Hey there, humanoids. This is David Chewmaker here with a very exciting announcement.
Your favorite wrestling podcast feed, The Ring of Wrestling Show, is now going daily.
And you can hang out with me and Kaz on Mondays and Thursdays for the Masked Man show.
And you can join me, Peter Rosenberg, alongside stat guy Greg and Dip, every Tuesday with Chief Pete. And on Fridays, I'll welcome a friend or special guest from the world of wrestling. And on Wednesdays, we have a very special new show called Wednesday Worldwide that you're going to want to check out.
Pay-per-view reaction, one-of-a-kind interviews, fantasy booking, talking about bagels.
That's what we do here on The Ring of Wrestling Show.
Follow the show now on Spotify and do us a favor.
Give us five stars.
And do us another favor and stay mage.
Today's episode is a bit of a double-decker.
We're going to break down the layoffs in big tech over the last few weeks.
And then we're going to bring back the award-winning financial journalist, Bill Cohen, to guide us through the weirdest story in tech and finance, which is obviously the unfolding SPF, FTX, disaster in crypto.
So one way I think of this interview is like, you know there's going to be a movie in a few years about SPF and this whole mess.
What are we learning from investigative journalists right now about what might be the key scenes of that movie that we're all going to be watching?
And we're going to have Bill walk us through his SPF chronicles in just a moment.
But first, the big tech convulsion.
The latest layoff news stands like this.
12,000 announced gone at Google, 10,000 at Microsoft, 18,000 at Amazon.
Salesforce has laid off 10% of its workforce.
Spotify, which owns The Ringer, this podcast, announced a 6% layoff.
All told, more than 130,000 people have been dismissed from their jobs at large tech and media companies in the last 12 months.
130,000 people is more than the total number of workers at Apple before the pandemic.
It's a lot of people.
But the overall employment rate in the U.S. remains 3.5%.
And that is the lowest mark of the 21st century going out to one decimal point.
So there's a bit of a mystery here, a discrepancy between massive layoffs at big tech and an unusually low unemployment rate throughout the rest of the economy.
So before I offer some theories, tell you how I'm seeing the situation.
Let me start at the most human level to say layoffs suck.
They really suck for people being laid off.
I'm not going to discuss or I am going to discuss numbers in a second.
Numbers have a way of flattening human experience and turn everything into a state statistic.
So I do want to start by saying this, that when 130,000 people lose their job, even a good job, even a decently high paying job, that's still life scrambling and it's anxious and it's hard and it's shitty.

So what is going on?
This is a profoundly weird flippening of the 21st century economic norm that we've come to know and understand.
In the 2010s, the economy was weak, the labor market was weak, it was Silicon Valley that was booming.
And then during the pandemic, even more so, the U.S. economy had this flash freeze depression, but the tech sector absolutely boomed by mid-2021.
This is crazy.
I think the stat came from the substack writer Noah Smith, just five tech stocks, Apple, Microsoft, Google, Amazon and Meta,
represented 23% of the entire S&P 500 index.
Five companies were a quarter of the whole S&P 500.
That is insane.
Today, it's the opposite.
The U.S. labor market seems by some measures very strong and yet the tech and media industries are the ones that are bleeding.
So what's going on?
And what does this inversion of 21st century norms tell us about the state of the economy?
Explanation number one, and this is the explanation I think that is being most commonly offered in the news right now,
is that big tech simply overhired in the pandemic, pure and simple.
The big tech CEO has made a mistake and this now is the correction.
So what does this mistake look like in numbers?
Well, look at Meta, the parent company of Facebook and Instagram.
In 2019, Meta had about 44,000 employees.
By September of 2022, they had 87,000 employees.
So during the first two and a half years of the pandemic, Meta added another Meta in headcount.
It invested in workers in anticipation of an economy that did not arrive.
So why didn't it arrive?
Why did all these companies make the exact same mistake?
Well, as I wrote last week in the Atlantic, I think the post pandemic economy has just ended up much weirder than most people anticipated.
A lot of people, and I'm putting myself in this category, predicted that the digitization of the economy that we were seeing in the pandemic,
like the rise in streaming, everyone was streaming, no one was going to movie theaters.
Everyone was adding new food delivery apps, no one was shopping in grocery stores.
Everyone was joining Peloton and doing at home fitness stuff rather than going to gyms.
We called these accelerations.
We said the pandemic is pushing everyone into a future that's coming anyway.
And so tech companies invested like it.
They in some cases doubled their workforce.
But maybe the pandemic wasn't an accelerant.
Maybe it was a bubble, right?

We're familiar with calling pandemic stocks bubbles like Peloton and Robinhood,
stocks that soared and crashed by like 90%. Well, the same happened with employment.
And then these tech companies like Alphabet and Amazon, they faced all sorts of challenges during the pandemic,
whether it was supply chain challenges, then inflation happened, then interest rates increased,
then their stock valuations were punished.
And so all of these companies thought the pandemic was like this time machine thrusting them into the future, and it wasn't.
It was a mirage and now the mirage has disappeared and so are the jobs.
The second explanation for this moment is, and I've given this story before in the podcast,
it's the interest rate theory of everything.
When interest rates were low, investors were willing to plow their money and hold their money in companies that had great stories about the future.
Companies like Tesla or Peloton or Robinhood or even Metta and Alphabet.
But when interest rates started rising, stocks started falling and you saw investment flowing from tech, which was the future,
12 sorts of companies like CVS or United that were just sort of service companies that had healthy margins.
And that adjustment in the markets forced these companies, Netflix, Uber, Tesla, to change the way they did business,
to lay off a lot of people. And as we're about to see in a second, I think those layoffs sort of made it safer for other CEOs to lay off their workers
to eke out higher margins in their businesses.
The third explanation I want to quickly gloss is that it's become a joke in tech that over the long run, every company becomes an advertising company.
So obviously Google is an advertising company and obviously Instagram and Facebook are advertising platforms.
For a while, something like 80 to 90% of every single marginal dollar in the digital media was being earned by either Facebook or Google.
They were the two-headed monster, the Hydra. They were the duopolis.
But in the last few years, other companies have essentially become or try to become advertising companies.
Amazon is the fastest growing advertising company in the world.
You've seen Netflix say, we want to get in on advertising.
You've seen Uber start to show ads in their platform when you hail a car.
And I think maybe as more of these companies have become advertising companies,
they become more sensitive to slowdowns in advertising.
And that's what we're already starting to see.
And I think you're going to see more of in 2023 is a slowdown in the ad market.
As a lot of companies say, maybe a recession is coming.
We don't know.
But the first thing that is easy for us to cut is ad and marketing dollars,
because that's not spending on the core product.

It's spending on future branding and revenue.
And so I do think that in possibly a subtle way,
the slowdown in advertising is metastatic in the tech industry right now,
because so many different companies now are sensitive to slowdowns in advertising.
Final explanation, number four, is human nature.
Chief executives are people.
Chief executives are people and people navigate uncertainty by copying each other.
When you don't know what to do, you copy people.
Imagine being at like, you're at a park and you don't know what ride to take next.
And you see that suddenly there's like a mass of people that are moving toward like one ride or one attraction.
You're like, oh, where's that crowd going?
You're more likely to copy behavior when you're uncertain about the future.
And I think that's what's happening right now,
that these layoffs are essentially an act of social contagion or mimicry.
Like when all your competitors are laying off 10% of their staff,
and they're being in many cases rewarded by investors for doing so,
the headcount goes down, the expectation of future earnings, future profits goes up,
more people invest in that company.
I'm not saying it's good that it works out that way.
I'm just saying it often does work out that way.
That makes it easier for the next marginal company to say we're going to call 10% of our staff
and expect that we're not going to get dinged for it because everyone else is doing it.
As a final note, this obviously clicks back into the first podcast you did this year
about whether or not a recession is coming.
I said in early January, I do not think a recession is inevitable.
And I would bet, gun to my head, we are not going to have an official recession in 2023.
I might be wrong on it, but I said no.
I think it's more useful to see these layoffs as a lagging indicator of mistakes made by corporate leadership
in the last three years in Silicon Valley, more than a leading indicator of economic conditions to come.
Does that make sense?
This is more about hiring mistakes from 2020 than it is about the US economy in late 2023.
And that is today's Economic Analysis.
I'm Derek Thompson.
This is plain English.
Bill Cohen is back with us, financial journalist at Puck News.
Bill, welcome back to the show.
Hey, Derek, thank you for having me back.
Great to be here.
I want to catch people up really quickly in case they have not been following the FTX scandal or perhaps just forgot the basics.

This is my general understanding of where we are, and then I'm going to give you an opportunity to edit my general understanding.
But FTX is, slash was, a trading platform affiliated with a hedge fund called Alameda Research, both run by Crypto King, former Crypto King, Sam Bankman-Freed, aka SBF.
After a series of chaotic revelations about the company, there was a run on the bank with customers demanding funds.
The money was not there. FTX filed for bankruptcy, and it seems very likely that customer funds were not at the bank
because Bankman-Freed moved client cash to his hedge fund, from FTX to Alameda, to cover losses, and he deposited magic being tokens, FTTs, instead in FTX.
When the tokens were revealed to be worthless or illiquid, there were simply no funds to make customers whole, and thus we have a bankruptcy.
That brings us to you, Bill.
First question.
This is going to be a movie or a miniseries.
The truth is, I think it's going to be both a movie and a miniseries.
And I think, like, when I see this movie or miniseries, what's the dark turn?
What's the point of no return, the moment that seals SBF's fate?
I am persuaded by your reporting that that dark turn very well might be a meeting that SBF took with Anthony Scaramucci,
aka the mooch, in Saudi Arabia.
Take us inside that meeting.
Well, you know, first of all, I mean, I can't even believe that the sort of arrogance of SBF thinking that, you know, he could, he and the mooch could go over to Saudi Arabia,
have a meeting with MBS, the, you know, all-powerful ruler of Saudi Arabia, and somehow walk away with a commitment for a billion dollars of new cash equity at the same $32 billion valuation.
But that's what they did.
And, you know, I get it because, you know, in September, I mean, the mooch and SBF had known each other for quite a while.
When I interviewed SBF in December of 2021 for 90 minutes for this documentary film I've been working on about cryptocurrencies and crypto generally, that whole meeting with him was arranged by the mooch for me.
You know, he introduced me to an executive at FTX and then one thing led to another and SBF agreed to meet me, you know, in a hotel in New York City.
So they've known each other a long time and then in September of 2022, the SBF invested in the mooch's hedge fund, bought a stake in it and an option to buy more and then the mooch used some of that money to buy FTT tokens, which is sort of interesting.
And other cryptocurrencies that SBF wanted him to buy and then he took like five million of it and, you know, put it in his own bank account or his hedge fund's bank account.
And so they knew each other and they were partners now and so the mooch wanted to, you know, open up his real Rolodex to SBF and next thing you know, they're in the Middle East, you know, in Qatar, they're in Saudi Arabia meeting with MBS, you know, who's obviously notorious to put it mildly.

It was at that meeting where SBF, you know, started shit talking CZ, the CEO of Binance, which, you know, not surprisingly got back to CZ and then led to CZ tweeting about SBF and that he was going to sell some of the $500 million worth of FTT tokens that he got in exchange
for his ownership stake, his early on ownership stake in FTX because he wanted to be paid out and he got paid out in these FTT tokens, just the thought that he might be starting to sell those FTT tokens led to the series of events that we're now talking about.
It's really interesting because CZ in a way is kind of the godfather of crypto. This is a guy who in many ways, that's by the way, the letters CZ and Binance is I believe the largest crypto platform, crypto trading platform in the world.
When CZ takes a stake in FTX, he is paid in FTT. This is a token that essentially is invented by SBF and by FTX. It's a token that isn't necessarily worth anything. It's like it's almost like a like a made up stock token in the company of FTX.
Its value is not particularly liquid. It's not like a typical stock, like a stock in Microsoft or something. In many ways, anyone who holds a lot of tokens can be kind of a market maker and determine the value of it.
So in a way, and correct me if this is wrong, by giving CZ a competitor a bunch of FTT tokens, he's kind of like handing his competitor the weapon that can be used to destroy his own company and then goes to Saudi Arabia talking to all these people that might have back channels to his competitor CZ and starts to shit talk him.
It's like you've sold a bunch of bombs to your adversary and then you go to some diplomat and start shit talking your adversary, almost daring them to use the bombs on you, which is absolutely what happened in November and seems to be the event that triggered the downfall of FTX.
Because who knows how long this seemingly Ponzi theme could have run without that particular sale by CZ. Am I getting that analogy wrong here?
No, it's perfectly right. Again, what happened was CZ was an early investor in FTX and either he wanted to get the value out, given how fast and far the valuation of FTX had increased.
In January of 2022, a month after I spoke to SBF, the valuation was, of course, $32 billion. And that's when a lot of the $1.8 billion of equity that he raised for was raised and was raised at $32 billion valuation.
So I think at some point CZ said, look, okay, I was an early investor. I want my money out and in exchange for that equity stake that CZ had taken early on in FTX, he got these $500 million worth of FTT tokens.
And so I don't know whether I suspect that for all of SBF's brilliance, MIT physics grad, he didn't realize that he had given the weapons of mass destruction to his rival and hadn't figured that out.
But you are absolutely right. The FTT token, which is like many of these tokens that these exchanges create and for reasons that I'm not entirely sure of why they do it other than to sort of create some sort of scheme that this token was spun up and was very thinly traded, was very illiquid.
So I don't know if you ever followed the whole saga and scheme of the $100 million New Jersey deli that was a thinly traded stock that got pushed up through stock manipulation and became worth $100 million, even though it barely made any money and made salami sandwiches.
The same thing happens when you are able to sort of buy and sell a thinly traded asset, I mean, I don't even know what you call it, token, and create value that's not really there.
But if you look at the chart of FTT, you know, it obviously got up to be worth like, you know, $50 a

token. And when the whole thing collapsed, it was worth less than a dollar. Now it's actually bounced back again to like $250 a token.

But the idea was that he gave to CZ a huge amount of FTT tokens so that at any time that CZ wanted to, he could like crater the token by saying he was going to sell it. He didn't even sell any, I don't think, Derek, I think he just said he might sell it.

And that was enough to spook everybody. And the reason that he, I assume he did that, of course, I haven't spoken to CZ is that he obviously heard that he'd been shit talking, SPF had been shit talking him, you know, while he was trying to raise money.

And he also was probably not pleased that SPF was kind of leading the charge trying to regulate crypto in the halls of Congress between, you know, giving $40 million of donations to Congress people and meeting with the head of the SEC and, you know, trying to influence the way crypto would be regulated in this country.

And I think, you know, in the world of cryptocurrencies and crypto exchanges, you know, you don't want any regulation, even if it might turn out to be favorable, relatively speaking, or better than it would be without trying to influence it.

I think CZ was like, you know, what the hell are you doing here, SPF, trying to, you know, influence regulation, pushing for regulation. We don't want regulation. We like no regulation. You're in the Bahamas where there's no regulation.

What the hell are you doing? And so I think the combination of those two things, you know, said, okay, all right, if that's what you're going to do, SPF, then I'm going to sell these tokens or pretend to sell these tokens.

So putting all of this together, Alameda and FTX are giving financial statements to their investors. And those statements have numbers in them that are making these investors think that this is a good place for them to put tens, if not hundreds of millions of dollars.

But there are other people looking at different financial statements coming out of FTX and Alameda that are saying that this is completely unworkable.

Like you basically have a bunch of assets listed in tokens that you invented for which there's an illiquid market that one person can entirely crash and bring down like, you know, a third of the represented value of this company to zero.

How did this happen? Do you have any insight into whether the institutional investors, the venture capitalists, were they just lied to, do you think? Were they just misled?

Or were they sort of experiencing some kind of collective hallucination that got them to believe that this document that was on its face, a representation of a Ponzi scheme, was in fact the representation of a multi-billion dollar business?

It's such a great question. And I think, you know, as usual in these situations, there is an element of mass dilution. Okay. And I think there's also, when it comes to people whose job it is to invest other people's money, and they get paid to invest other people's money.

Okay. Which is what venture capitalists get paid to do. It's what pension fund managers get paid to do. It's what private equity investors get paid to do. It's what asset management investors get paid to do.

They get paid to invest other people's money, including in fairness some of their own money. That's what they get paid to do.

They get paid fees, usually two to 3% of the money that they have under management. And of

course, they're always anxious to get more money under management so they can get those two to 3% fees.
And they get 20% of the upside or something like that. Two and 20, three and 30, whatever it is, two and 15, whatever it is, that's what they get rewarded to do.
They don't get rewarded to not put the money to work. So venture capitalists, especially in Silicon Valley, they have a fear of missing out.
They only live once. They have a portfolio theory as far as this goes, which is they get paid to put the money out. They know that not everything is going to hit like a grand slam, let alone maybe a 10-bagger or whatever it is, 10 times their money, 15 times their money, 20 times their money.
But at some point, you've got to put the money out there. You've got to take chances. That's what they get paid to do. And SPF was perfect, right? He was like the perfect exemplar of the kind of entrepreneur that these guys feel they have to back.
What does that mean? What made him perfect in your mind to these investors?
Look at that resume. Let's just start there, the resume, the son of two Stanford law professors, a guy who grew up in their backyard, who decides he wants to break out of the family mold by going to MIT where he's a physics major.
He decides that he, as he told me when I interviewed him in December of 2021, and this I found very hard to believe, that what he really wanted to do was go into the world of nonprofits.
But what, you know, this is part of the whole effective altruism, you know, bullshit, that what the nonprofits told him was that, well, Sam, you know, we could hire you, we might like to hire you, you're possibly somebody we might hire.
But, you know, a higher and best use for you, Sam, would be to go make a lot of money and then give us that money. That would be the best thing that you can do for us. And so that sort of, with that insight in his mind, you know, that's why he convinced himself, oh, where can I make a lot of money fast so that I can give it away.
And he's telling me all this and I'm thinking, okay, this sounds like a load of bullshit to me. I've never heard of any nonprofit who wouldn't, you know, want to hire a recent MIT grad, and it would instead tell them to go make money and give us the money instead.
But, you know, that was his story he was sticking to. And that's what brought him to Jane Street Capital, where, you know, this hedge fund in downtown Manhattan. And, you know, according to him, this is where he realized that there was an arbitrage opportunity between the way Bitcoin was traded in New York and the way it was traded in Japan and all these around the world.
And he just, you know, made coin big time on arbitraging. The difference is between the way Bitcoin was trading on these various exchanges. And of course, after making bank, then he decided, well, I'm going to create this exchange to make, you know, to, you know, trade out to eliminate that arbitrage opportunity for others.
And so, of course, that was his story and he's spinning it like, you know, in front of all these venture capitalists. And of course, it's working beautifully and the valuation is spiraling out of control. And so, you know, he got all these people to invest in the early rounds at lower valuations.
And now, come January 2022, it's at a $32 billion valuation. You know, how could it not just keep going up? And he sort of even insults the Sequoia people who are on the call, the investors who are supposedly fiduciaries for all sorts of other people's money by playing video games during the...
He doesn't even meet with them in person. You know, he meets with them over Zoom and he's

playing video games at the same time he's telling his story.
He's taking a meeting with the largest venture capitalist, one of the most famous venture capital organizations in the world. And he basically has them on a second screen while he plays video games on screen one. And they come away from that meeting saying, my God, what intellectual bandwidth to be able to play, you know, call of duty while also impressing us with your resume.
I mean, it's one of these things where in the moment I can understand how people were sort of charmed by just how I think last time he spoke, I said he had a kind of like anti-Elizabeth homelessness to him, like whereas Elizabeth was so clearly modeling yourself off of Steve Jobs.
Like she dressed like Steve Jobs. She had the turtleneck, the black turtleneck. She tried to talk more like Steve Jobs. Here you have SPF is like the opposite. He dresses like a slob. His hair looks like a slob.
He seems to give no shit about anything except theoretically, I guess, video games, the bottom line of his company, and people are charmed by it. So they gave him a bunch of money and they overlook the financial statements. It's going to be an incredible story, an incredible miniseries.
We arrive, I think, at this point at probably the most important question facing not only this episode, but also SPF as a person, which is how much of this was one massive mistake and how much of it was deliberate fraud.
And of course, these things can exist simultaneously. It started off as a mistake where he lost money at Alameda Research and he tried to find some way to fill the gaps and then those attempts to fill the gaps became essentially stolen customer funds, which is the equivalent of fraud.
But based on all the things that SPF is saying on his substack and in his blogs and in his interviews with your colleagues and what we know from the data, where do you stand on the big fat mistake versus fraud spectrum?
If it looks like a duck and quacks like a duck and sounds like a duck, it's a duck. I'm sorry to say. Look, we'll see what happens in the court of law. People are innocent until proven guilty.
He's pleaded not guilty. But, you know, this looks like a major league fraud to me. Although, you know, again, when I interviewed him, I was sort of charmed by him like everybody else.
I was charmed by the resume, I mean, as much as anything. And I guess that's my fault, my blind spot. But, you know, when you've got, you know, at least two or three of his former executives who have now pleaded guilty and top executives, you know, who've pleaded guilty
and have are now helping the feds prove this case against him in what they hope will be in exchange for a lighter sentence. You know, you've got John Ray, who's now the new CEO of the bankrupt estate, saying this is like the largest fraud that he's ever seen.
This is the guy who worked at Enron. The greatest act of corporate malfeasance or incompetence that I've ever seen. This is the guy who was the CEO of Enron when it was in bankruptcy.
So, I mean, to me, this is worse even than what Bernie Madoff did, if I could explain that for a minute. And as we know, Bernie Madoff got 150 years in Butner prison in North Carolina. He, of course, he died there.
You know, Madoff, as you recall, Derek had had a legitimate business on the 19th floor of the lipstick building, which was his market making business. You know, he was former head of the NASDAQ, and he actually was, you know, making, you know, markets, and that's where his two sons worked.
And so that was a legitimate business. You know, so we still believe. And on the 17th and 18th floor, he had his Ponzi scheme where he would, you know, take money from clients and, you know, literally

rob Peter to pay Paul.
And after promising them what, 10 or 11% annualized returns. And it was fine. And he kept doing that for many years. He enhanced it by making it difficult for people to get in. And so, you know, people wanted something they couldn't have, which was to be have access to the Madoff funds.
And that all worked, you know, pretty much fine with some major league bumps in the road until 2008, in the financial crisis of 2008, where, you know, people again wanted their money back, and he couldn't give it to them, and he didn't have new people coming in so that he could rob Peter to pay Paul.
But he didn't basically take the money for himself. He took some money to so make it look like.
He must have taken some money for himself. He did take money for himself. Yes. But, and that was so he could have his, you know, apartments in Manhattan, his house in Palm Beach, his yachts, etc.
To make it look like he was a successful, you know, businessman and investor. What seems to be happening, or was alleged happened with SBF is, you know, people would send the money to the exchange, and he just siphoned it off for his own hedge fund, which he owned 90% of, and then made all these,
you know, crappy investments as well as took out a billion dollar loan, according to John Ray.
Where's that billion dollar loan? Where's that money? Why isn't that been paid back? Where's the $500 million loan to the other FDX executive?
I mean, where is this money? And what, why isn't SBF explaining where this money is that, you know, you got to get a billion dollar loan. And all of a sudden you don't have to pay it back. What's that all about? I get a $10,000 loan. I have to pay it back.
I get a mortgage. I have to pay it back or I'm going to lose my house.
A really interesting difference between Madoff and SBF in terms of what happened after the Ponzi scheme was discovered is that you go back to the Madoff story. And one thing that's remarkable about it is that this guy has spent decades lying to everybody in his life, not just his best friends, not just Eli Weissel, but also his sons and his wife.
And at the moment that it all comes crashing down, stop me if I get this wrong. The FBI knocks on his door and says, you're Bernie Madoff. Yes. He says, yes. Is there any innocent explanation for this? And he says, no, he confesses on the spot. Like the lawyer has no work left to do.
He has already confessed to the Ponzi scheme with SBF.
Kyra Sorkin has nothing to do. Yes. With SBF, he is confessing to a mistake, right? He keeps saying, I fucked up. I fucked up. He's confessing to a mistake. I'm mislabeled.
Right. But he's still equating what is transparently a Ponzi scheme to an Excel labeling error, like a mistake that an intern at Morgan Stanley makes at 3 a.m. in the morning and then gets berated by his or her boss at, you know, at 10 a.m. the following day and then fired.
We have to bring in the parents here because his relationship with his parents, you mentioned at the top, these are not just, you know, beloved parents.
These are Stanford law professors that appear to be paying for their son's defense with money they got by selling these FTT tokens, these magic bean tokens at a moment of higher value.
So they have several million dollars at their disposal and they are defending their son in a way that leads us to believe he's going to plead not guilty.
I mean, take us into the relationship between the father, Joe Bankman and Sam Bankman freed his son.

I want to be careful here to not accuse Joe Bankman of anything because he's not been indicted. He's not being officially accused of anything, but how close was the father and the son at the moment that everything was falling apart?
Yeah, so, first of all, I think a lot of this is explained as a father of two sons myself, just like, you know, Sam, Joe Bankman is the father of two sons.
You know, there's pretty much nothing you won't do for your sons, especially our kids, especially when they find themselves into trouble.
So I think we have to stipulate that.
And I think, you know, that's definitely what it seems like was going on here at the moment, could be more than that.
He did just hire a criminal defense attorney.
So there's no, and Sam and Joe Bankman is a tax lawyer and a law professor at Stanford Law School.
And so, you know, you have to be pretty credentialed to get that position.
You know, what kind of tax advice he was giving to his son?
I mean, we don't know yet, but we know that there were a lot of loans taken out and, you know, loans are very effective tax dodge
because instead of, you know, taking, you know, profits out and paying tax on the profits or selling stock and paying tax, capital gains tax on the sale of the stock,
if you take a loan, sort of like a margin loan that our buddy Elon Musk takes out to, you know, pay for his equity in Twitter.
You know, you, you, a margin loan, you don't have, you can take all this money out and not have to pay tax on it.
You just have to pay it back with interest.
So that's not nothing, but, you know, you're not paying tax on it.
So there were a lot of loans and maybe that was advice his father would give him.
I don't know.
But according to, and we know that, you know, from my story on the mooch that it was Joe Bankman who called up the mooch in early November and said,
you know, help here and potentially raise more equity here where we got a stressful situation.
And the mooch went down to the Bahamas for a day before the bankruptcy filing on November 9th and quickly realized that the situation was well beyond him and far out of control.
So, you know, Joe Bankman was down there.
Whatever $16 million apartment that Sam supposedly had paid for or FTX, somehow it was paid for for them.
And they said they don't, they claim they not didn't know how that happened.
And yet their name was signed on the deed.
So that was a little dodgy.
And then my reporting has been that about a year ago, Sam either gave them a gift or a loan of $10 million worth of FTX tokens that they sold when the FTX tokens were sold 70% of when the FTX tokens were trading at around 50 generated 7 million of cash and are using that 7 million of cash now to pay for Sam's legal.
costs until that money runs out.
And in fact, what they've been telling potential professionals who may consider working for Sam in

this matter is that, you know, don't worry, we have money to pay you even though Sam has said he only has $100,000 left in his bank accounts.
And so they're tapping into this 7 million to pay professionals, lawyers and other professionals, you know, until that money runs out.
And in fact, taking it one step further, I'm told they've told lawyers that, you know, they were trying to find lawyers who would be happy to be paid for a while until the money ran out and then would take the case on without being paid purely for the notoriety of having worked for Sam Bankman Fried in this matter.
Which does not inspire confidence in terms of the long term solvency of this particular fund.
I mean, it's just, you know, to be a close advisor of your son to have a property listed in the Bahamas, $16.4 million in their names, the parents are just in an absolutely incredible situation here that really just boggles the mind.
And the brother might be too, by the way, the brother who was, you know, in charge of, had some role in distributing the funds in Congress to the Congress people, I'm told, or has been reporting on that.
So, you know, SBF may have, you know, inadvertently screwed his brother and his parents here, you know, depending on whether, you know, the whole family was involved in this remains to be seen.
What's the timeline? When are we going to get to the trial? When do you think is the earliest that we get a plea?
Well, the trial is not till October. It's been scheduled for October. You know, people change their pleas. That is not unheard of, especially when the evidence mounts.
And so I would, you know, I, you know, when I was a banker on Wall Street, I did a lot of restructuring work, a lot of advisory work in bankruptcy and out of court restructuring.
And of course, I've never seen a situation like this, which was like the Lehman bankruptcy with a twist of criminality involved.
And so I think the next thing that really needs to happen here, Derek, is for, is an examiner needs to be appointed. Everybody has made motions for an examiner to be appointed.
So the judge needs to appoint an examiner in the same way that Anton Volukis was appointed the examiner in the Lehman bankruptcy. And, you know, he spent, you know, many millions of dollars and many months, you know, like six months or whatever, searching for, searching through everything
and writing up an amazing 600 page report about what happened in the Lehman bankruptcy. We need that here because once that gets laid out, once and for all, and we see exactly how all of these things were interconnected and what SBF's role in all of this was,
I think at that point is when SBF is going to want to think about changing his plea to guilty, you know, obviously depending on how it comes up, but he's going to change, you know, probably change his plea and until then he'll probably stick with the not guilty.
Unless he loses his lawyers because they aren't getting paid and they decide they want to get paid and there's no money to pay them.
The other big mystery, of course, is who stepped up and provided the collateral on this quote unquote $250 million bond. There are two unnamed people whose names have been redacted who a bunch of news organizations have asked for those names to be unredacted.
That would be interesting to know is who SBF's sugar daddies are at this point. So until then, I

think, you know, it's kind of like status quo and he's going to keep, you know, pleading his case. He's obviously off script when it comes to the PR strategy and the legal strategy. He's just going to apparently do what he wants to do at this point.
So on puck news. Thank you very much, sir. We will talk to you certainly hopefully before October, but certainly in October when those when the trial begins.
Thanks again.
Thank you for having me. It's been great.
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Yeah.