

# BAD BLOOD: THE FINAL CHAPTER

## EPISODE 10: TYLER AND GEORGE

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### COLD OPEN

**Danielle Smith:** How did you meet Elizabeth Holmes?

**Dick Kovacevich:** So, I have a very close relationship with George Shultz.

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**PFM lawyer:** How did you first become involved with Theranos?

**Bill Frist:** Secretary Shultz.

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**Gary Roughead:** The individual that made me aware of Theranos was George Shultz.

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**Jim Mattis:** George Shultz introduced me.

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**Henry Kissinger:** I met her through George Shultz.

**George Shultz. One of the 20<sup>th</sup> century's greatest statesmen.  
Secretary of Labor and of the Treasury under Richard Nixon.  
Secretary of State under Ronald Reagan. Stared down the Soviet  
Union at the height of the Cold War.**

**Ronald Reagan:** I have just received a full report from Secretary Schultz on his talks in Moscow...

**An American hero. A legend. But in the last decade of his life, George Shultz was something else: Elizabeth Holmes' dupe.**

**She used him to open all sorts of doors. He introduced her to Henry Kissinger, Jim Mattis, retired Admiral Gary Roughead, former Senate Majority Leader Bill Frist, former Wells Fargo CEO Richard Kovacevich, former Defense Secretary William Perry, former Senator Sam Nunn. All of them joined Theranos' board of directors, lending the company and Elizabeth invaluable credibility.**

**Shultz was also Elizabeth's bridge to the press. It was through *his* connections that she landed her first big newspaper interview in September of 2013 as Theranos launched its blood tests in Walgreens stores. That interview set the stage for two years of fawning media coverage.**

**But, in her relationship with Shultz also lay the seeds of Elizabeth's downfall. Because among all those high-profile people he introduced her to, there was one person she probably wishes she'd never met: his grandson, Tyler Shultz.**

**After George introduced them, Tyler went to work at Theranos and witnessed a lot of things that he thought were wrong. Like research experiments he felt were being doctored and a culture of fear and intimidation.**

**He tried to alert his grandfather to what he was seeing, but his concerns fell on deaf ears. So, he resigned in frustration. And when I began investigating the company a year later, he became one of my confidential sources.**

**That's when things got ugly. Elizabeth did everything she could to silence him, including sending lawyers to his grandfather's house to ambush him, hiring private investigators to follow him, and threatening to sue him and ruin his career. Tyler's parents considered selling their home at one point to pay for his legal bills.**

**As Tyler recounted in his audiobook "Thicker Than Water," this shattered his relationship with his grandfather. Because, for a long time, George sided with Elizabeth.**

**Tyler Shultz:** I fully expected him to... to be behind me and to support me and I was not getting that support. And, I just remember being so disappointed.

**Why George acted this way was something of a mystery. Clearly, Elizabeth had managed to ingratiate herself with the old man and to charm him. But to the point that he would turn his back on his *own* grandson? That he would betray his *own* blood?**

**I couldn't shake the suspicion that I was missing a piece of the puzzle. As it turns out, I was. It seems greed can be as powerful a human impulse in your 90s, when you don't have much longer to live,**

as it is in your 20s or 30s when you've got most of your life ahead of you.

This is *Bad Blood: The Final Chapter*. On today's episode, the Theranos story's Shakespearean subplot pitting a famous grandfather against his whistleblowing grandson.

More on that, after the break.

## SEG A

**John Shoven:** Another thing I'm very pleased with myself about is I introduced George Shultz to Elizabeth Holmes.

That's John Shoven, a Stanford economist and one of George Shultz's best friends. He introduced Elizabeth to Shultz in 2011 when Theranos was still an obscure startup. For Elizabeth, the timing was ideal. Up until then, she'd benefited from a close relationship with Donald Lucas, the venture capitalist whose connections she'd leveraged for years. But Lucas was becoming less useful. Alzheimer's disease was beginning to ravage his mind, and Elizabeth still needed introductions to powerful people and investors in the Valley.

Shultz was immediately taken with the young woman.

**George Shultz:** When John brought her over, I looked at her and I said, well, I'm about to have a meeting with a friend of my granddaughter. [crowd laughs] As soon as she started talking, I did a double take.

**Soon, Elizabeth and Shultz were spending *a lot* of time together. She wowed him with her precociousness and her ambition. He, in turn, gave her management and leadership tips. That first year, they met for lunch some 30 times. Elizabeth would either visit Shultz at his office at the Hoover Institution, the think tank on the Stanford campus, or Shultz would go to Theranos' offices in the research park on the edge of campus.**

**For a man who'd entered his tenth decade—he was 90 when they met—getting that much attention from a highly intelligent young woman had to be flattering. She certainly knew how to ingratiate herself with him.**

**Elizabeth Holmes:** Sitting up here with... with George, it's been one of the great honors of my life to be able to have him be part of our work and... and to learn from him. So, I've told him that already this is my favorite interview that I've ever done and will ever do.

**But what Shultz fell in love with most was her vision. He had a passionate belief in science and its ability to solve the world's ills, and he thought Theranos' technology would make the world a better place.**

**George Shultz:** She had and has a vision that can have a profound effect on our healthcare system. And the vision is that blood contains a lot of information about what's going on in your body. And if you do it right, what may be going on. In other words, a look into the future.

**So, he agreed to join her board and he became her ardent supporter, introducing her to his friends and singing her praises. She became a frequent guest at the Shultz home.**

**George Shultz:** We gave her a 30th birthday party. So, that was at our house at Stanford.

**One by one, Shultz's distinguished colleagues at the Hoover Institution followed him onto Theranos' board. One of the first to do so was Henry Kissinger.**

**Henry Kissinger:** I thought, any cause George supports, I will go along with.

**And go along with it, he did. Before long, the board was a "who's who" of ex-cabinet members and retired military commanders. And all of them seemed smitten with Elizabeth.**

**Henry Kissinger:** She has a sort of ethereal quality. She runs the board meetings by intellectual dominance.

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**Jim Mattis:** I was so impressed with her clarity of vision. I've carried Marcus Aurelius' Meditations in my rucksack for decades as I traveled around the world. And here was someone that Marcus Aurelius would appreciate.

**Of course, none of them had the slightest expertise in blood diagnostics. But that wasn't the point. The point was to give Theranos an air of respectability. The stage was now set for Elizabeth to make her grand public entrance.**

And George Shultz was there to help with that too. As a revered member of the Republican establishment, he occasionally contributed op-eds to *The Wall Street Journal* and was friendly with Paul Gigot, the paper's editorial page editor. In the late summer of 2013, as Theranos was preparing to launch its partnership with Walgreens, he got in touch with Gigot and convinced him to send one of his writers to Palo Alto to interview Elizabeth.

The timing of the resulting editorial was key, according to prosecutors. In his opening statement, lead prosecutor Robert Leach told the jury that Theranos was running out of money at the time. Elizabeth used the *Wall Street Journal* piece, and its misleading claims, to drum up interest among investors, he said.

One of these investors was a San Francisco hedge fund called Partner Fund Management, which invested \$96.1 million in Theranos. A major reason PFM invested, according to a person with knowledge of the matter, was Theranos' prestigious board.

While PFM and other investors began to pour money into Theranos, one of the company's employees was becoming restless: George Shultz's grandson, Tyler.

Tyler Shultz first met Elizabeth at his grandfather's house, which is on a hill at the edge of the Stanford campus, in the fall of 2011. He was a junior at Stanford at the time. Like George, he was initially star-struck,

**as he later told PFM's lawyers when they deposed him for a lawsuit they filed against Theranos.**

**Tyler Shultz:** I was in love with her vision. I thought she was brilliant. I was totally sold on the idea of changing the way blood testing is done.

**On the advice of his lawyers, Tyler declined to be interviewed for this episode because he may be called to testify during the trial. Most of the recordings you'll hear of him are from his PFM deposition.**

**Tyler went to work for Theranos, first as an intern the summer between his junior and senior years, and then as a full-time employee when he graduated.**

**The first thing that dampened his enthusiasm for the company was when he saw the *inside* of one of its devices.**

**Tyler Shultz:** I realized that there was nothing really revolutionary about it. It was like a slight modification of what already existed.

**He'd envisioned some sort of sophisticated microfluidic system. But what he saw instead was a pretty simple contraption: a pipette fastened to a robotic arm that moved back and forth on a gantry. He felt a wave of disappointment wash over him.**

**Before long, he witnessed other things that bothered him. He was assigned to the assay validation team, which was responsible for verifying that Theranos' fingerstick blood tests were accurate and reliable before they were used on patients. To do that, he and his**

colleagues would test blood samples on the Theranos devices over and over and measure how much their results varied. But rather than keep all the data from these experiments, the company would discard the failures and repeat the experiments until it reached the level of variance it wanted. This was bad science and Tyler came up with an analogy for it.

**Tyler Shultz:** You know, if you like, flip a coin enough times, eventually you're going to get 10 heads in a row and then you can say, "Oh, this coin returns heads every time."

One of the tests Tyler was assigned to work with gave him particular concern. It was a test to detect syphilis. During a first round of experiments, it detected only 65 percent of the samples infected with syphilis. During the second round, it detected 80 percent of the infected samples. But the Theranos validation report vouching for the test's accuracy said it correctly detected the disease 95 percent of the time.

This became something of a joke among Theranos employees. One evening, Tyler and the four young women he rented a house with in Palo Alto went to a local dive bar called Antonio's Nut House for drinks and encountered some Theranos product managers.

**Tyler Shultz:** One of them was hitting on one of my friends and one of the product managers was, like, trying to make it happen and was saying that [laughs] he was "clean," STD-free... that they... I mean, we were making jokes about how we didn't actually know because he was tested with a Theranos device.

The doctored research wasn't the only thing that bothered Tyler. Elizabeth had told George Shultz that Theranos ran all its blood tests on its proprietary device, but that wasn't true. Tyler's workspace was right next to the lab, and he *knew* the company ran a lot of tests on third-party machines. And most of the blood samples that *were* run on Theranos' Edison device had to be diluted first by a big liquid-sampling robot, which made a mockery of the notion that the Edison could someday be rolled out to pharmacies or doctors' offices as Elizabeth claimed.

When Tyler first tried to raise his concerns with Elizabeth, she sent him to see Daniel Young, the brainy MIT Ph.D. who was Theranos' No. 3 executive. Young told Tyler that Theranos didn't claim to be more accurate than other labs, but Tyler pointed out several press interviews Elizabeth had given in which she'd claimed it was.

**Tyler Shultz:** He said that he thinks Elizabeth tends to exaggerate in interview-type settings. That's what he said. But, we didn't really define the line between what is an exaggeration and what is, you know, just a lie.

Dissatisfied with the answers he was getting from Young, Tyler went to talk to his grandfather to alert him to the problems he was seeing. As a member of the company's board, he figured he should know. They sat down in the dining room of George's big house.

**Tyler Shultz:** I showed him a lot of data and I tried... like, I showed him these vitamin D plots and I said, "Here, this line is where we expect the result to be, and these dots are all over the place." And he looked at them and said, "Most of the dots look like they're way above the line, which seems like a good thing to me." And so, I tried to explain to him that it's not... you don't want to be above the

line, you want to be on the line. But he didn't really understand. He essentially told me that I just needed to speak with Elizabeth about it. That was the solution: you need to go sort this out with Elizabeth.

**Tyler did as he was told and tried to set up a meeting with Elizabeth, but she was too busy to make time for him. So, he wrote her a long email instead. Her reply was brief. She called his allegations "very, very serious" and said she'd need time to go through his email line by line before responding more fully.**

**Tyler didn't hear anything more for several days. But then, a long email from Sunny Balwani appeared in his inbox. And it was *withering*. In it, Sunny belittled everything from Tyler's grasp of statistics to his knowledge of laboratory science. "Had any other person made these statements, we would have held them accountable in the strongest way," Sunny wrote. All he wanted to see from Tyler "going forward" was an apology, he said.**

**Tyler decided it was time to leave Theranos. He responded to Sunny that he was putting in his two weeks' notice but was soon told by Theranos' head of HR that it was better if he left that very day. So, he signed his exit papers and headed to his grandfather's office at the Hoover Institution to tell him what had happened. When he got there, George Shultz was sympathetic, but it was clear his allegiance was with Elizabeth.**

**Tyler Shultz:** He said, "They're trying to convince me that you're stupid, but they can't do that. They can, however, convince me that you're wrong. And in this case, I do believe you're wrong."

**Tyler had made a friend at Theranos named Erika Cheung. As she testified at trial, Erika shared his concerns and was on the verge of resigning too. Tyler decided to bring her to his grandfather's house for dinner. That evening, he and Erika made the short trip to George's place and they made their case to him together. But the old man remained unmoved. At one point, while defending Elizabeth, George said something that nearly made them cough up their food.**

**Tyler Shultz:** My grandfather said that the Theranos devices were currently being used in medevac helicopters. I remember Erika and I saying that that couldn't possibly be true because the devices were barely working within the walls of Theranos. There's no way it could be working in a medevac helicopter.

**In his PFM deposition, Tyler said he felt this lie must have come from Elizabeth because George interacted with no one else at Theranos. George also told them that evening the Theranos devices were being used in hospital operating rooms—another lie Elizabeth must have fed him, Tyler thought.**

**Tyler Shultz:** He said that, you know, highly, highly qualified people are telling him that Theranos is the real deal and that this is going to revolutionize medicine. And Erika and I left really frustrated, I think.

**After the dinner, Erika handed in her resignation, and she and Tyler both tried to move on with their lives. But as fate would have it, Tyler was far from done with Theranos.**

**Because, in early 2015, nearly a year after he'd left the company, Tyler received a message. He tried to ignore it at first, but eventually his curiosity got the best of him.**

**That's after the break.**

## **SEG B**

**For a while, Tyler had no further contact with Elizabeth. But on Thanksgiving Day of 2014, seven months after he'd left Theranos, he walked into George's house and there she was with her parents. During dinner, they made small talk about California's drought and the bulletproof windows in her office. At one point, Tyler held his tongue when Elizabeth got up and gave a toast expressing her love and appreciation for every member of the Shultz family.**

**Despite what had transpired with Tyler, George Shultz remained spellbound by Elizabeth. That's in part because she was telling him tall tales. And he believed them. He repeated one of them at a talk they gave together at a conference at Stanford.**

**George Shultz:** Now, you told me one time that there is a doctor at Johns Hopkins who has figured out how to spot pancreatic cancer 17 years before it's symptomatic. That's breathtaking. You can probably cure it with that kind of early detection.

**Elizabeth Holmes:** That's exactly right. I mean, we're, as you know, doing a lot of work on that and the ability to... um... shift from determining you have cancer, for example, by physically measuring a tumor to being able to see the growth of that tumor before it forms is exactly where we can go, if you make...

**George Shultz:** And you can see that in blood?

**Elizabeth Holmes:** Absolutely... those tools more accessible.

**Let me be clear: this is total fantasy. Detecting pancreatic cancer 17 years before it forms is impossible. And Theranos never did any work with Johns Hopkins on this; I checked. But like most of Elizabeth's lies, buried under the falsehoods was a kernel of truth. Johns Hopkins researchers had published a study a few years earlier showing that pancreatic cancer developed more slowly than scientists thought. Elizabeth must have seen it and concocted a story from it that she used to fire up Shultz's imagination.**

**While Elizabeth was able to get George to believe the ridiculous fictions she spun, she didn't have the same power over Tyler. He'd seen right through her and was now wrestling with an important decision. Three weeks before, I had sent him a message through LinkedIn asking if we could talk about Theranos. On the advice of his parents, he hadn't responded. But as time wore on, his curiosity about how much I knew became too strong.**

**Paranoid that Theranos might somehow track his communications, he bought a prepaid phone and called me. After I promised him confidentiality, he told me about his experience at the company. He also sent me the email he'd written Elizabeth and Sunny's response and a copy of a complaint he'd filed with a state regulator. A few weeks later, we met in person at a brewery in Mountain View.**

**Unfortunately, as you heard in episode 3, Elizabeth and Sunny soon figured out that Tyler was speaking to me. Three weeks after our**

**meeting at the brewery in Mountain View, he went to his parents' house in Los Gatos for dinner.**

**Tyler Shultz:** My dad was on the phone with my grandfather and then got off the phone and he asked me, um, "Have you been speaking with a *Wall Street Journal* reporter?" and I said yes and he said, "They know, you're totally fucked," is what he said. And he was more angry with me than I'd ever seen him in my life.

**Tyler called his grandfather back and denied speaking to any reporter. Unconvinced, George told him he could make everything go away by meeting with Theranos' lawyers the next day and signing a one-page confidentiality agreement. Tyler asked if the two of them could meet first that evening, without any lawyers. George agreed and invited Tyler over after dinner. But when Tyler arrived at George's house, two lawyers from David Boies' law firm were hiding upstairs. They came down and handed him a letter threatening to sue him, a notice to appear in court and a temporary restraining order. One of the lawyers, Mike Brille, started grilling Tyler.**

**Tyler Shultz:** Michael Brille was definitely pressing pretty hard, about saying like, "We know... we know that you've been speaking to a *Wall Street Journal* reporter and we need to know who the other sources are and we need to protect these trade secrets." And then at some point, I asked my grandmother if she felt uncomfortable and she said she did, so I told Michael Brille that the conversation needs to end. I explicitly said this conversation needs to end. And he kept talking. And then eventually, I think my grandfather stepped in...

**When George Shultz was later asked about the encounter during a deposition, he described it this way:**

**George Shultz:** The man was some sort of an animal. Wild animal. And he assaulted my grandson. It's one of the dumbest things I've ever observed. If it

hadn't ended when it did, my wife was about to pick an iron out... andiron out of the fireplace and clobber him.

**George later clarified in the deposition that by “assault,” he meant verbal assault. After the lawyers left, George called Elizabeth.**

**Tyler Shultz:** He said, “Tyler says he's ready to go to court.” And then my grandmother stole the phone from him and said, “Elizabeth, Tyler did not say that.” [laughs] And then my grandfather said, “I know this kid and this kid doesn't lie. If he said he didn't speak to the reporter, then he didn't speak to the reporter.”

**They agreed to reconvene again the next morning. The understanding was that, this time, the Theranos lawyers would bring the one-page confidentiality agreement Elizabeth and George had originally discussed, Tyler would sign it and that would be the end of it.**

**When Tyler returned to his grandfather's house the next morning, his hope that Elizabeth would send another lawyer, as George had specifically requested on the phone the night before, was dashed. There was Mike Brille again. He'd brought along several new documents. One of them was an affidavit in which Tyler vouched not to have talked to me and promised to list every current and former employee I'd spoken with. Tyler refused to sign it. An uncomfortable standoff ensued. To try to break the deadlock, George ushered Brille into a separate room, then came back and asked Tyler what it would take for him to sign the document.**

**Tyler Shultz:** Then I said, “If we get rid of the names, then... then I'll sign it.” I also told him that I would need a clause that said that Theranos wouldn't sue me. So, in pencil he wrote, “and Theranos will not sue Tyler for two years.” And I said, “Two years isn't long enough. [laughs] I need forever.” So he said, “Well, I'm trying to get something that they will be willing to sign, like we need to

compromise.” And I said, “I’m not going to compromise on that.”

**George crossed out the words “two years” and replaced them with “ever” and took the affidavit back to Brille. Brille returned to the room Tyler was in and seemed to signal that they had a deal. But Tyler still didn’t want to sign the document because he *had* talked to me, and he didn’t want to perjure himself in writing. So, he pretended to peruse another document Brille had brought, his original Theranos nondisclosure agreement, while he figured out how to couch his refusal.**

**Tyler Shultz:** And I eventually just said that... um... Theranos lawyers had looked at this with Theranos’ interests in mind and I think it would be smart for me to have a lawyer look at it with my interests in mind. And I could tell my grandfather was really frustrated at that response.

**George asked Tyler if he would sign the document if his estate lawyer told him it was OK to do so. Tyler said yes, so George headed upstairs to fax the affidavit to his lawyer. While he did that, Tyler went to the kitchen to look for the lawyer’s number. He wanted to get to him first. As he was riffling through his grandparents’ address book, his step grandmother Charlotte handed him the number.**

**George might be blind to Elizabeth’s machinations, but people around him were starting to have doubts, especially Charlotte. She’d told Tyler she was beginning to wonder whether the Theranos “box,” as she called it, was real. Grateful for her help, Tyler took the piece of paper from her hand, stepped outside and placed the call from the backyard.**

When Tyler explained his predicament, George's lawyer was stunned. He recommended that Tyler come see him at his office in San Francisco right away. Tyler followed his advice and drove his little Toyota Prius to the city. After discussing the situation further with George's lawyer and one of his partners in person, Tyler decided not to sign anything and braced to be summoned to court the next morning. But late that night, Mike Brille emailed George's lawyer to say Theranos had decided to hold off on a lawsuit to give the two sides more time to compromise.

Tyler breathed a sigh of relief. He hoped that, now that he'd consulted with lawyers of his own, cooler heads would prevail and George would step in and get Elizabeth to back off.

But that was wishful thinking.

More, after the break.

## SEG C

The reprieve Tyler got after meeting with George's estate lawyer in San Francisco was short-lived. Within days, Theranos was breathing down his neck again. Months of tense negotiations followed. George's lawyer couldn't represent Tyler because his firm also did estate work for Elizabeth, so he referred Tyler to another attorney named Stephen Taylor. Brille and Taylor exchanged drafts of the

**affidavit Theranos wanted Tyler to sign, but there were two issues they couldn't agree on.**

**Tyler Shultz:** In those affidavits, I said that I did speak to a *Wall Street Journal* reporter. They would always want to include names of other people who I knew had, and then we would always take those out.

**Tyler was willing to admit that he'd spoken to me, but there was no way he was going to implicate others. The second sticking point was that Theranos refused to include Tyler's parents and heirs in the litigation release it was willing to grant him. As the negotiations dragged on, Brille became more aggressive. If Tyler didn't sign the affidavit and name my sources, Theranos would make sure to bankrupt his entire family when it took him to court, he said.**

**Meanwhile, back in New York, I had no idea any of this was happening. All I knew is that I could no longer reach Tyler. He wasn't answering his burner phone or returning my emails. I suspected Theranos was putting the screws to him, but I didn't know how bad things had gotten.**

**There was one person who was still in touch with Tyler: Erika. One day that summer, she drove over to his house in Los Altos and they sat outside and talked. A few weeks earlier, a man in a black SUV had stalked Erika outside the headquarters of her new employer. When she'd walked out, he'd handed her a threatening letter signed by David Boies. More than the letter itself though, what had freaked Erika out was the envelope it came in. The address on it was the house of a colleague with whom she'd only been staying for a few days. Not even**

**her mom knew that address. There was only one logical explanation for how Theranos had gotten it.**

**Tyler Shultz:** She actually brought up to me that she was being followed or suspected that she was being followed. Well, she actually asked me, "Are you being followed?" And I said, "I think I am."

**As it turns out, Erika and Tyler were right. They were both being followed. Prosecutors have revealed during the trial that Theranos paid two private investigators more than \$150,000 to surveil them.**

**Theranos' threats put Tyler under enormous pressure. In his audiobook "Thicker Than Water," he revealed that he slept with a knife next to his pillow and even considered buying a gun. But he decided that was a bad idea because he might end up using it on himself.**

**His parents pleaded with him to sign the documents Theranos wanted him to sign. If he didn't, they feared they'd have to sell their house to pay his mounting legal bills.**

**At one point, Tyler went to talk to his grandfather and apologize for lying to him. As he recounted in his audiobook, George was unsympathetic.**

**Tyler Shultz:** There was absolutely no recognition of what I was going through or his role in it, and he was still 100 percent behind Elizabeth. And, I just remember being, frankly, just amazed at how cold somebody could be.

**This has been gnawing at me for a long time. How could a man many admired for his integrity and his wisdom be so callous with his own kin? How could a grandfather turn his back on his grandson when other people close to him, like his own wife, were beginning to harbor serious doubts about Elizabeth?**

**Well, I finally have the answer. What Tyler didn't know—and what I didn't know either—was that Elizabeth had showered George with stock. And that stock was worth *a lot* of money.**

**An internal Theranos document listing all of the company's investors and their shareholdings reveals exactly how much. According to this document, Elizabeth granted Shultz 2,750,000 shares. At the company's peak valuation of \$17 a share, they were worth \$46,750,000. Shultz also bought 200,000 additional shares with his own money. In all, by the summer of 2015, when Theranos was putting the screws to Tyler, George was sitting on 2,950,000 shares worth more than \$50 million. He didn't keep all of them for himself. He put 500,000 shares, worth \$8.5 million, in a trust for his great-grandchildren.**

**Fifty million dollars. That's a lot of money, even for a man like George Shultz who was already wealthy. Taking Tyler's side against Elizabeth would have meant jeopardizing that paper fortune. George chose not to.**

**In October of 2015, the pressure on Tyler finally relented because my story came out on the front page of *The Wall Street Journal*.**

**Suddenly, Theranos had much bigger problems on its hands than Tyler Shultz. Federal health agencies were making surprise inspections, investors and Walgreens were calling up angry and the rest of the press was beginning to turn against the company.**

**Theranos went into damage control. But George *still* remained loyal to Elizabeth.**

**Tyler Shultz:** My grandfather turned 95 that year, and it was clear that I was not really welcome at his birthday party, but Elizabeth was there. Um... so, it really seemed like he had made a decision and he had chosen Elizabeth over me.

**This made Tyler angry. Elizabeth had bullied him and made him feel like the bad guy. She'd turned his *own* grandfather against him. At night, he lay awake in bed chewing things over and seething.**

**In May of 2016, Tyler and I finally reconnected. By then, I'd written dozens of follow-up stories and Theranos was on the ropes. The SEC and the U.S. attorney's office in San Francisco had opened investigations and the Centers for Medicare and Medicaid Services were on the cusp of banning Elizabeth from the lab industry. We met on the Stanford campus and Tyler told me for the first time what he'd been through. I agreed to keep it all off the record until he was ready to go public with his story. Things seemed to be finally looking up for Tyler; I found him in good spirits. But he was soon reminded that the danger hadn't completely passed.**

Two days later, Theranos contacted Tyler's lawyer to inform him that the company knew we'd met. Clearly, Theranos was still having him followed, though neither of us noticed anything suspicious during our meeting. Tyler felt once more under attack. But if Elizabeth had hoped this would intimidate him and shut him up, she was mistaken. It had the opposite effect. Tyler decided to go *on* the record.

When he told his parents of his decision, they pleaded with him not to. He was just asking to be sued, they told him. David Boies would come after him with everything he had, they warned.

**Tyler Shultz:** My dad literally got down on his knee and begged me not to go on the record. I wanted to tell them about how I... I had considered killing myself or at least thought about it. But when I opened my mouth, I just started crying and I just could not get the words out, even though I wanted to tell them.

Tyler agreed to stand down. But as the weeks passed, the urge to go public resurfaced, like a compulsion. He went to see his grandfather to give him one last chance to distance himself from Theranos. George listened impassively as Tyler read him a long, withering statement he'd prepared. It didn't pull any punches. It accused George of either being corrupt or in love with Elizabeth. George seemed somewhat chastened, but he still stopped short of doing what Tyler wanted him to, which was to resign from Theranos' board and cut all ties with Elizabeth. "We can't make a splash," George said.

That was the last straw for Tyler. If George wouldn't do it, he would do it for him. He called me and went on the record. The resulting story, which ran in *The Wall Street Journal* on November 16th, 2016, landed

like a bombshell. People who read it were outraged. What little sympathy might have remained in some quarters for Elizabeth Holmes, evaporated. And yet, George *still* gave her the benefit of the doubt. When he was deposed six months later by PFM's lawyers, he continued to speak well of her.

**Matthew Kahn:** Do you have a high opinion of Ms. Holmes?

**George Shultz:** Yes.

**Matthew Kahn:** Do you believe that Ms. Holmes was truthful with you in all of your interactions with her?

**George Shultz:** Yes, I think so.

**Matthew Kahn:** In any of her interactions with you, did Ms. Holmes ever do anything to give you reason to believe that she was trying to deceive you?

**George Shultz:** No.

While George continued to be blinded by Elizabeth, there was no reversing Theranos' tailspin. After PFM filed its lawsuit, more suits followed. From other investors, from Walgreens and even from some patients. Weighed down by its legal bills and the cost of settlements, Theranos eventually ran out of money and went bankrupt. It wasn't until the spring of 2018, after the SEC had declared Theranos a "massive," "years-long" fraud, that George finally began to make amends.

**Tyler Shultz:** A few days after that report was released, a bunch of my aunts and uncles were in town and they were at my grandfather's house. So, I went over just to, you know, see my aunts and uncles. And he kind of stopped all conversation in the room and said that he had just read the SEC report and he was blown away by how extensive the fraud was and he had... he had no idea that it was going on and he just wanted to commend me for standing up for what I believed was right.

It fell short of an apology, but Tyler would take it.

**A year later, in response to a press query, George issued a strong public statement supporting his grandson. It said that Tyler had shown “great moral character” in navigating a complex situation and that he had set an example for the entire Shultz family. It again fell short of the apology Tyler was looking for, but it helped begin to heal their relationship.**

**But one thing could not be remedied.**

**When he’d initially agreed to speak to me and become a source back in 2015, Tyler told me his main motivation for helping my investigation was to clear his grandfather’s name. George had emerged from Watergate and the Iran-Contra scandal with his reputation intact. Tyler wanted to save him from the taint of Silicon Valley’s biggest fraud.**

**Unfortunately, he wasn’t able to realize that goal. When George Shultz died at the age of 100 earlier this year, most of the obituaries made note of his unflattering role in the Theranos scandal.**

## **CREDITS**

***Bad Blood: The Final Chapter* is a Three Uncanny Four production. The show is hosted by me, John Carreyrou.**

**Our show is produced by Lena Richards, Rahima Nasa and Jennifer Sigl, with help from Shane McKeon. Emily Saul is our reporter. Jenny Kim is our production manager.**

**Laura Mayer is our executive producer.**

**The show was mixed by Kevin Seaman. Casey Holford composed the theme music.**

**If you like the show, head over to Apple Podcasts, Spotify, Stitcher, or wherever you get your podcasts and hit subscribe. Leave a rating and a comment while you're there. It really helps new listeners find the show.**

**Thanks for listening. For Three Uncanny Four, I'm John Carreyrou.**