Theranos CEO Settles 'Massive Fraud' Charges

By Julianna LeMieux — March 15, 2018

When Henry Kissinger (an ex-Theranos board member) wrote the entry for Elizabeth Holmes's inclusion in TIME magazine's 2015 top 100 Most Influential People, he wrote,

"When I was introduced to Elizabeth by George Shultz, her plan sounded like an undergraduate's dream. I told her she had only two prospects: total failure or vast success."

Well, he got one thing right.

After years of keeping up a huge and very costly smoke and mirrors act, Theranos founder Elizabeth Holmes and COO, Ramesh “Sunny” Balwani have been charged with "massive fraud" by the Securities and Exchange Commission (SEC). They are accused of fraudulently raising more than $700 million from investors by making knowingly false or exaggerated claims. Holmes settled the lawsuit by paying a $500,000 fine, returning 18.9 million shares, relinquishing her voting control of Theranos, and being barred from serving as an officer or director of a public company for ten years.
Theranos is the brainchild of Elizabeth Holmes, the now well-known Stanford dropout who started the company at the age of 19. The first questions were raised about Theranos over two years ago in October of 2015, when the Wall Street Journal’s John Carreyrou raised doubts about the blood-testing company’s claims. From there, although the warning flags about the company and its products were big and high flying, Holmes defended it every which way she could. Because when your company becomes worth $9 billion, I suppose that’s what you do.

The best indicator of what a sham Theranos was can be seen when Holmes gave interviews. Her ability to skirt around giving concrete answers is much better than her ability to run a company. Why none of her investors seemed to mind remains a mystery.

Some of her famous supporters were unwavering, even in the midst of failure. For example, the former director of the CDC and a Presidential Medal of Honor winner William Foege MD, MPH, wrote in the The Hill,

"In my opinion, the very foundation of Theranos’ inventions - and its hundreds of patents - is credible." He also wrote that "I believe that Theranos can collect, transport and test small samples, including finger-stick, with clinical integrity."

Well, thankfully scientific and medical advances are not based on Foege’s opinions and beliefs. They are based on evidence, which Theranos has produced an incredibly small amount of. There are a total of five peer-reviewed papers listed on their website (four of which were published after October 2017.)

So, that’s it - the SEC has said what was obvious all along. Ms. Holmes had an exciting and promising idea and was very good at selling it to the deep pockets of the world. Her devoted and unyielding promotion was how the company thrived over the last decade. But, what she didn’t have was scientifically sound evidence to back her claims. And some people, like the SEC, call that fraud - something that even Holmes cannot talk her way out of.

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