to sign a confidentiality agreement. He refused. Like Shultz, Cheung was also pressured by company lawyers. After a Wall Street Journal reporter named John Carreyrou contacted her, she received a threatening legal action from Theranos' high-profile corporate lawyer. In 2015, Cheung wrote a letter to the Centers for Medicare & Medicaid Services (CMS), the regulatory agency, exposing the problems at the Theranos lab. Tyler Shultz, meanwhile, did not turn to the authorities but to reporter Carreyrou.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Speak-up-culture and whistleblowing

## **Whistleblowers Erika Cheung and Tyler Shultz**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Erika Cheung and Tyler Shultz became whistleblowers because their concerns were not taken seriously by the company. Cheung had approached the number two person Balwani to bring Theranos handling of the erroneous test results to his attention. Instead of taking Cheung seriously, he cast doubt on her competence. After she left the organisation in disillusionment, Theranos threatened her with legal action. Shultz first addressed his observations directly to CEO Elizabeth Holmes and she asked him to write down his criticisms. Even though the company had the evidence of misconduct in black and white, they did not initiate an investigation, instead reacting with reprimands and reprisals. Shultz was insulted and threatened by Balwani in an email.

## **The Theranos Case in Media**

### **Theranos Case in Media**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

With the help of Shultz's information and his own research, Carreyrou published an internal article in October 2015 revealing that Theranos was not using its own machines for the blood tests and that the 'Edison' device provided unreliable results. Theranos denied all the allegations as false while threatening Carreyrou and Shultz with lawsuits.

### **Media and Cultural Depictions**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Podcast The Dropout and the biographical miniseries of the same name reconstruct Elizabeth Holmes' role from the rise to the fall of the company, following the trial against her. John Carreyrou, who publicised the Theranos fraud in the Wall Street Journal, has written the book *Bad Blood: Secrets and Lies in a Silicon Valley Startup* about his research and the case. He also hosts the podcast *Bad Blood: The Final Chapter* about the trial.

## **Timeline of Events**

## **Walgreens and Regulatory Actions**

### **Walgreens and Regulatory Actions: Indictment and Charges**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

On June 14, 2018, a grand jury returned an indictment charging Elizabeth Holmes and Ramesh Sunny

Balwani with crimes in connection with their respective involvement with two multi-million-dollar schemes to promote Theranos, a private health care and life sciences company based in Palo Alto, California. The indictment was superseded on July 14, 2020, and again on July 28, 2020.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

The drugstore chain Walgreens temporarily stopped working with Theranos. In January 2016, after unreliable results in the detection of a blood thinner, the state regulator CMS warned that Theranos tests endangered patient health. Three months later, law enforcement and the Financial Industry Regulatory Authority (SEC) began investigating Theranos. Balwani, who had run the company's day-to-day operations, left the organisation. Walgreens and other partners sued Theranos and the case ended in a settlement in 2017.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

The drugstore chain Walgreens temporarily stopped working with Theranos. In January 2016, after unreliable results in the detection of a blood thinner, the state regulator CMS warned that Theranos tests endangered patient health. Three months later, law enforcement and the Financial Industry Regulatory Authority (SEC) began investigating Theranos. Walgreens and other partners sued Theranos and the case ended in a settlement in 2017.

## **September 2015**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

September of the same year.

## **Walgreens and Safeway Rollout of Faulty Edison**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt evidence]\*

The Edison gave inaccurate and inconsistent results, and Theranos began to rely on third-party equipment to process blood, sending samples back to the clinics while giving the impression the results came from the Theranos machine.

## **Indictment and Charges**

### **Charges Filed**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

The indictment charges each defendant with two counts of conspiracy to commit wire fraud, in violation of 18 U. S.C. 1349, and nine counts of wire fraud, in violation of 18 U. S.C. 1343.

## **Holmes Trial Outcome**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

On January 3, 2022, a federal jury convicted Holmes of one count of conspiracy to commit fraud on investors and three counts of committing fraud on individual investors, which involved wire transfers totaling more than \$140 million. The jury acquitted Holmes of the patient-related fraud conspiracy count and the three counts of fraud against individual patients. The jury could not reach a unanimous verdict with respect to three individual investor fraud counts against Holmes. An additional count of wire fraud relating to a Therasys patient had been dismissed during trial.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

On January 03, 2022, Holmes was found guilty on four counts of defrauding investors three counts of wire fraud and one of conspiracy to commit wire fraud.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

In early 2018, the SEC announced charges against Elizabeth Holmes and her business partner Balwani. Holmes had to resign from her position as CEO and she was banned from running a publicly traded company for the next ten years. In June 2018, California law enforcement filed charges against both Holmes and Balwani. Therasys was shut down.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

In early 2018, the SEC announced charges against Elizabeth Holmes and her business partner Balwani. Holmes had to resign from her position as CEO and she was banned from running a publicly traded company for the next ten years. In June 2018, California law enforcement filed charges against both Holmes and Balwani.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Prosecutors accused Holmes of intentionally misleading investors and patients. Out of the more than 200 blood tests advertised, the in-house 'Edison' machines could perform a very small number themselves and could not provide accurate results. Holmes is also alleged to have lied about the scale of the company's profits. Also charged was her former business partner Balwani. Holmes carried on a relationship with him during his time at the company which she kept secret from employees and investors. Balwani was also accused of multiple counts of fraud.

## **Holmes's Trial and Conviction**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Under cross-examination, Holmes had to admit to having had a relationship with another man for

several years during her relationship with Balwani. She had to read out emails and text messages between her and her former partner in which they discussed problems at Theranos. The prosecution tried to make it clear that contrary to the defence's claims, Holmes was well aware of what was wrong at her company. At the end of her trial in December 2021, Holmes was found guilty on four of eleven charges such as defrauding investors, though she was acquitted of charges including defrauding patients.

## **Conviction of Holmes and Balwani**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt evidence]\*

The facade unraveled after investigative reporting by The Wall Street Journal and other publications, leading Holmes and her partner Ramesh Sunny Balwani to be convicted of criminal fraud in 2018, sentenced to more than 11 years in prison. (Holmes lost an appeal of the case this February.)

## **Sentencing of Elizabeth Holmes**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

Balwani was tried separately from Holmes, and in her trial Holmes was not convicted of all counts. On January 3, 2022, a different federal jury convicted Holmes of one count of conspiracy to commit fraud on investors and three counts of committing fraud on individual investors, which involved wire transfers totaling more than \$140 million. The jury acquitted Holmes of the patient-related fraud conspiracy count and the three counts of fraud against individual patients. The jury could not reach a unanimous verdict with respect to three individual investor fraud counts against Holmes. An additional count of wire fraud relating to a Theranos patient had been dismissed during trial. On November 18, 2022, U. S. District Judge Davila sentenced Holmes to 135 months (11 years, 3 months) in federal prison. She was ordered to surrender to begin serving her sentence on April 27, 2023.

## **Holmes Sentencing**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

On November 18, 2022, U. S. District Judge Davila sentenced Holmes to 135 months (11 years, 3 months) in federal prison. She was ordered to surrender to begin serving her sentence on April 27, 2023.

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

Elizabeth A. Holmes was sentenced on Friday, November 18, 2022 to 135 months (11 years, 3 months) in federal prison for defrauding investors in Theranos, Inc. of hundreds of millions of dollars.

## **Sentencing Terms and Conditions**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

In addition to the 135 month prison term, U. S. District Judge Davila sentenced Holmes to three years of supervision following release from prison. The parties were instructed to meet and agree on a future date for a hearing to determine the restitution amount to be paid by Holmes. No fine was assessed. Holmes was ordered to surrender on April 27, 2023, to begin serving her prison sentence.

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

Elizabeth A. Holmes was sentenced on Friday, November 18, 2022 to 135 months (11 years, 3 months) in federal prison for defrauding investors in Theranos, Inc. of hundreds of millions of dollars. In addition to the 135 month prison term, U. S. District Judge Davila sentenced Holmes to three years of supervision following release from prison. The parties were instructed to meet and agree on a future date for a hearing to determine the restitution amount to be paid by Holmes. No fine was assessed. Holmes was ordered to surrender on April 27, 2023, to begin serving her prison sentence.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

In November 2022, she was sentenced to 11 years in prison and she started serving her time in May 2023.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Holmes lawyers managed to have the trials of the two heard separately and she was the first to stand trial.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

At the end of her trial in December 2021, Holmes was found guilty on four of eleven charges such as defrauding investors, though she was acquitted of charges including defrauding patients. Ahead of her sentencing in October 2022, there was a dramatic twist when a key witness appeared at her home in August, saying he regretted the role he played in her conviction, causing sentencing to be rescheduled. Former Theranos lab director Adam Rosendorff expressed his remorse at the time before saying that his testimony during the trial was untruthful in a later court appearance. The judge did not grant Holmes a new trial on the basis of Rosendorff's visit to her home and he most likely allowed the hearing about the incident to prevent her using it in an appeal. Holmes was sentenced to more than 11 years in prison in mid-November 2022, a sentence much harsher than the 18 months of house arrest her lawyers requested. Given the birth of her second child, Holmes requested to [continue].

## **Sentencing and Incarceration of Elizabeth Holmes**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Ahead of her sentencing in October 2022, there was a dramatic twist when a key witness appeared at her home in August, saying he regretted the role he played in her conviction, causing sentencing to be

rescheduled. Former Theranos lab director Adam Rosendorff expressed his remorse at the time before saying that his testimony during the trial was untruthful in a later court appearance. The judge did not grant Holmes a new trial on the basis of Rosendorff's visit to her home and he most likely allowed the hearing about the incident to prevent her using it in an appeal. Holmes was sentenced to more than 11 years in prison in mid-November 2022, a sentence much harsher than the 18 months of house arrest her lawyers requested. Given the birth of her second child, Holmes requested to remain free while she appealed her conviction but this was denied by a federal judge. On May 30, 2023, she reported to a federal prison in Bryan, Texas, to begin serving her sentence. Interestingly, an update to her inmate details on the Bureau of Prisons website shows her expected release date as December 29, 2032, which means she would be released approximately two years ahead of schedule.

## **Holmes's Sentencing and Imprisonment**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

On May 30, 2023, Elizabeth Holmes reported to a federal prison in Bryan, Texas, to begin serving her sentence. An update to her inmate details on the Bureau of Prisons website shows her expected release date as December 29, 2032, which means she would be released approximately two years ahead of schedule.

## **Sentencing of Ramesh "Sunny" Balwani**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

Ramesh 'Sunny' Balwani was sentenced on Wednesday, December 7, 2022 to 155 months (12 years, 11 months) in federal prison for fraud that risked patient health by misrepresenting the accuracy of Theranos blood analysis technology and that defrauded Theranos investors of millions of dollars.

### **Sentencing of Ramesh 'Sunny' Balwani (continued)**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

In addition to the 155 month prison term, U. S. District Judge Davila sentenced Balwani to three years of supervision following release from prison. A hearing to determine the amount of restitution to be paid by Balwani is to be scheduled in the future. Balwani was ordered to surrender on March 15, 2023, to begin serving his prison sentence.

### **Balwani's Departure and Company Shutdown**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Balwani, who had run the company's day-to-day operations, left the organisation. Theranos was shut down in September of the same year.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Balwani's trial was delayed and he was eventually found guilty of deceiving investors in July 2022. On December 07, 2022, he was sentenced to 12 years and 11 months in prison, plus three years of probation. He started serving his sentence on March 15, 2023.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Balwani was found guilty of deceiving investors in July 2022. On December 7, 2022, he was sentenced to 12 years and 11 months in prison, plus three years of probation. He started serving his sentence on March 15, 2023.

## **Key Evidence and Factual Findings**

### **Fraud Against Doctors and Patients**

#### **Fraud Against Doctors and Patients: False Claims and Omissions**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

The indictment alleges that Holmes and Balwani defrauded doctors and patients (1) by making false claims concerning Theranos's ability to provide accurate, fast, reliable, and cheap blood tests and test results, and (2) by omitting information concerning the limits of and problems with Theranos's technologies. The defendants knew Theranos was not capable of consistently producing accurate and reliable results for certain blood tests, including the tests for calcium, chloride, potassium, bicarbonate, HIV, Hba1C, h CG, and sodium. The defendants nevertheless used interstate electronic wires to purchase advertisements intended to induce individuals to purchase Theranos blood tests at Walgreens stores in California and Arizona.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Customers received wrong diagnoses and investors lost their money.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Patients were misdiagnosed with everything from diabetes to cancer.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

The "Edison" the device supposed to carry out the tests did not deliver what Theranos promised right to the very end, providing unreliable or false results. Only the test for the herpes virus was recognised as reliable by the US Food and Drug Administration (FDA) that July. In order to be able to perform the large number of advertised tests, Theranos obtained third-party equipment from Siemens but this was

concealed from patients, business partners and investors. A 2015 FDA inspection also revealed shortcomings in the tests which Theranos only made public a few weeks later.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Two of the most striking examples of the Theranos machines faulty test results were two female patients. One of the women was diagnosed as HIV positive but the finding was refuted by further blood tests. A second woman who had suffered several miscarriages received test results from Theranos during her pregnancy which indicated that she had lost her baby once again. The test was faulty and she later gave birth to a healthy baby.

## **Fraud Against Patients: Faulty Test Results**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Two female patients experienced faulty test results from Theranos machines. One woman was diagnosed as HIV positive but the finding was refuted by further blood tests. A second woman who had suffered several miscarriages received test results during her pregnancy indicating she had lost her baby again; the test was faulty and she later gave birth to a healthy baby.

## **Fraud Against Investors**

### **Fraud Against Investors: Misrepresentations About Technology and Finances**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

The indictment alleges that the defendants used a combination of direct communications, marketing materials, statements to the media, financial statements, models, and other information to defraud potential investors. Specifically, the defendants claimed that Theranos developed a revolutionary and proprietary analyzer that the defendants referred to by various names, including as the TSPU, Edison, or minilab. The indictment further alleges that Holmes and Balwani knew that many of their representations about the analyzer were false. For example, it is alleged that Holmes and Balwani knew that the analyzer had accuracy and reliability problems, performed a limited number of tests, was slower than some competing devices, and, in some respects, could not compete with existing, more conventional machines.

### **Methods and False Claims to Investors**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

The indictment alleges that the defendants used a combination of direct communications, marketing materials, statements to the media, financial statements, models, and other information to defraud potential investors. Specifically, the defendants claimed that Theranos developed a revolutionary and

proprietary analyzer that the defendants referred to by various names, including as the TSPU, Edison, or minilab. The defendants claimed the analyzer was able to perform a full range of clinical tests using small blood samples drawn from a finger stick. The defendants also represented that the analyzer could produce results that were more accurate and reliable than those yielded by conventional methods all at a faster speed than previously possible. The indictment further alleges that Holmes and Balwani knew that many of their representations about the analyzer were false. For example, it is alleged that Holmes and Balwani knew that the analyzer had accuracy and reliability problems, performed a limited number of tests, was slower than some competing devices, and, in some respects, could not compete with existing, more conventional machines.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Holmes also promised investors a much higher company profit than Theranos actually made.

## **False Claims to Investors and Partners**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Holmes claimed to investors and business partners that the tests were being used by the US military in their medivac helicopters, a claim she only recanted when questioned by investigators under oath.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Internal emails revealed that the start-up concealed the erroneous results from investors and business partners by using a modified demo device or by partially hiding test results from them. The prosecution also presented a 55-page report in which Theranos officials added the logos of pharmaceutical companies Glaxo Smith Kline, Pfizer and Schering-Plough to give the impression that they had approved the technology. However, a scientist employed by Pfizer testified that he found the start-up's claims to be implausible and advised Pfizer not to collaborate. The prosecutors were able to show that Theranos had nevertheless sent the report with the subsequently inserted logos to investors and business partners.

## **Fraud Against Investors: Concealment and Misrepresentation**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Internal emails revealed that Theranos concealed erroneous test results from investors and business partners by using a modified demo device or by partially hiding test results. The prosecution presented a 55-page report in which Theranos officials added the logos of pharmaceutical companies Glaxo Smith Kline, Pfizer and Schering-Plough to give the impression that they had approved the technology. A scientist employed by Pfizer testified that he found the start-up's claims implausible and advised Pfizer not to collaborate, yet Theranos sent the report with the inserted logos to investors and business partners.

## **Fraud Against Investors: Board Presentation**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Investor and former US Secretary of Defence General James Mattis, who sat on Theranos' board of directors, testified. He described Holmes as his primary source for all information about the company and its technology. He submitted a presentation Holmes made to the board which claimed, among other things, that the technology had been validated by the US Food and Drug Administration (FDA) and the World Health Organisation (WHO), neither of which happened.

## **Investor Due Diligence and Red Flags**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt analysis]\*

Later-stage investors overlooked glaring issues, including a failure to provide financial information or scientific results, and imposed high-pressure deadlines in which to make decisions, that should have given them pause. At the same time, they faced the obvious fears of missing out on the next big thing in Silicon Valley and possibly passing on the next Airbnb or Uber. 'FOMO, fear of missing out, can be a big driver for investors,' Alexander says. 'But when you're being asked to invest millions with limited information under tight deadlines, that should be a red flag.'

## **Evidence and Witness Testimony**

### **Evidence and Witness Testimony: Knowledge of Inaccuracy**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

As alleged in the operative indictment, Holmes and Balwani used advertisements and solicitations to encourage and induce doctors and patients to use Theranos's blood testing laboratory services, even though, according to the government, the defendants knew Theranos was not capable of consistently producing accurate and reliable results for certain blood tests. It is further alleged that the tests performed on Theranos technology were likely to contain inaccurate and unreliable results.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Employees in the laboratory drew attention to the problems with "Edison" and documented them in error reports. Those tips were ignored by company management. Instead of working on a solution to the problem, only the correct data was filtered out of the results of the test runs in the company and further evaluated. The wrong results were ignored. Holmes' partner Balwani allegedly pressured doubting or critical employees. Former staff members describe the Theranos company culture as a mixture of distrust, psychological pressure and lies. Holmes herself allegedly lied to her co-workers about even minor details, claiming in emails, for example, to be out of the office even though she was still sitting at her desk just a few feet away. Numerous employees resigned or were fired if they asked

too many questions or were too critical.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

However, the "Edison" the device supposed to carry out the tests did not deliver what Theranos promised right to the very end, providing unreliable or false results. Only the test for the herpes virus was recognised as reliable by the US Food and Drug Administration (FDA) that July. In order to be able to perform the large number of advertised tests, Theranos obtained third-party equipment from Siemens but this was concealed from patients, business partners and investors. A 2015 FDA inspection also revealed shortcomings in the tests which Theranos only made public a few weeks later.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

The agency then undertook a surprise inspection of the start-up's labs which uncovered numerous violations.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

In the first week of Holmes trial, the prosecution presented its case with numerous documents and high-profile witnesses: former laboratory director Adam Rosendorff spoke in detail about the faulty results that the 'Edison' device threw out. He also testified that he had informed Holmes of the problems but that she had brushed aside his concerns. When Rosendorff left the company in 2014, Theranos hired a new lab director: Balwani's dermatologist who had no experience in such a role.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Investor and former US Secretary of Defence General James Mattis who sat on Theranos board of directors also took to the stand. He described Holmes as his primary source for all information about the company and its technology. He submitted a presentation to the court which she had made to the board. It claimed, among other things, that the technology had also been validated by the US Food and Drug Administration (FDA) and the World Health Organisation (WHO), neither of which happened.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

There were two big surprises at the trial. While Erika Cheung testified in court, Tyler Shultz was not called to the stand.

## **Witness Testimony: Adam Rosendorff**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Former laboratory director Adam Rosendorff testified in detail about the faulty results that the 'Edison' device produced. He also testified that he had informed Holmes of the problems but that she had brushed aside his concerns. When Rosendorff left the company in 2014, Theranos hired a new lab director: Balwani's dermatologist who had no experience in such a role.

## **Trial Surprises: Holmes Testimony and Abuse Allegations**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Holmes testified at the end of November, contrary to all expectations. She stated that she had been raped as a student at Stanford and that she dropped out of her studies and concentrated on Theranos afterwards. In her seven-day testimony, Holmes also accused her former partner Balwani of psychological and sexual abuse. As an 18-year-old, Holmes had met Balwani who was 20 years her senior and was in a relationship with him for a decade. He allegedly patronised and controlled her, starting with her diet to contact with her family and decisions at work.

## **Holmes Defense Strategy and Admissions**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt analysis]\*

Holmes tried to refute the accusation that she had given false information about a contract with the military as a misunderstanding. She stated that she regretted the falsified report with the company logos inserted. She also admitted that she had harassed former employees such as whistleblowers Erika Cheung and Tyler Shultz with private investigators and lawyers. The defence repeatedly tried to blame the investigators for a lack of due diligence. Under cross-examination, Holmes' lawyers repeatedly tried to accuse the backers of not having done enough research on the startup out of greed for money. The logic behind the strategy is that big promises are part and parcel of Silicon Valley companies like Uber or We Work lure investors with grand visions of their sometimes immature technology, which only becomes a profitable business after years.

## **Prosecution Rebuttal: Holmes Awareness**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt evidence]\*

Under cross-examination, Holmes had to admit to having had a relationship with another man for several years during her relationship with Balwani. She had to read out emails and text messages between her and her former partner in which they discussed problems at Theranos. The prosecution tried to make it clear that contrary to the defence's claims, Holmes was well aware of what was wrong at her company.

## **Case Resources and Victim Information**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

Next Court Dates: Due to the level of interest in this case, please see the following webpage for important news and information about access to proceedings and case information: [United States v. Elizabeth A. Holmes, et al. 18-CR-00258-EJD](#)

## **Notice for Potential Victims**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

Notice for Potential Victims: Dates are subject to change on short notice. Please check Judge's calendar before attending. Court access Judge's calendar.

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

The United States Attorney's Office for the Northern District of California and investigating agencies are seeking information from those who may be victims of the Defendants' crimes.

## **Victim Information and Submission Process**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

The United States Attorney's Office for the Northern District of California and investigating agencies are seeking information from those who may be victims of the Defendants' crimes. If you believe you are a patient victim, please fill out this questionnaire. Please read and follow the instructions on the form and submit it no later than September 6th, 2022. Email your submission to [oci.theranos@fda.hhs.gov](mailto:oci.theranos@fda.hhs.gov) with US v Holmes & Balwani in the Subject Line. We are unable to accept late submissions.

## **Victim Questionnaire Instructions**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

If you believe you are a patient victim, please fill out this questionnaire. Please read and follow the instructions on the form and submit it no later than September 6th, 2022. Email your submission to [oci.theranos@fda.hhs.gov](mailto:oci.theranos@fda.hhs.gov) with US v Holmes & Balwani in the Subject Line. We are unable to accept late submissions.

## **Voluntary Submission and Use of Victim Information**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

All responses are voluntary, but complete submissions will be useful in identifying respondents as potential victims and supplying the Court with the information necessary for sentencing. It is requested that respondents submit their statements via email as indicated on those questionnaires. Based on the information submitted, respondents may be contacted by law enforcement agencies and asked to provide additional information.

## **Legal Advisory Notice**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

This Office cannot act as your attorney or provide you with legal advice. However, you may seek the advice of an attorney with respect to this or other related legal matters.

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

Resources: Holmes and Balwani Indictment

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

For information or assistance with this case, please contact the Mega Victim Case Assistance Program unit at (844) 527-5299 or e-mail USAO. MCAP@USDOJ. GOV.

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

For information or assistance with this case, please contact the Mega Victim Case Assistance Program unit at (844) 527-5299 or e-mail USAO. MCAP@USDOJ. GOV. For information and or questions relating to press inquiries please contact our Public Information officer at 415-436-7264 or email Abraham. Simmons@usdoj.gov.

## **Institutional and Legal Findings**

### **Laws and Standards Updates**

#### **EU Whistleblowing Directive Implementation**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt policy]\*

Whistleblowing Laws in the European Union: A glance at the implementation of the EU Whistleblowing Directive in EU Member States

#### **Laws and Standards**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

The editorial team of EQS Group invites praise, criticism or topic suggestions regarding laws and standards.

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Laws and standards

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Laws and standards

3 min

## Interpretive Frameworks

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt interpretation]\*

The article frames the Theranos case as a story of a promising medical startup that collapsed due to fraudulent technology, misleading investors, and harming patients, leading to Holmes's conviction for fraud. It poses the question: 'How did it come to this?' as an interpretive lens for the overview that follows.

### Interpretation of Supporters' Role

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt interpretation]\*

Whether Robertson was aware of the deficiencies himself remains an open question.

### Speak-up culture and whistleblowing as interpretive lens

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt interpretation]\*

By taking this approach, Theranos undermined one of the central pillars making up good corporate compliance: a healthy speak-up culture where employees can point out problems or wrongdoing in a company without fear. A healthy speak-up culture for example through a whistleblower hotline or a digital whistleblower platform with binding rules can protect a company from what Theranos experienced. By taking tips and whistleblowers seriously and investigating their observations, countermeasures can be taken in time to solve problems internally. If companies neglect or prevent an open speak-up culture and trustful dealings with whistleblowers, the Theranos case shows just how severe the consequences can be.

### The Case as a Signal to Silicon Valley

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt interpretation]\*

Successful prosecutions for white collar fraud cases are notoriously difficult in the US and the ruling sends a strong message from the US government to Silicon Valley that it will require founders to be more careful about how they advertise the promises of their companies going forward. In the future, executives found to have misled investors will have to face real consequences.

## **Interpretive thesis of the source**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt interpretation]\*

This Darden School of Business case analysis uses the Theranos scandal to argue that entrepreneurial passion and vision must be tempered by ethical governance, realistic self-assessment, and honest mentorship, distinguishing acceptable failure from fraud.

## **Interpretive Framework: Ethical Governance and Realistic Self-Assessment**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt interpretation]\*

The Darden School of Business case analysis uses the Theranos scandal to argue that entrepreneurial passion and vision must be tempered by ethical governance, realistic self-assessment, and honest mentorship, distinguishing acceptable failure from fraud. Professor Alexander says the case 'is full of teachable moments about ethics and governance, management and leadership.'

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt interpretation]\*

The case is full of teachable moments about ethics and governance, management and leadership, says Alexander, the John Glynn Endowed Professor and Professor of Practice in Business Administration.

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt interpretation]\*

The central thesis of this Darden School of Business case analysis is that entrepreneurial passion and vision must be tempered by ethical governance, realistic self-assessment, and honest mentorship, distinguishing acceptable failure from fraud.

## **Interpretive Framing: Entrepreneurial Passion vs. Ethical Governance**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt interpretation]\*

The name [Edison] was all too prescient as the machine failed to function, even as it was rolled out to clinics in Walgreens and Safeway stores. The Edison gave inaccurate and inconsistent results, and Theranos began to rely on third-party equipment to process blood, sending samples back to the clinics while giving the impression the results came from the Theranos machine. The facade unraveled after investigative reporting by The Wall Street Journal and other publications, leading Holmes and her partner Ramesh Sunny Balwani to be convicted of criminal fraud in 2018, sentenced to more than 11 years in prison. (Holmes lost an appeal of the case this February.)

## **Interpretation: Failure vs. Fraud and the Role of Passion**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt interpretation]\*

The vision of disrupting blood testing would have been a great thing if it were successful but she mismanaged it, and it turned out to be a tragedy, Alexander says. One of the big takeaways for me is that it's okay to fail, but it's not okay to commit fraud. It's important to have passion for what you're developing and believe you'll get there on the 10,001st try, but you have to be realistic in understanding there's a possibility that despite your best efforts you may never succeed and that has to be okay. For her, it never was.

## **Entrepreneurial Passion vs. Ethical Governance**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt interpretation]\*

The Darden School of Business case analysis uses the Theranos scandal to argue that entrepreneurial passion and vision must be tempered by ethical governance, realistic self-assessment, and honest mentorship, distinguishing acceptable failure from fraud. As Alexander states: 'The vision of disrupting blood testing would have been a great thing if it were successful but she mismanaged it, and it turned out to be a tragedy.'

## **Key Distinction: Failure vs. Fraud**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt interpretation]\*

Alexander articulates a central interpretive lesson: 'One of the big takeaways for me is that it's okay to fail, but it's not okay to commit fraud. It's important to have passion for what you're developing and believe you'll get there on the 10,001st try, but you have to be realistic in understanding there's a possibility that despite your best efforts you may never succeed and that has to be okay. For her, it never was.'

## **Entrepreneurial Passion vs. Transparency**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt interpretation]\*

The case highlights the difficult balance entrepreneurs must strike between cheerleading for their vision and being transparent about their progress.

## **Distinguishing Acceptable Failure from Fraud**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt interpretation]\*

There are things you cannot fake, Alexander explains. It was not okay for her to let the device out of the lab and have people make life-and-death decisions based on inaccurate results or use somebody else's technology and pass it off as her own.

## **Celebrity Status as a Mask for Flaws**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt interpretation]\*

As for Holmes' celebrity status, it may have helped her raise millions but it also obscured the company's flaws. She was so visible because she sought out celebrity status, and to a degree, it helped her but she hadn't proven anything yet, Alexander says. If you build a great business, celebrity will find you. It shouldn't be your focus from the start.

## **Investor Behavior and FOMO as a Red Flag**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt interpretation]\*

As for investors, Alexander doesn't blame the early-stage venture capitalists who took a chance on the young entrepreneur by their very nature, those investments are made on the potential of an individual's idea and market opportunity, before they have much to show for it. Later-stage investors, on the other hand, overlooked glaring issues, including a failure to provide financial information or scientific results, and imposed high-pressure deadlines in which to make decisions, that should have given them pause. At the same time, they faced the obvious fears of missing out on the next big thing in Silicon Valley and possibly passing on the next Airbnb or Uber. FOMO, fear of missing out, can be a big driver for investors, Alexander says. But when you're being asked to invest millions with limited information under tight deadlines, that should be a red flag.

## **Investor Behavior and Market Dynamics**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt interpretation]\*

Alexander doesn't blame the early-stage venture capitalists who took a chance on the young entrepreneur by their very nature, those investments are made on the potential of an individual's idea and market opportunity, before they have much to show for it. Since Theranos, Alexander believes investors have become more disciplined, especially in late-stage funding. However, scandals like FTX prove that vulnerabilities persist. 'This industry moves very quickly,' he warns. 'I can't say it won't happen again.'

## **Investor discipline and persistent vulnerabilities**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt interpretation]\*

Since Theranos, Alexander believes investors have become more disciplined, especially in late-stage funding. However, scandals like FTX prove that vulnerabilities persist. This industry moves very quickly, he warns. I can't say it won't happen again.

## **Reflection on responsibilities and decision-making**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt interpretation]\*

Ultimately, Alexander hopes his case study prompts readers to reflect deeply on the responsibilities of entrepreneurs, board members and investors. What would you have done differently? he asks. Would you have put money into this company? What information would you have needed before making that decision?

## **Ethical Responsibilities in the Innovation Economy**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt interpretation]\*

Alexander hopes his case study prompts readers to reflect deeply on the responsibilities of entrepreneurs, board members and investors. 'What would you have done differently?' he asks. 'Would you have put money into this company? What information would you have needed before making that decision?'

## **Theranos as a Cautionary Tale**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt interpretation]\*

In the end, the Theranos case is a cautionary tale of the inherently risky innovation economy, with entrepreneurs, board members and investors forced to make high-stakes decisions in an uncertain environment. If it shows anything, however, it is that even in the midst of the hype, they ignore integrity at their peril.

# **Policy and Social Significance**

## **Consequences of suppressing whistleblowers**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt policy]\*

Because both whistleblowers felt they were not taken seriously by those responsible and were turned away, they eventually alerted organisations and press representatives outside the company. The misconduct at Theranos and the reaction to it were thus taken out of the start-up's hands. Revelations in the press, inspections by regulators, punitive measures, bankruptcy, the closure of the company and indictment of all those responsible followed.

# **Source Perspectives**

## **u-s-v-elizabeth-holmes-et-al.txt**

**Source Perspective: U. S. Department of Justice Indictment**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt analysis]\*

This document is the U. S. Department of Justice's indictment charging Elizabeth Holmes and Sunny Balwani with wire fraud conspiracy for allegedly defrauding doctors, patients, and investors by making false claims about Theranos's blood testing technology, knowing it could not produce accurate and reliable results.

## **Case Information and Access Notice**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

Due to the level of interest in this case, please see the following webpage for important news and information about access to proceedings and case information: United States v. Elizabeth A. Holmes, et al. 18-CR-00258-EJD. Notice: Dates are subject to change on short notice. Please check Judge's calendar before attending. Court access Judge's calendar.

## **Case Document Header**

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

Holmes and Balwani Indictment

\*[Source: u-s-v-elizabeth-holmes-et-al.txt evidence]\*

Contact Information

## **fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

EQS Editorial Team

## **Source attribution and metadata**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

This chunk comes from 'elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt' which is a news document with a narrative rhetorical role. Central thesis: This article recounts the rise and fall of Elizabeth Holmes and Theranos, tracing how a promising medical startup that claimed to revolutionize blood testing ultimately collapsed due to fraudulent technology, misleading investors, and harming patients, leading to Holmes's conviction for fraud.

## **Document metadata**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

EQS Editorial Team. Updated: 22/11/2023

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

The whistleblowers

## **Whistleblowing Report Reference**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

A comprehensive study on whistleblowing in European companies

## **Source metadata**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

This chunk contains only a share button label and the text 'EQS', which appears to be a truncated or placeholder segment. No substantive content is present.

## **Source attribution and editorial context**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

EQS Editorial Team. Praise, criticism or topic suggestions? The editorial team of EQS Group is looking forward to your message.

## **Irrelevant content in source chunk**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Whistleblower David Grusch made remarkable claims about the existence of extraterrestrial life at a Congressional hearing.

## **EU Whistleblowing Directive Mention**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

Non-EU companies operating inside the bloc may be subject to the EU Whistleblowing Directive s tough requirements.

## **Unrelated content**

\*[Source: elizabeth-holmes-and-the-theranos-case-history-of-a-fraud-sc.txt narrative]\*

After a series of delays, Italy has finally transposed the EU Whistleblowing Directive.

## **Source identification**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt narrative]\*

This chunk comes from 'fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt' which is a academic document with a interpretive rhetorical role. Central thesis: This Darden School of Business case analysis uses the Theranos scandal to argue that entrepreneurial passion and vision must be tempered by ethical governance, realistic self-assessment, and honest mentorship, distinguishing acceptable failure from fraud.

## **Source Perspective: Darden Case Analysis**

\*[Source: fake-it-till-you-fail-elizabeth-holmes-and-the-theranos-stor.txt narrative]\*

When Darden School of Business professor Les Alexander teaches his newly published business case on Theranos the infamous medical device company led by charismatic founder Elizabeth Holmes he begins with a simple but revealing question: 'How many people are older than Holmes was when she started out?' In his MBA classes, every hand shoots up.

## **Open Questions and Contradictions**