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ACCOUNTING & AUDIT

Theranos Founder Elizabeth Holmes Gets 11 Year Prison Sentence for Fraud

Theranos founder Elizabeth Holmes has been sentenced to 135 months — or more than 11 years — in prison, following her conviction for felony fraud in one of the most closely and widely watched trials in Silicon Valley history.

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In this photo from Jan. 3, 2022, Theranos founder Elizabeth Holmes, middle, and her family leave the Robert F. Peckham Federal Building and U.S. Courthouse after the jury found her guilty on four counts in San Jose, California. Holmes was sentenced Friday to 135 months — or more than 11 years — in prison. (Dai Sugano/Bay Area News Group/TNS)

By Ethan Baron, The Mercury News (via TNS).

Theranos founder Elizabeth Holmes has been sentenced to 135 months — or more than 11 years — in prison, following her conviction for felony fraud in one of the most closely and widely watched trials in Silicon Valley history.

Holmes, 38, is expected to appeal the jury's January verdict, which resulted in Friday's sentence. She is pregnant, and the mother of a 15-month-old son born weeks before her trial began in September last year. She will not have to surrender to serve prison time until April 27.

Federal prosecutors last week asked Judge Edward Davila, who presided over Holmes' four-year criminal fraud case and her four-month trial in U.S. District Court in San Jose, to put Holmes away for 15 years, and make her pay \$804 million in restitution to investors. Holmes had asked Davila for no prison time, or at most, 18 months, which her lawyers argued could be served under home confinement. Holmes has no money for restitution, her sentencing memo said. The federal probation office recommended nine years in prison.

Holmes' rise to prominence as a young female technology entrepreneur garnered nationwide media attention and earned her legions of adoring fans until revelations of fraud and criminal charges plunged her into infamy.

The charismatic founder and Stanford University dropout launched her Palo Alto blood-testing startup in 2003, and built it into a company backed by some of America's richest people: Oracle co-founder Larry Ellison, media mogul Rupert Murdoch, and the Walton family of Walmart. Theranos was overseen, weakly, by a board seeded with luminaries including former U.S. secretaries of state Henry Kissinger and George Shultz, and former U.S. defense secretaries James Mattis and William Perry.

A series of Wall Street Journal exposés starting in 2015 led to federal investigations, a U.S. Securities and Exchange Commission settlement fining Holmes \$500,000 and barring her from serving as an officer or director of a public company for 10 years, and federal fraud charges in 2018.

The case has drawn a brighter line between the optimistic promotion Silicon Valley startup founders use to entice investors and excite consumers, and misrepresentations and lies that can lead to civil and criminal prosecution, said Silicon Valley historian Michael S. Malone.

“There’s a big difference between hype and fraud, between optimistic and lying to yourself and to investors,” Malone said. “If you’re going to change the world you’ve got to take gigantic risks, but you’ve got to be honest about the risks. If you need more time to pull it off, you’ve got to say that.”

Holmes’ four-month trial in U.S. District Court in San Jose attracted media from across the U.S. Reporters began lining up with die-hard onlookers before 3 a.m. to be assured of seating in the main courtroom. News coverage spread globally.

In January, a jury convicted Holmes on four counts of defrauding investors out of more than \$144 million — with total losses pegged by federal authorities at more than \$800 million — but was acquitted of defrauding patients.

Jurors heard that Holmes insinuated to investors that her blood-testing machines were in battlefield use, that she made false statements and wild projections about Theranos’ finances, and that she gave investors and others internal company reports doctored to include logos from pharmaceutical giants in a fraudulent bid to show those firms had validated the technology.

Toward the end of her trial, Holmes, in a surprise move, took the witness stand, admitted to pilfering the pharma firm’s logos, and claimed her co-accused, former Theranos chief operating officer Sunny Balwani, coerced and abused her. Balwani, convicted separately in July and awaiting sentencing, has denied abusing Holmes.

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