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THERANOS TRIAL -

Theranos investor

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Jurors heard about mounting losses, fudged data from first witnesses.

TIM DE CHANT - 9/15/2021, 3:40 PM

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Enlarge / Theranos founder Elizabeth Holmes collects her belongings after going through security at the Robert F. Peckham Federal Building with her defense team on August 31, 2021, in San Jose, California.

Around the time that Theranos was losing nearly \$2 million per week, investors in the blood-testing startup were being told that the company would soon be bringing in almost \$1 billion per year.

It's not uncommon for startups to lose money in their early years, and it's not entirely unusual for the fastest burn rate to happen right before things turn around. Instead, Theranos continued to produce mounting losses. But that's not what the company was telling investors, according to new documents shared during the jury trial of Theranos founder and CEO Elizabeth Holmes.

In court yesterday, jurors heard testimony from the company's longtime chief financial officer, Danise Yam, who also goes by So Han Spivey. Yam said that Theranos lost \$16.2 million in 2010, \$27.2 million in 2011, \$57 million in 2012, and \$92 million in 2013. In 2013, things had "started to get a bit tight," Yam said. There were weeks where the company was burning through around \$2 million per week, and there wasn't any revenue to help ameliorate the losses. In 2012 and 2013, Yam didn't even bother adding a line for revenue—there was none.



FURTHER READING

Theranos founder Elizabeth Holmes on trial as jury selection begins

After asking questions about Theranos' continued losses and lack of revenue, prosecutors showed Yam a document they said was shared with investors; it projected \$140 million in revenue in 2014 and

\$990 million in 2015. Yam said she had never seen the document before, nor did she know where those numbers had come from.

“Did you ever provide financial projections to investors?” Robert Leach, an assistant US attorney, asked Yam.

“No,” she said.

In fact, Yam relied on an analytics firm to project revenue, and Holmes asking her to project \$100 million for 2015.

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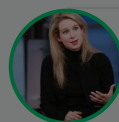
Despite persistent losses, Holmes’ salary increased from \$200,000 to \$400,000, Yam said.

Quality problems

The next witness was Erika Cheung, who was hired by Theranos out of undergrad as a lab associate. Cheung said she joined the company largely on the star power of its CEO. “She had a charisma to her; she was very articulate,” Cheung said of Holmes. “She had a strong sense of conviction to her mission.”

Cheung quit after seven months on the job and filed a whistleblower complaint with the Centers for Medicare and Medicaid Services, alleging that the company used expired lab supplies for tests run on its proprietary “Edison” testing devices, which themselves had “major stability, precision, and accuracy problems.”

She first grew concerned about Theranos’ proprietary machines when she used them to test her own blood. “Employees would essentially donate their blood to Theranos for cash,” Cheung said. When checking Edison’s performance on a vitamin D test, “it would always come up that I was deficient,” she added.



FURTHER READING

Theranos’ downfall due to elaborate \$4M conspiracy, investor says

Yet, when she ran a test on another company's device, which Theranos kept in case its own machine wasn't up to the task, her vitamin D levels appeared normal.

"I was uncomfortable processing patient samples," she **said**. "I did not think the technology we were using was adequate enough to be engaging in that behavior."

While working at Theranos, Cheung learned about the Edison machine. She asked, "How fast can we resolve this problem?" The problem appeared solved.

Most of the tests that other companies, like LabCorp, could only run one time.

Government inspectors found conditions similar to those in the labs. Theranos labs.

After Cheung went public, according to **court documents** released last week. The company spent over \$150,000 surveilling her and another whistleblower. Cheung's testimony continues today.

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