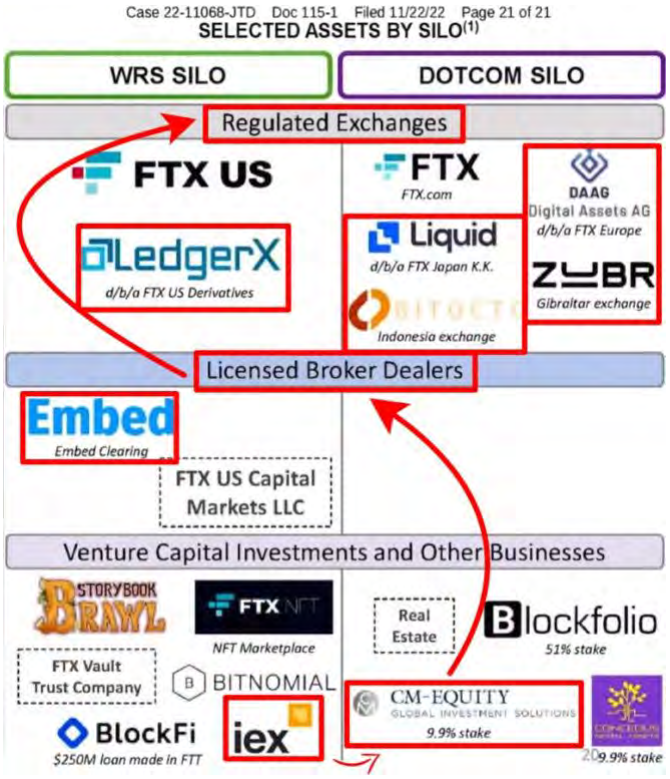
- **Bypassing Lit Exchanges:** Rather than routing marketable orders directly to public national securities exchanges (such as the NYSE or NASDAQ), the internal clearing infrastructure handles volume through a combination of proprietary principal matching and systemic diversion.
- **The Institutional Hand-Off:** This structure serves as the primary mechanism to transfer retail orders internationally or route them directly into specialized institutional trading networks, matching retail volume against hidden institutional inventory outside the view of public market quotations.



C. Interfacing with Sub-Second Institutional Auctions

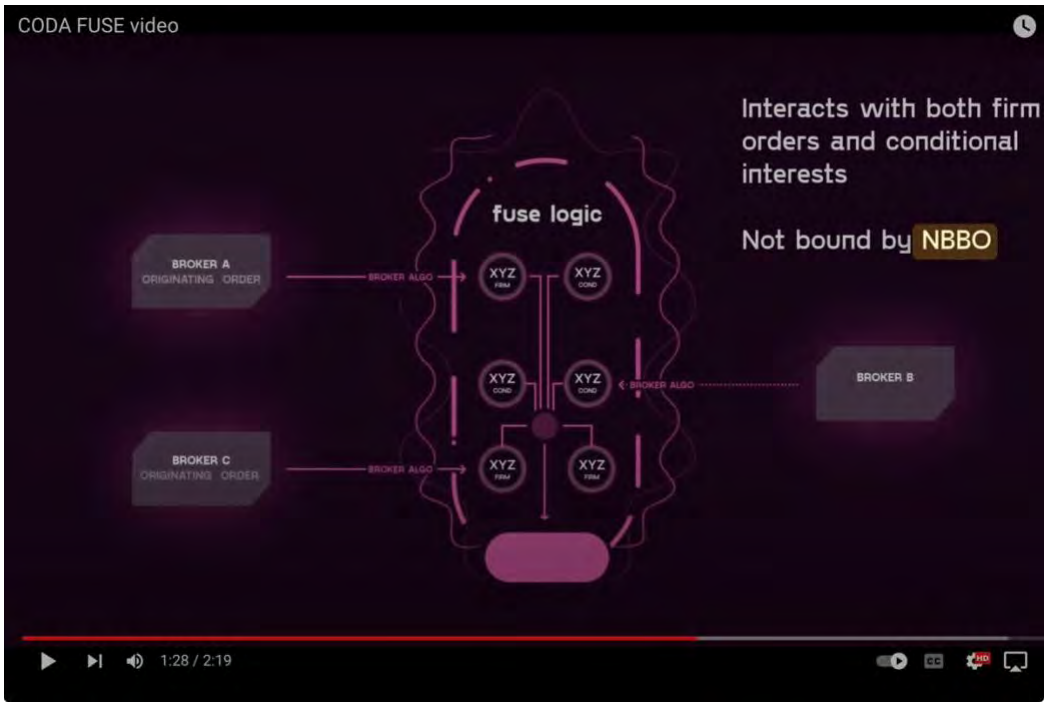
Once retail order flow is internalized by the broker-dealer's clearing arm, it becomes eligible to interface with highly advanced, sub-second institutional auction protocols that actively operate parallel to the national market system:

- **Exploiting the Sub-Second Pause:** Internal clearing systems can route internalized block or fractional order segments into private micro-auction suites (such as specialized institutional routing networks). These platforms utilize brief execution pauses lasting between 1 and 20 milliseconds to generate non-public alerts to an enclosed circle of subscribers.
- **Internal Order Book Matching:** During this sub-second window, institutional subscribers submit non-displayed, dark liquidity into an enclosed order book. The matching engine resolves the auction using custom priority parameters (such as price/time or first-responder matching), effectively crossing substantial volume completely insulated from public lit books.

- **The Off-Exchange Reporting Loop:** Completed executions are systematically reported to an off-exchange Trade Reporting Facility (TRF). Unmatched order remnants are either cancelled or parked in non-displayed facilities, ensuring that the broader public market remains unaware of the real-time institutional demand curve.

D. Systematic NBBO Price Deviation via Automated Regressions

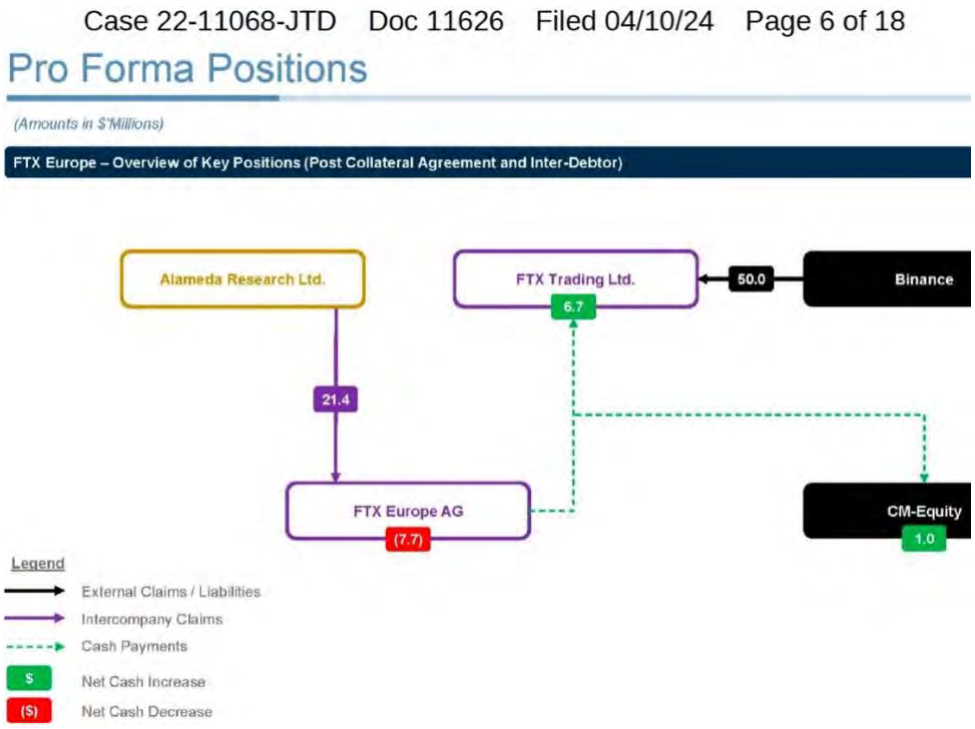
To safely execute these crossed retail and institutional sizes without triggering catastrophic public order book imbalances, routing engines [i.e. Apex's Coda Fuse] deploy dynamic mathematical regressions to establish parameters for printing trades outside of the National Best Bid or Offer (NBBO):

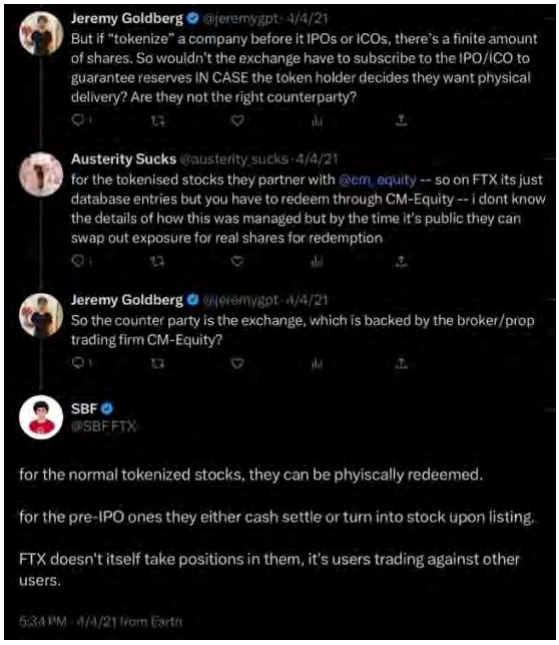


- **Dynamic Variance Calculation:** Automated data platforms continually analyze regular-way sequential trade data from the Securities Information Processor (SIP). By running these numbers through a rolling 20-trading-day regression curve, the system calculates median price variances across distinct notional brackets.
- **Hardcoded Liquidity Protection Boundaries:** The output of this regression calculation—the Liquidity Protection Rule (LPR) threshold—acts as an operational gatekeeper. It calculates the maximum basis points or cents that an internal matching engine will permit a trade to print outside the prevailing public NBBO based on order size.
- **Institutional Price Isolation:** This mathematical architecture allows internal broker-dealer clearing networks and institutional subscribers to routinely cross massive volumes at prices that deviate directly from national public quotations, depriving the public lit markets of transparent price-discovery data.

VII. The Synthetic Parallel Ecosystem: Tokenized Stocks and Global Digital Networks

The most critical threat to the integrity of U.S. securities regulation is the emergence of a synthetic parallel market through tokenized stocks. Between 2019 and 2022, offshore crypto platforms (including FTX, Alameda Research, and Binance) partnered with licensed European broker-dealers and custodians (such as CM-Equity AG) to pioneer 24/7 tokenized fractional representations of U.S. equities.







A. Explanation of the Main Purpose of FTX.com and Related Exchanges

The primary exchange operated by FTX Trading Ltd. was FTX.com, an international cryptocurrency exchange based outside the United States that served non-U.S. customers. Founded in 2019 by Samuel Bankman-Fried and Gary Wang, the exchange was specifically designed to bridge the gap between traditional financial markets and the digital asset ecosystem by offering sophisticated, institutional-grade trading functionalities that were largely unavailable on domestic, spot-only crypto platforms. To fulfill this purpose, the platform was built around two core pillars:

- **A Cryptocurrency Futures and Derivatives Exchange:** Unlike standard domestic spot exchanges that only allowed users to buy or sell digital assets dollar-for-dollar, FTX.com focused heavily on cryptocurrency derivatives. It enabled users to trade complex financial instruments, such as futures contracts, allowing market participants to short assets or hedge risks based on the future price movements of underlying cryptocurrencies. Derivatives quickly became the platform's most popular financial product, driving immense volume.
- **A Leveraged Finance Platform and Prime Broker:** FTX.com functioned as a comprehensive finance platform by integrating margin trading and lending services. Through an innovative feature known as "cross-margining," retail customers and institutional investors could use their entire portfolio of varied assets and currencies on the exchange to secure and leverage their trading positions. Roughly 80% of the assets on the exchange had this margin feature enabled by customer election, effectively making FTX a global prime broker for digital assets.

First, it allowed customers to trade crypto derivatives such as futures. A-705-06. In a spot trade a customer purchases or sells an asset like bitcoin. A-703-04. By contrast, futures trading involves purchasing or shorting a futures contract—a derivative financial instrument in which parties agree to buy or sell an asset at a specific price in the future. A-1002-03, A-827-28, A-689-90, A-714-716. The investment's value is contingent on whether the future price of the underlying asset ends up higher or lower than the price when the future was purchased. A-689-90, A-715-16. The ability to trade derivatives was a key feature on FTX, and derivatives became its most popular financial product. A-689-91, A-714-15.

Second, like other non-U.S.-based crypto exchanges, FTX allowed customers to trade on margin, i.e., by borrowing funds from the exchange. Whereas U.S.-based competitors allowed customers to purchase and sell assets dollar-for-dollar, A-703-704, FTX's margin feature allowed customers to increase and leverage their positions through spot margin borrowing and lending.

One innovative feature of FTX was "cross-margining," which allowed customers to rely on their overall assets and liabilities on the exchange—in whatever currencies—to margin trade other assets on the exchange. A-1004-05, A-999-1001. For example, a customer could deposit $100 of bitcoin to immediately trade $1,000 of bitcoin, or to trade other assets on the exchange, such as $1,000 of ether. A-704. These margin features meant FTX was not merely a

trading platform; it was a finance platform as well, offering lending services and operating as a "prime broker." A-993-94, A-1222.

FTX's innovations gave retail customers access to a variety of sophisticated trading strategies that were previously available only to hedge funds and institutional investors. These innovations were incredibly popular. FTX became "predominantly a margin exchange," and the "vast majority of [trading] activity happened on margin on FTX." A-991. About 80% of assets had the margin feature enabled, by customers' election. A-881, A-1298-99.

The facts here also make the instruction wrong and deeply confusing. Alameda was a hedge fund, and FTX was a margin futures trading platform—a leveraged lending platform. Lenders like BlockFi deployed complicated cryptocurrency lending structures where they would rehypothecate crypto assets.

A-817. BlockFi placed no restrictions on what Alameda could do with the funds. The very nature of the lending agreement meant BlockFi would be "deprived" of its funds for a period, and if Bankman-Fried believed the loans could be covered, he could not have intended a "loss" in any meaningful sense. The same is true of FTX customers, who engaged in margin trading with 80% of assets on the platform.

A. Alameda had been leveraged long the market for the prior year. That basically means it had a bunch of assets that were correlated with the market, and it had loans, liabilities, many of which were in dollars, and as the market crashed, the value of its assets fell.

Q. Okay. Let me go back. You said Alameda had been leveraged long.

A. Yes.

Q. What does that mean?

A. So Alameda had a number of assets. Some of them -- a few billion, to my understanding -- were from trading profits from arbitrage. Substantially more than that, tens of billions, as of late 2021, were from investments that it had made, venture

investments. Those investments, it had financed in part through borrowing of -- from third-party lenders like Genesis and Celsius and others. That meant that it had tens of billions, I think, tens of billions -- over 40 billion of assets at the peak in late 2021, but it also had substantial liabilities. And it was leveraged long because the exposure it had to the market was that it made money if the market went up and it lost money if the market went down. Many of its assets had that property. Most of them did. And --

Q. If I could interrupt.

A. Yup.

Q. Long meaning you bought the stock?

A. Right. Long meaning we bought these companies rather than short selling, which would be betting on them to decline. And it was leveraged because it was more than a hundred percent of its value was in its positions, because it had taken on debt to make those investments.

A. Understood.

MS. SASSOON: Objection. It is based on hearsay.

THE COURT: Sustained. That's another way of doing it, but it's still hearsay.

Q. Following his Honor's ruling, say what you did.

A. I ended up believing --

MS. SASSOON: Objection.

Q. Just tell us --

MS. SASSOON: He can describe what he did, not what he believed based on his conversations.

Q. Tell us what you did in connection with the Solana investigation.

A. I ended up making a significant investment in the cryptocurrency Solana at prices starting, I think, around 20 cents per token.

Q. Where did you believe the funds for the venture investments came from?

A. I believe that they came from Alameda Research's operating profits and, in some cases, from the loans that it had from third-party borrow lending desks.

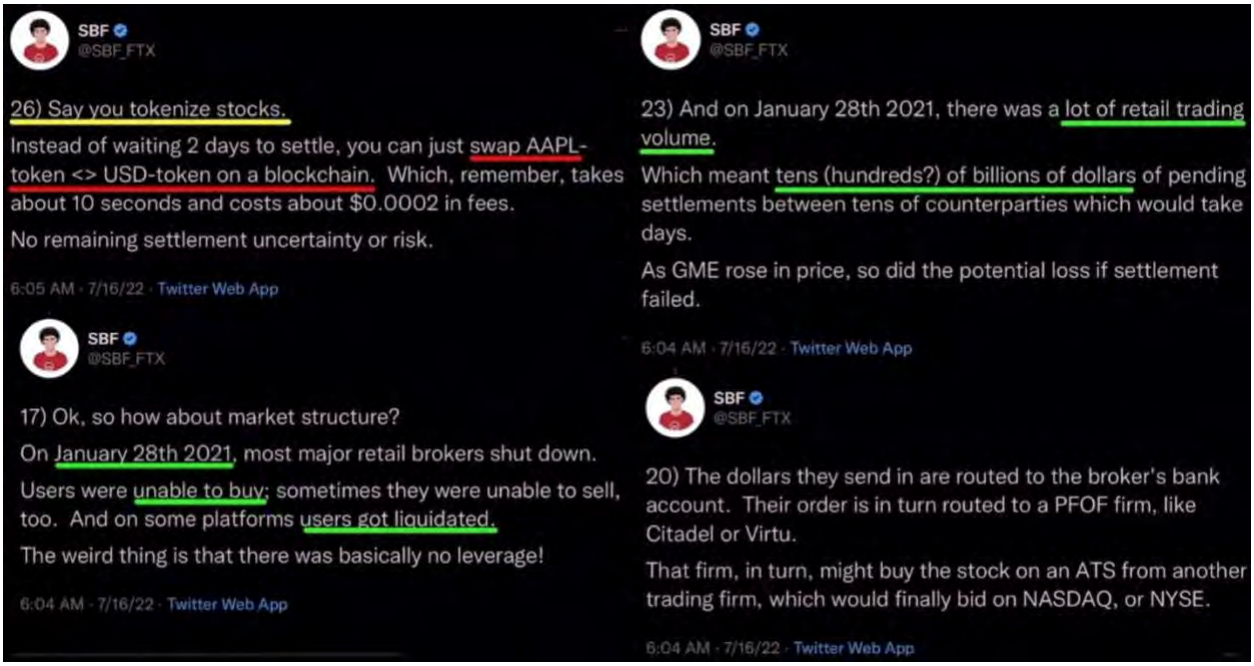
Q. What entities would make the investments?

A. It varied. Sometimes, especially for liquid -- for tokens that were already trading, it would be Alameda Research's core trading entities. For more early-stage projects, or things that were not in the cryptocurrency sector, it would generally

To facilitate continuous liquidity, ensure confidence, and maintain orderly markets for these highly leveraged products, FTX utilized large-scale crypto hedge funds—most notably its related entity, Alameda Research LLC—to serve as primary market makers and "backstop liquidity providers". Alameda's main purpose in this ecosystem was to act as a counterparty of last resort, absorbing customer assets and liabilities during volatile market movements to prevent systemic losses on the exchange.

B. Tokenized Stock Architecture and the Custodial Disconnect

A critical element of the structural deception within the cryptocurrency ecosystem involved the offering of "Tokenized Stocks" (e.g., Tesla, Apple, Amazon) marketed by Sam Bankman-Fried as being physically redeemable and backed 1:1 with real U.S. equities.



SBF
@SBF_FTX

26) Say you tokenize stocks.

Instead of waiting 2 days to settle, you can just swap AAPL-token <> USD-token on a blockchain. Which, remember, takes about 10 seconds and costs about $0.0002 in fees.

No remaining settlement uncertainty or risk.

6:05 AM · 7/16/22 · Twitter Web App

SBF
@SBF_FTX

17) Ok, so how about market structure?

On January 28th 2021, most major retail brokers shut down.

Users were unable to buy; sometimes they were unable to sell, too. And on some platforms users got liquidated.

The weird thing is that there was basically no leverage!

6:04 AM · 7/16/22 · Twitter Web App

SBF
@SBF_FTX

23) And on January 28th 2021, there was a lot of retail trading volume.

Which meant tens (hundreds?) of billions of dollars of pending settlements between tens of counterparties which would take days.

As GME rose in price, so did the potential loss if settlement failed.

6:04 AM · 7/16/22 · Twitter Web App

SBF
@SBF_FTX

20) The dollars they send in are routed to the broker's bank account. Their order is in turn routed to a PFOF firm, like Citadel or Virtu.

That firm, in turn, might buy the stock on an ATS from another trading firm, which would finally bid on NASDAQ, or NYSE.

6:04 AM · 7/16/22 · Twitter Web App

- **The Valuation Reality:** Regulatory and forensic analysis conducted during bankruptcy proceedings revealed that these tokenized stocks held a valuation of $0 outside the specific debtor exchanges. They were functionally structured as internal derivatives or financial contracts designed solely to mimic price movements and were entirely untradeable on public equity infrastructure.

F. Tokenized Stock Prices Are Specific to the Debtors' Exchanges.

57. As explained by Professor Howell, tokenized stocks are derivatives that aim to mimic the price movements of publicly traded stocks. (Howell Rep. ¶ 37.) The tokenized stocks on the Debtors' exchanges were not otherwise tradeable outside of the Debtors' exchanges. (*Id.* ¶ 38.) Therefore, Professor Howell considered tokenized stocks to amount to a financial contract between a customer and the Debtors to track a stock price. (*Id.*) Accordingly, the price of the tokenized stocks on the Debtors' exchanges—rather than same tokenized stocks on other exchanges or the underlying stocks themselves—best reflect the Petition Time value of such tokenized stocks. (*Id.*)

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Case 22-11068-JTD Doc 5203-1 Filed 12/27/23 Page 117 of 129

Exhibit 6
Asset Prices
Tokenized Stocks

770.	AAPL	$164.1105734
771.	ABNB	$96.0000000
772.	ACB	$0.9999615
773.	AMC	$2.3736839
774.	AMD	$71.5300000
775.	AMZN	$141.0000000
776.	AMZNPRE**	$0.0000000
777.	APEAMC	$2.8312387
778.	APHA	$3.3000000
779.	ARKK	$36.7500000
780.	BABA	$69.6482759
781.	BB	$4.3800000
782.	BILI	$11.5000000
783.	BITO	$141.1510000
784.	BITW	$654.0250000
785.	BNTX	$130.0069841
786.	BYND	$10.0000000
787.	CBSE**	$0.0000000
788.	CGC	$1.9770210
789.	COIN	$30.0000000
790.	CRON	$3.5830000
791.	DKNG	$10.2000000
792.	ETHE	$9.9990000
793.	FB	$118.0000000
794.	GBTC	$8.4053969
795.	GDX	$28.0000000
796.	GDXJ	$34.6500000
797.	GLD	$164.0000000
798.	GLXY	$2.8534083
799.	GME	$21.7725000
800.	GMEPRE**	$0.0000000
801.	GOOGL	$140.0000000
802.	GOOGLPRE**	$0.0000000
803.	HOOD	$8.9000000
804.	HOOD_PRE**	$0.0000000
805.	MRNA	$162.2837500
806.	MSTR	$176.0022727
807.	NFLX	$221.5600000

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Exhibit 6
Asset Prices

	Asset [A]	Price [B]
	Tokenized Stocks (Cont.)	
808.	NIO	$7.1215967
809.	NOK	$192.0000000
810.	NVDA	$179.2500000
811.	NVDA_PRE**	$0.0000000
812.	PENN	$35.0360000
813.	PFE	$57.0000000
814.	PYPL	$82.7457524
815.	SLV	$21.0000000
816.	SPY	$395.2800000
817.	SQ	$68.4769563
818.	TLRY	$1.0888269
819.	TSLA	$218.9500000
820.	TSLAPRE**	$0.0000000
821.	TSM	$86.2900000
822.	TWTR	$54.2000000
823.	UBER	$20.0350000
824.	USO	$139.3253569
825.	WNDR	$0.1800000
826.	ZM	$87.9242857

- **The Custodial Disconnect:** While FTX publicly claimed that these synthetic assets were backed via a partnership with the licensed financial institution CM-Equity AG (which acting as the custodian would allow physical redemption), corporate ledger records and interviews showed that CM-Equity completely severed its relationship with FTX in December 2021.



- **Bypassing Reporting Thresholds:** To obscure operational transparency and coordinate corporate control, FTX Europe AG maintained a precise 9.9% ownership stake in CM-Equity AG, leveraging this specific minority threshold to bypass regulatory reporting requirements while failing to secure the underlying equity backing the tokenized derivatives.

Debtor Name: FTX Europe AG Case Number: 22-11075 (JTD)

Assets - Real and Personal Property

Part 4, Question 15: Non-publicly traded stock interests in incorporated and unincorporated businesses, including any interest in an LLC, partnership, or joint venture.

Non-publicly traded stock and interests in incorporated and unincorporated businesses, including any interest in an LLC, partnership, or joint venture *(Name of entity:)*	% of Ownership	Valuation method used for current value	Current value of debtor's interest
BCOIN DIGITAL ASSETS LTD	100%	% Ownership Per Corporate Org Structure [DI: #92]	Undetermined
CM-EQUITY AG	9.9%	% Ownership Per Corporate Org Structure [DI: #92]	Undetermined
CONCEDUS DIGITAL ASSETS	90.1%	% Ownership Per Corporate Org Structure [DI: #92]	Undetermined
DAAG TRADING, DMCC	100%	% Ownership Per Corporate Org Structure [DI: #92]	Undetermined

C. Binance Control Covenants and the Laundering Mechanism

The operational framework of the global crypto exchanges was bound by intricate, non-public corporate governance structures that systematically consolidated power and facilitated the moving of equity values.

- **The Restrictive Liquidation Covenants:** Landmark agreements, such as the November 2019 Voting Agreement executed between Samuel Bankman-Fried (FTX Trading Ltd.) and Changpeng Zhao (Binance Capital Management Co. Ltd.), revealed that Binance held Series A Preferred Shares carrying severe corporate blockades. Under these covenants, FTX was strictly prohibited from passing any resolution approving liquidation, dissolution, or the initiation of bankruptcy proceedings without the explicit written consent of Binance.

VOTING AGREEMENT

THIS VOTING AGREEMENT (this "***Agreement***"), is made and entered into as of this 27th day of November, 2019 (the "***Effective Date***"), by and among FTX Trading Ltd., a company established under the laws of Antigua and Barbuda (the "***Company***"), each holder of the Series A Preferred Shares of the Company ("***Series A Preferred Shares***" or "***Preferred Shares***") listed on Schedule A (together with any subsequent investors, or transferees, who become parties hereto as "Investors" pursuant to Subsections 7.1(a) or 7.2 below, the "***Investors***"), and those certain shareholders of the Company listed on Schedule B (together with any subsequent shareholders, or any transferees, who become parties hereto as "Key Holders" pursuant to Subsection 7.2 below, the "***Key Holders***," and together collectively with the Investors, the "***Shareholders***").

RECITALS

A. Concurrently with the execution of this Agreement, the Company and the Investors are entering into a Series A Preferred Share Purchase Agreement (the "***Purchase Agreement***") providing for the sale of shares of the Series A Preferred Shares, and in connection with that agreement the parties desire to provide the Investors with the right, among other rights, to designate the election of certain members of the board of directors of the Company (the "***Board***") in accordance with the terms of this Agreement.

B. The Amended and Restated Memorandum and Articles of Association of the Company (the "***Restated Articles***") provides that the holders of record of the shares of Common Shares, voting as a separate class, shall be entitled to elect one director of the Company.

NOW, THEREFORE, the parties agree as follows:

1. Voting Provisions Regarding the Board.

1.1 Size of the Board. Subject to Subsection 1.2(b) below, each Shareholder agrees to vote, or cause to be voted, all Shares (as defined below) owned by such Shareholder, or over which such Shareholder has voting control, from time to time and at all times, in whatever manner as shall be necessary to ensure that the size of the Board shall be set and remain at one director. For purposes of this Agreement, the term "***Shares***" shall mean and include any securities of the Company that the holders of which are entitled to vote for members of the Board, including without limitation, all Common Shares and Series A Preferred Shares, by whatever name called, now owned or subsequently acquired by a Shareholder, however acquired, whether through share splits, share dividends, reclassifications, recapitalizations, similar events or otherwise.

1.2 Board Composition. Each Shareholder agrees to vote, or cause to be voted, all Shares owned by such Shareholder, or over which such Shareholder has voting control, from time to time and at all times, in whatever manner as shall be necessary to ensure that at each annual or special meeting of shareholders at which an election of directors is held or pursuant to any written consent of the shareholders, subject to Section 5, the following persons shall be elected to the Board:

(a) Samuel Bankman-Fried (the "***Founder***") for so long as he remains an officer of the Company, except that if he declines or is unable to serve, his successor shall be designated by the holders of a majority of the Common Shares outstanding; and

(b) If, in connection with an investment in the equity capital of the Company from a third-party unaffiliated with the Company, any investor designee is elected to serve on the Board, then Binance Capital Management Co. Ltd. ("***Binance***") shall have the right to appoint one (1) individual to serve on the Board, for so long as such other incoming investor has a designee serving on the Board.

promptly as practicable take such actions as are necessary to remove such Disqualified Designee from the Board and designate a replacement designee who is not a Disqualified Designee.

2. Vote to Increase Authorized Common Shares. Each Shareholder agrees to vote or cause to be voted all Shares owned by such Shareholder, or over which such Shareholder has voting control, from time to time and at all times, in whatever manner as shall be necessary to increase the number of authorized shares of Common Shares from time to time to ensure that there will be sufficient shares of Common Shares available for conversion of all of the shares of Preferred Shares outstanding at any given time.

3. Covenants. For so long as Binance holds more than 25% of the Series A Preferred Shares originally issued to Binance pursuant to the Purchase Agreement, the Company will not, without the written consent of Binance, take any of the following actions:

(a) Accept an investment in capital equity or any instrument convertible or exchangeable for capital equity from a digital asset exchange;

(b) For the first $200,000,000 of cumulative profits, with such computation commencing from the date of Closing (the "***Initial Profits***"), award bonuses to employees that are equal to or greater than 25% of the Company's annual profits for the immediately preceding fiscal year;

(c) For profits in excess of the Initial Profits, award bonuses to employees that are equal to or greater than 50% of the Company's annual profits for the immediately preceding fiscal year. Annual profits shall be reasonably determined by the Board in accordance with the information delivered by the Company to Binance under Section 3 (Information Rights) of the Investor's Rights Agreement entered into between the Company and Binance concurrently with the execution of this Agreement;

(d) Accept an investment in capital equity or any instrument convertible or exchangeable for capital equity from an unaffiliated third party, other than Binance (such consent not to be unreasonably withheld);

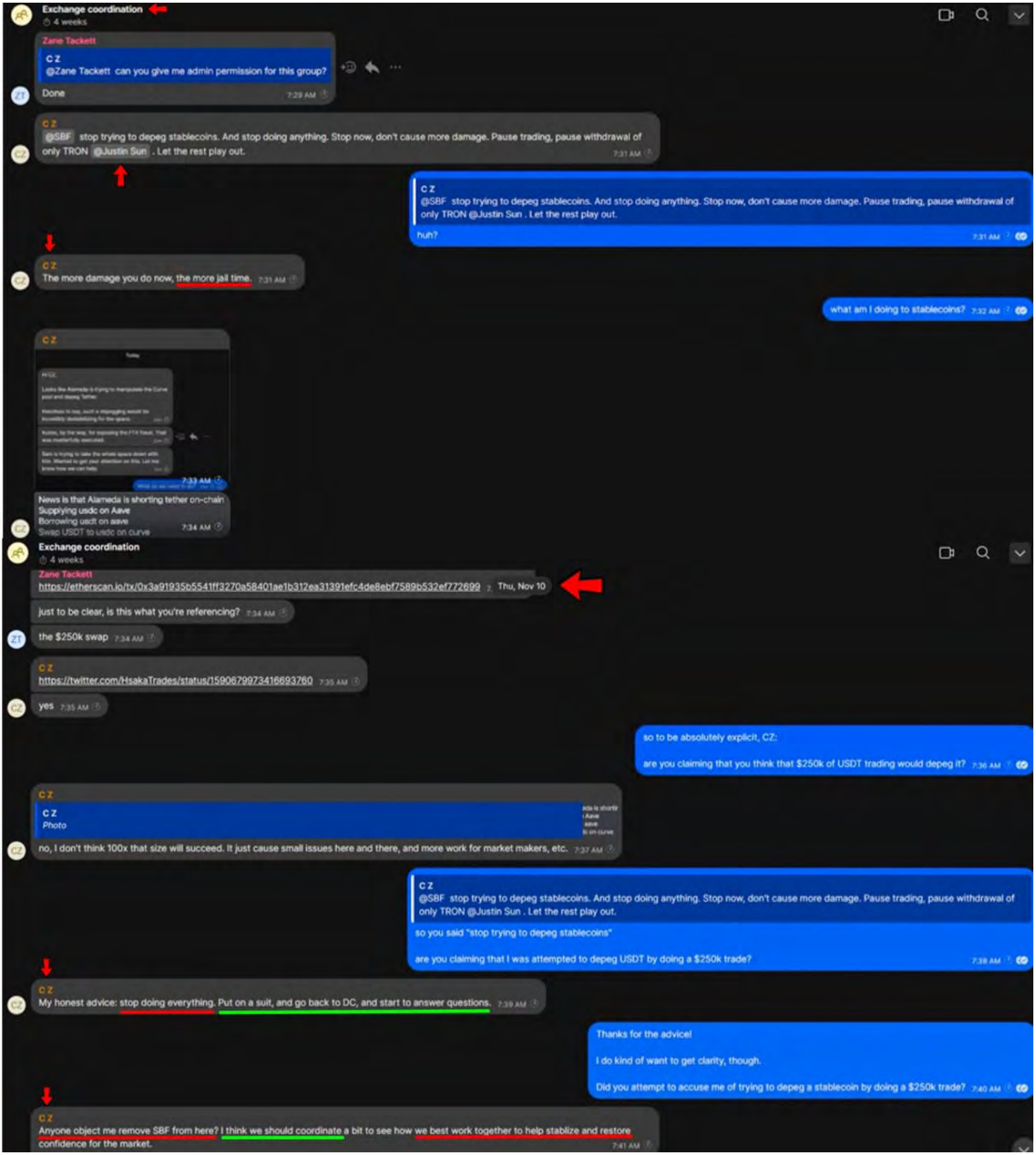
(e) Alter or change the rights, preferences or privileges of the Preferred Shares in a manner that is materially adverse to the Preferred Shares; *provided*, that the creation of any new class or series of shares shall be deemed to not be materially adverse to the Preferred Shares;

(f) Effect a recapitalization, reclassification, split-off or spin off that would be reasonably expected to have any material adverse effect on the holders of Preferred Shares shareholding or rights in the Company;

(g) Amend any provision of the Restated Articles that would be reasonably expected to have any material adverse effect on the holders of Preferred Shares shareholding or rights in the Company; or

(h) Pass any resolution approving liquidation, dissolution or winding up or the initiation of bankruptcy proceedings or apply for the appointment of a receiver, judicial manager or like officer; *provided*, that the Company shall not need the written consent of Binance to pass a resolution enacting any of the foregoing actions that are taken in connection with any merger, acquisition or similar transaction involving a Sale of the Company or all or substantially all of its assets.

Except as otherwise provided in the foregoing, Binance agrees that it shall execute such consents, waivers, documents and/or instruments and to take such actions as may be reasonably necessary to ensure that the Company will have full operational independence.


Exchange coordination
4 weeks
Zane Tackett
CZ
@Zane Tackett can you give me admin permission for this group?
Done
7:29 AM
CZ
@SBF stop trying to depeg stablecoins. And stop doing anything. Stop now, don't cause more damage. Pause trading, pause withdrawal of only TRON @Justin Sun . Let the rest play out.
7:31 AM
CZ
@SBF stop trying to depeg stablecoins. And stop doing anything. Stop now, don't cause more damage. Pause trading, pause withdrawal of only TRON @Justin Sun . Let the rest play out.
huh?
7:31 AM
CZ
The more damage you do now, the more jail time.
7:31 AM
what am I doing to stablecoins?
7:32 AM
CZ
7:33 AM
News is that Alameda is shorting tether on-chain
Supplying usdc on Aave
Borrowing usdt on aave
Swap USDT to usdc on curve
7:34 AM
Exchange coordination
4 weeks
Zane Tackett
https://etherscan.io/tx/0x3a91935b5541ff3270a58401ae1b312ea31391efc4de8ebf7589b532ef772699
Thu, Nov 10
just to be clear, is this what you're referencing?
7:34 AM
the $250k swap
7:34 AM
CZ
https://twitter.com/HsakaTrades/status/1590679973416693760
7:35 AM
yes
7:35 AM
so to be absolutely explicit, CZ:
are you claiming that you think that $250k of USDT trading would depeg it?
7:36 AM
CZ
CZ
Photo
no, I don't think 100x that size will succeed. It just cause small issues here and there, and more work for market makers, etc.
7:37 AM
CZ
@SBF stop trying to depeg stablecoins. And stop doing anything. Stop now, don't cause more damage. Pause trading, pause withdrawal of only TRON @Justin Sun . Let the rest play out.
so you said "stop trying to depeg stablecoins"
are you claiming that I was attempted to depeg USDT by doing a $250k trade?
7:38 AM
CZ
My honest advice: stop doing everything. Put on a suit, and go back to DC, and start to answer questions.
7:39 AM
Thanks for the advice!
I do kind of want to get clarity, though.
Did you attempt to accuse me of trying to depeg a stablecoin by doing a $250k trade?
7:40 AM
CZ
Anyone object me remove SBF from here? I think we should coordinate a bit to see how we best work together to help stablize and restore confidence for the market.
7:41 AM

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re: FTX TRADING LTD., et al.,[1] Debtors.	Chapter 11 Case No. 22-11068 (JTD) (Jointly Administered) **Hearing Date: May 23 2024 at 1:00 p.m. (ET)** **Objection Deadline: April 30, 2024**

DANIEL FRIEDBERG'S AMENDED FIRST SET OF INTERROGATORIES TO FTX TRADING LTD. AND ITS AFFILIATED DEBTORS AND DEBTORS IN POSSESSION

INTERROGATORIES

INTERROGATORY NO. 1.

Identify the date(s) on which Binance allegedly transferred the $65,000,000 of collateral to CM-Equity AG, and with respect to each such transfer, identify the form of the collateral, name of the stock issuer, number of shares, date of purchase, and the purchase price of Binance's purchases and sales of stock made with the collateral furnished to CM-Equity AG.

INTERROGATORY NO. 2.

State the market value of the stock purchased by Binance using the collateral to CM-Equity AG, as of (i) the Petition Date, (ii) date of the filing of the petition for the Swiss Moratorium (as such term is defined in the Motion), and (iii) today.

INTERROGATORY NO. 3.

Explain why it is reasonable to pay Binance more than the valuation of its stock purchased as of the Petition Date, when all other creditors of the estates are paid the value of their claims as of the Petition Date.

INTERROGATORY NO. 4.

State the process by which the Debtors determined that Binance should be allowed an unsecured claim of $50,000,000 in connection with the FTX Europe Restructuring Agreements, as discussed in the Motion, and identify all persons who made that determination.

REQUEST FOR PRODUCTION NO. 2.

All Communications with third parties, including, without limitation, the United States Government, concerning investigations by governmental authorities into Binance (including Binance Holdings Limited and its former chief executive officer, Changpeng Zhao), regarding both established and potential criminal and civil violations of United States law by Binance.

REQUEST FOR PRODUCTION NO. 3.

Documents sufficient to identify by name of stock, number of shares, the initial value of shares, and the date of purchase(s) and/or sale(s) of the stocks purchased by Binance in connection with the Tokenized Stock and Collateral Agreement, as discussed in paragraph 11 of the Motion.

REQUEST FOR PRODUCTION NO. 4.

Documents sufficient to identify the value, as of the Petition Date, of Binance's stock then held in connection with the Tokenized Stock and Collateral Agreement, as discussed in paragraph 11 of the Motion.

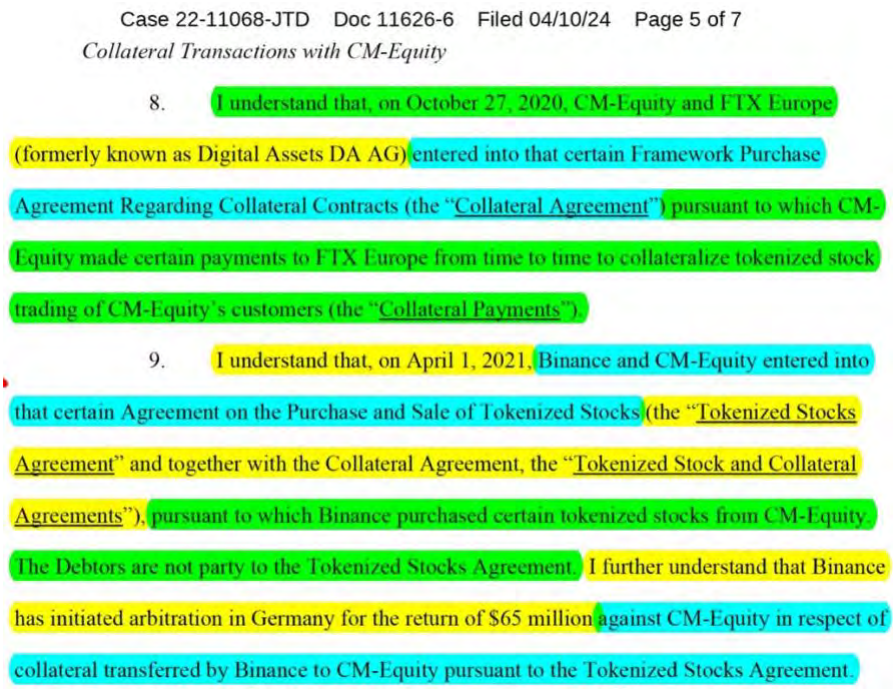
REQUEST FOR PRODUCTION NO. 5.

Documents sufficient to identify the value, as of FTX Europe's date of filing of the petition for the Swiss Moratorium (as such term is defined in the Motion), of Binance's stock in connection with the Tokenized Stock and Collateral Agreement, as discussed in paragraph 11 of the Motion.

REQUEST FOR PRODUCTION NO. 6.

Documents sufficient to identify the value, as of the date hereof, of Binance's stock in connection with the Tokenized Stock and Collateral Agreement, as discussed in paragraph 11 of the Motion.

- **The Arbitrated Cash Flows:** Additional cross-border friction was highlighted by the "Tokenized Stocks Agreement" entered into on April 1, 2021, between Binance and CM-Equity. This arrangement ultimately resulted in a $65 million German arbitration claim filed by Binance against CM-Equity regarding unreturned collateral.



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Collateral Transactions with CM-Equity

8. I understand that, on October 27, 2020, CM-Equity and FTX Europe (formerly known as Digital Assets DA AG) entered into that certain Framework Purchase Agreement Regarding Collateral Contracts (the "Collateral Agreement") pursuant to which CM-Equity made certain payments to FTX Europe from time to time to collateralize tokenized stock trading of CM-Equity's customers (the "Collateral Payments").

9. I understand that, on April 1, 2021, Binance and CM-Equity entered into that certain Agreement on the Purchase and Sale of Tokenized Stocks (the "Tokenized Stocks Agreement" and together with the Collateral Agreement, the "Tokenized Stock and Collateral Agreements"), pursuant to which Binance purchased certain tokenized stocks from CM-Equity. The Debtors are not party to the Tokenized Stocks Agreement. I further understand that Binance has initiated arbitration in Germany for the return of $65 million against CM-Equity in respect of collateral transferred by Binance to CM-Equity pursuant to the Tokenized Stocks Agreement.

- **The Shell Exchange Funnel:** Legal billing records and corporate structure diagrams indicate that these agreements were utilized as a conduit to transfer capital through elaborate shell companies like FTX Europe AG and West Realm Shires Inc.. This mechanism enabled the routing of digital assets globally while obscuring the fact that corresponding physical U.S. equity positions were never acquired or safely custodied.

D. Synthetic Private Tokens, SPV Structures, and Corporate Equity Disclaimers

Recent market Robinhood's Vlad Tenev expansions into "Private Company Stock Tokens" (e.g., OpenAI, SpaceX) demonstrate how the identical synthetic derivative frameworks used to simulate public stocks are being deployed to capture private venture markets without primary corporate authorization.

- **The Special Purpose Vehicle (SPV) Mirage:** Robinhood statements and media promotional streams detail the launch of unlisted private company stock tokens marketed directly to retail investors. Robinhood's CEO Vlad Tenev claim that these tokens provide indirect exposure to highly restrictive private equity markets, stating that the offerings are backed and enabled via an internal ownership stake held by a specialized "special purpose vehicle" (SPV).
- **The Corporate Equity Repudiation:** Elon Musks' statements and direct communications from the underlying private entities completely contradict these tokenization claims. Official releases from the OpenAI's Twitter explicitly confirm that these tokenized instruments represent 0% actual equity in the underlying company. Primary issuers have stated they never partnered with the platform, held zero involvement in the product architecture, and maintain strict bylaws requiring board-level approval for any transfer of equity—approvals that were never granted.
- **The Synthetic Derivative Reality:** Under direct media questioning regarding the legitimacy of these "tokenized equities," executive leadership, including Robinhood's CEO Vlad Tenev, admitted that the underlying instruments are not technically corporate equity but are instead cash-settled synthetic derivatives structured to track isolated private valuations. International regulatory watchdogs, including the Bank of Lithuania, have launched formal investigations demanding clarification regarding the true asset backing of these tokens, while primary technology founders have publicly stated that the tokenized equity is entirely "fake" and functions without direct ledger correlation to physical private shares.

Attached please find the following agreements:

1. Amendment and Forbearance Agreement between BF Lending, BF International and Alameda.
   a. BF forbears exercising remedies in return for additional pledge and payments made per the payment schedule in Exhibit B

2. Pledge Agreement between BF Lending, BF International, and Alameda
   a. Pledges GBTC, ETHE, and BITW Shares. **We need the Number of Shares filled in Schedule A**

3. Pledge Agreement between BF Lending, BF International and Emergent Fidelity Technologies Ltd (who we assume holds HOOD shares, please confirm)
   a. Pledges HOOD Shares. **We need Notice information on page 8, and the number of shares in Schedule A**

Please note that we are in the process of setting up a brokerage account to accept the additional collateral. The Pledge Agreements contemplate that the shares will be transferred to the account upon notice from BlockFi that set up is done.

	notional	
Interactive brokers balance	598,327,809	(this is a subset of liquid assets but represents the most major ones)
GBTC + ETHE + BITW	381,810,430	
EDF additional collateral	409,405,732	(some are more liquid than others; eg GBTC less liquid)
HOOD	739,358,487	
Binance account	180,651,817	
OKX account	119,305,665	
Bybit account	117,635,115	
Kucoin account	66,712,670	
Bitfinex account	49,424,777	
total	2,662,632,502	



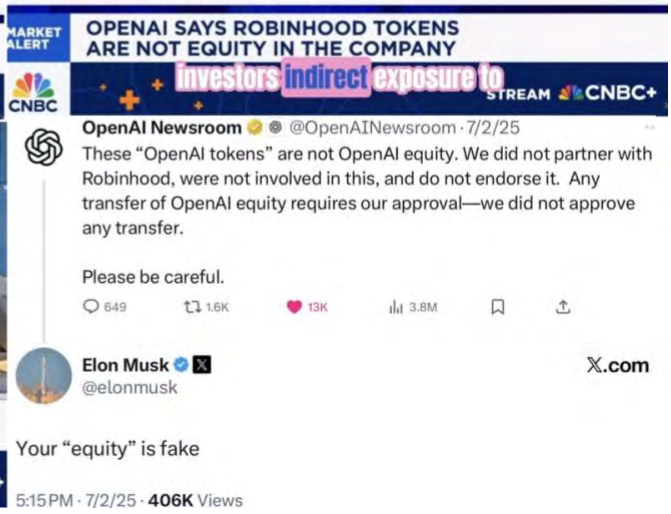
ROBINHOOD RESPONSE
PER COMPANY SPOKESPERSON

"These tokens give retail investors indirect exposure to private markets, opening up access, and are enabled by Robinhood's ownership stake in a special purpose vehicle."

ROBINHOOD RESPONSE
PER COMPANY SPOKESPERSON

"These tokens give retail investors indirect exposure to private markets, opening up access, and are enabled by Robinhood's ownership stake in a special purpose vehicle."













BANK OF LITHUANIA ON ROBINHOOD
OFFERINGS CAUSE CONCERN

"We have contacted Robinhood and are awaiting clarifications regarding the structure of OpenAI and SpaceX stock tokens as well as the related consumer communication"

OPENAI ON ROBINHOOD'S STOCK TOKENS

"We did not partner with Robinhood, were not involved in this, and do not endorse it"







VIII. Professional Conflicts, Cross-Border Evasion, and Banking Failures

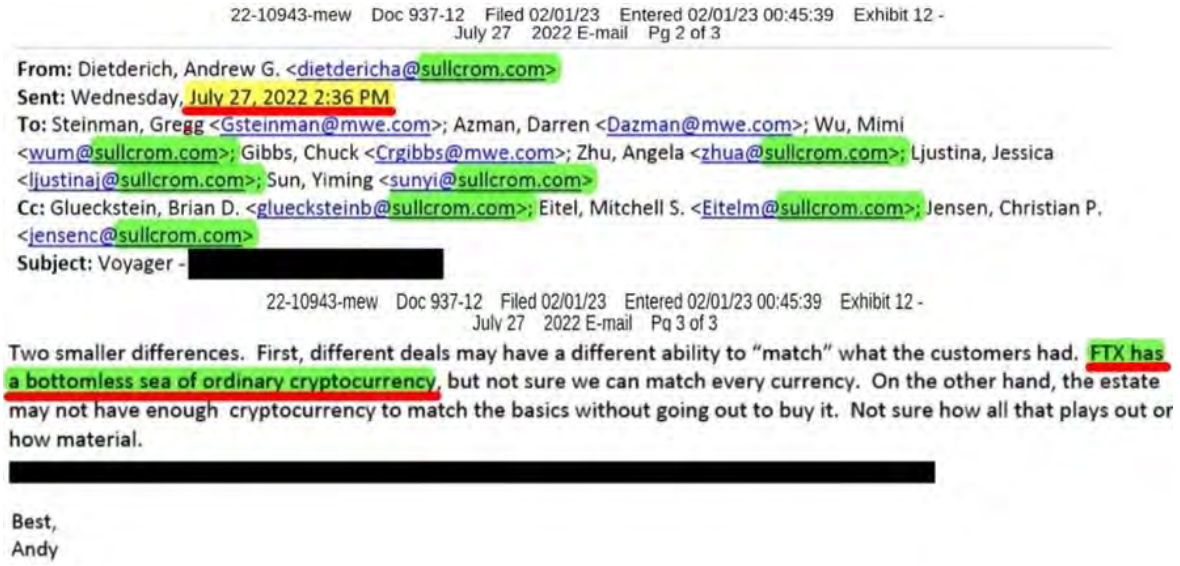
A. Structural Interlocking of Counsel and Professional Conflicts of Interest

Forensic bankruptcy applications, internal communications, and billing disclosures expose a highly consolidated network of legal professionals concurrently advising debtor entities, primary creditors, and sovereign regulators. This legal integration facilitated the rapid reallocation of estate assets immediately prior to formal insolvency filings.

The Sullivan & Cromwell / Quinn Emanuel Counsel Web

Sworn declarations and conflict disclosure tables filed by John J. Ray III and restructuring professionals reveal that the exact same law firms handled the advisory work for polarized, structurally adversarial market participants:

- **Sullivan & Cromwell LLP (S&C):** While serving as primary debtor counsel to the FTX Estate, formal disclosures under penalty of perjury show that S&C concurrently or historically maintained representation for critical counterparty blocks, including massive short-swap family offices, claimant hedge funds, and primary landing venues. S&C's client roster included SVB Financial Group (Silicon Valley Bank), First Republic Bank, Genesis Global Capital, LLC, BlockFi Lending LLC, Apollo Capital Opportunities Fund, and Deltec International Group.



22-10943-mew Doc 937-12 Filed 02/01/23 Entered 02/01/23 00:45:39 Exhibit 12 - July 27 2022 E-mail Pg 2 of 3

From: Dietderich, Andrew G. <dietdericha@sullcrom.com>
Sent: Wednesday, July 27, 2022 2:36 PM
To: Steinman, Gregg <Gsteinman@mwe.com>; Azman, Darren <Dazman@mwe.com>; Wu, Mimi <wum@sullcrom.com>; Gibbs, Chuck <Crgibbs@mwe.com>; Zhu, Angela <zhua@sullcrom.com>; Ljustina, Jessica <ljustinaj@sullcrom.com>; Sun, Yiming <sunyi@sullcrom.com>
Cc: Glueckstein, Brian D. <gluecksteinb@sullcrom.com>; Eitel, Mitchell S. <Eitelm@sullcrom.com>; Jensen, Christian P. <jensenc@sullcrom.com>
Subject: Voyager - [redacted]

22-10943-mew Doc 937-12 Filed 02/01/23 Entered 02/01/23 00:45:39 Exhibit 12 - July 27 2022 E-mail Pg 3 of 3

Two smaller differences. First, different deals may have a different ability to "match" what the customers had. FTX has a bottomless sea of ordinary cryptocurrency, but not sure we can match every currency. On the other hand, the estate may not have enough cryptocurrency to match the basics without going out to buy it. Not sure how all that plays out or how material.

[redacted]

Best,
Andy

I, Andrew G. Dietderich, under penalty of perjury, declare as follows:

1. I am admitted to practice law in the State of New York and the Southern District of New York. I am a partner in the law firm of Sullivan & Cromwell LLP ("S&C" or the "Firm"), which maintains an office at 125 Broad Street, New York, NY 10004-2498. On December 21, 2022, I submitted a declaration in support of the *Debtors' Application for an Order Authorizing the Retention and Employment of Sullivan & Cromwell LLP as Counsel to the Debtors and Debtors-in-Possession* Nunc Pro Tunc *to the Petition Date* [D. I. 270] (the

Entity	Relationship to Debtor	S&C Relationship
Rothschild & Co.	Ad Hoc Committee (Non US Customers of FTX.com)	Current Client
ACX	363 Sale Parties	Ultimate Parent is Current Client
Flow Traders	363 Sale Parties	Current Client
Galaxy Digital	363 Sale Parties	Current Client
JC Flowers	363 Sale Parties	Current Client
NYDIG	363 Sale Parties	Current Client
Name on File	363 Sale Parties	Ultimate Parent is Current Client
Rakuten	363 Sale Parties	Current Client
Robinhood	363 Sale Parties	Current Client
StoneX	363 Sale Parties	Current Client
Citizens Bank	Banks/Lender/UCC Lien Parties/Administrative Agents	Ultimate Parent is Current Client
First Republic Bank	Banks/Lender/UCC Lien Parties/Administrative Agents	Current Client
SBI Clearing Trust	Banks/Lender/UCC Lien Parties/Administrative Agents	Ultimate Parent is Current Client
Artz Fund Investments PTE Ltd.	Claimant	Ultimate Parent is Current Client
Name on File	Customers	Ultimate Parent is Current Client
Name on File	Customers	Ultimate Parent is Current Client
Name on File	Customers	Ultimate Parent is Current Client
Name on File	Customers	Ultimate Parent is Current Client
Eric Schwartz	Director/Officer	Current Client
FTX PHILANTHROPY INC.	Donations	Ultimate Parent is Current Client
Galaxy Digital Holdings Limited Partnership (a/k/a Galaxy Digital Holdings Ltd.)	Interested Parties	Current Client
Kalshi, Inc.	Interested Parties	Current Client
Robinhood Markets, Inc.	Interested Parties	Current Client
SVB Financial Group	Interested Parties	Current Client
BlackRock Inc	Investments/Acquisitions	Current Client

Entity	Relationship to Debtor	S&C Relationship
FANATICS HOLDINGS, INC.	Investments/Acquisitions	Current Client
FTX VENTURES BAHAMAS LIMITED	Investments/Acquisitions	Ultimate Parent is Current Client
PANTERA BLOCKCHAIN GP LLC	Investments/Acquisitions	Current Client
PROTEGO TRUST COMPANY	Investments/Acquisitions	Current Client
TIPLINK CORP	Investments/Acquisitions	Ultimate Parent is Current Client
WENEW, INC.	Investments/Acquisitions	Ultimate Parent is Current Client
FTX GENERAL PARTNERS AG	Known Affiliates - JV	Ultimate Parent is Current Client
APOLLO CAPITAL OPPORTUNITIES FUND LTD	Other Significant Creditors	Ultimate Parent is Current Client
BlockFi Lending LLC	Other Significant Creditors	Ultimate Parent is Current Client
itBit PTE. LTD (Paxos)	Other Significant Creditors	Ultimate Parent is Current Client
JONDAL PARTNERS PTE LTD	Other Significant Creditors	Ultimate Parent is Current Client
LEDGERPRIME DIGITAL ASSET OPPORTUNITIES OFFSHORE FUND	Other Significant Creditors	Ultimate Parent is Current Client
RIPPLE LABS, INC.	Other Significant Creditors	Current Client
US Department of Treasury	Taxing Authority/Governmental/Regulatory Agencies	Current Client
Merril Lynch	Vendors	Ultimate Parent is Current Client
MPEG Live	Vendors	Ultimate Parent is Current Client
PARADIGM ONE LP	Vendors	Ultimate Parent is Current Client
PRICEWATERHOUSECOOPERS	Vendors	Current Client
Wasserman Media Group	Vendors	Current Client
WASSERMAN MEDIA GROUP LLC	Vendors	Current Client
WASSERMAN MUSIC LLC	Vendors	Ultimate Parent is Current Client

Entity	Relationship to Debtor	S&C Relationship
Name on File	363 Sale Parties	Ultimate Parent is Former Client
Docomo	363 Sale Parties	Ultimate Parent is Former Client
Enhanced Digital	363 Sale Parties	Former Client
Bittrex, Inc.	Banks/Lender/UCC Lien Parties/Administrative Agents	Former Client
Genesis Global Capital, LLC	Banks/Lender/UCC Lien Parties/Administrative Agents	Ultimate Parent is Former Client
Two Sigma Ventures III	Claimant	Former Client
Name on File	Customers	Ultimate Parent is Former Client
Cantor Fitzgerald Technology Markets LLC	Interested Parties	Ultimate Parent is Former Client
Clear Street Holdings LLC	Interested Parties	Former Client
Walton Enterprises	Interested Parties	Former Client
Grant Thornton	Ordinary Course Professionals	Former Client
Deltec International Group	Scheduled Claimant	Former Client
JEFFERIES FINANCIAL GROUP INC.	UCC Professionals	Former Client
TD Ameritrade Clearing, Inc.	Vendors	Former Client

- **Quinn Emanuel Urquhart & Sullivan, LLP:** Retained as special counsel to FTX Trading Ltd., Quinn Emanuel's conflict logs indicate simultaneous or prior representation of foundational market actors, including top creditor Changpeng Zhao (CEO of Binance), major venture funds like Sequoia Capital, and key infrastructure networks like Ripple Labs, Inc. and Aptos.

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	Chapter 11
FTX TRADING LTD., *et al.*,[1]	Case No. 22-11068 (JTD)
Debtors.	(Jointly Administered)
	Ref. No. 280

SECOND SUPPLEMENTAL DECLARATION OF WILLIAM A. BURCK IN SUPPORT OF THE DEBTORS' APPLICATION FOR ENTRY OF AN ORDER AUTHORIZING THE RETENTION AND EMPLOYMENT OF QUINN EMANUEL URQUHART & SULLIVAN, LLP AS SPECIAL COUNSEL FOR THE DEBTORS AND DEBTORS IN POSSESSION, *NUNC PRO TUNC* TO NOVEMBER 13, 2022

I, William A. Burck, being duly sworn, hereby state as follows:

1. I am the global co-managing partner of the law firm Quinn Emanuel Urquhart & Sullivan, LLP ("Quinn Emanuel"), special counsel to FTX Trading Ltd. and its affiliated debtors and debtors in possession (collectively, the "Debtors").

Buyback of FTX Stock from Binance
July 15, 2021

Message

From: Sam Bankman-Fried [sam@ftx.com]
on behalf of Sam Bankman-Fried <sam@ftx.com> [sam@ftx.com]
Sent: 7/15/2021 12:10:16 PM
To: Brooke Xue [brooke.xue@binance.com]
CC: Wang, David S. [davidwang@paulhastings.com]; Hon Ng [hon.ng@binance.com]; Can Sun [csun@fenwick.com]; Helen Hai [helen.h@binance.com]; danny.f@binance.com; Xiong, Jialing [jialingxiong@paulhastings.com]; susan Li [susan.li@binance.com]; Daniel Friedberg [dan@ftx.com]
Subject: Re: Binance / FTX - closing funds flow memo

Please transfer:

1) 1,764,040.96088 BNB
2) 500,000,000 BUSD, in addition to all currently pending BUSD (roughly 571,250,000.00 as of writing)

from: email is evergreennorthamenterprises@gmail.com and UID is 94086678

To: address is bnb136ns6lfw4zs5hg4n85vdthaad7hq5m4gtkgf23, memo is 558635257

please do these transfers if and only if you promise to send both a scan and the hard copy of the necessary notarized documents to us in the next hour.

—
Sam Bankman-Fried

GOVERNMENT EXHIBIT 3016
22 Cr. 673 (LAK)

Name of Entity Searched	Relationship to Debtors	Name of Entity and/or Affiliate of Entity that is Client	Quinn Emanuel Relationship
Abu Dhabi Investment Council Company P.J.S.C.	Interested Parties	Abu Dhabi Investment entities	Current Client
Altimeter	Investments/ Acquisition	Altimeter	Former Client
Apex Fintech Solutions Inc.	Interested Parties	Apex Fintech Solutions Inc.	Former Client
Apollo Capital Opportunities Fund Ltd	Other Significant Creditors	Apollo Capital Opportunities Fund Ltd	Current Client
Avalanche (Bvi), Inc.	Other Significant Creditors	Avalanche (Bvi), Inc.	Former Client
[redacted]	Customers	[redacted]	Current Client
Bittrex, Inc.	Banks/ Lenders/ UCC Lien Parties/ Administrative Agents	Bittrex, Inc.	Current Client
Blackrock Inc	Investments/ Acquisition	Blackrock Inc	Current Client
Cantor Fitzgerald Technology Markets LLC	Interested Parties	Cantor Fitzgerald Technology Markets LLC	Former Client
Changpeng Zhao	Other Significant Creditors	Changpeng Zhao	Current Client
Contrarian Funds, LLC	Investments/ Acquisition	Contrarian Capital Partners (if related)	Former Client
Docomo	363 Sales Parties	NTT Docomo	Current Client
Fanatics Holdings, Inc.	Investments/ Acquisition	Fanatics Holdings, Inc.	Current Client
HDI Global Specialty Se	Insurance	HDI-Gerling Insurance Co., if related	Former Client
Herbert Smith Freehills	Vendors	Herbert Smith Freehills	Current Client
Kalshi, Inc.	Interested Parties	Kalshi, Inc.	Former Client

Name of Entity Searched	Relationship to Debtors	Name of Entity and/or Affiliate of Entity that is Client	Quinn Emanuel Relationship
Lloyd's America, Inc. / Beazley Syndicate	Insurance	Lloyd's of London Beazley Management and Beazley Group	Former Client Former Client
Matilock, Inc. aka Mati	Investments/ Acquisition	Matilock, Inc. aka Mati	Former Client
Naomi Osaka, LLC	Contract Counter-Parties	Naomi Osaka, LLC	Former Client
Nasdaq	363 Sales Parties	Nasdaq	Former Client
NYDIG	363 Sales Parties	NYDIG	Current Client
Oracle America, Inc.	Notice of Appearance	Oracle entities	Current Client
Paul Hastings Llp	UCC Professionals	Paul Hastings Llp	Former Client
Pinetree East Inc.	Other Significant Creditors	PineTree	Current Client
Pricewaterhousecoopers	Vendors	Pricewaterhousecoopers	Former Client
Regus Japan Holdings K.K.	Landlords	Regus Management Group, if related	Current Client
Regus Kk	Landlords	Regus Management Group, if related	Current Client
Ripple Labs, Inc.	Other Significant Creditors	Ripple Labs, Inc.	Current Client
Robinhood	363 Sales Parties	Robinhood	Former Client
Robinhood Markets, Inc.	Interested Parties	Robinhood Markets, Inc.	Former Client
Sequoia Heritage	Investments/ Acquisition	Sequoia Capital	Current Client
Socios Technologies Ag	Other Significant Creditors	Socios.com	Former Client
Sofi Technologies, Inc.	Interested Parties	Sofi Ltd	Current Client
Sol Stores (Solana Spaces-Solana Labs, Inc.)	Vendors	Sol Stores (Solana Spaces-Solana Labs, Inc.)	Current Client



- **The Cross-Border Asset Funnel:** This multi-layered representation enabled platforms to shift unbacked naked short swap positions across international borders. Specifically, Alameda Research routed immense capital through its corporate accounts at Deltec Bank to systematically fund the creation of billions of dollars in Tether (USDT), leveraging synthetic valuations to back unsecured venture loan books.

    - **Example of Shadow Banks approving Venture Investment Loans from Silvergate:**

    "From November 2022 to January 2023, Silvergate, Lane, and Fraher misled investors in stating that Silvergate had an effective BSA/AML compliance program and conducted ongoing monitoring of its high-risk crypto customers, including FTX, in part to rebut public speculation that FTX had used its accounts at Silvergate to facilitate FTX's misconduct. In reality, Silvergate's automated transaction monitoring system failed to monitor more than $1 trillion of transactions by its customers on the bank's payments platform, the Silvergate Exchange Network"

    "Rather than coming clean to investors about serious deficiencies in its compliance programs in the wake of the collapse of FTX, one of Silvergate's largest banking customers, they doubled down in a way that misled investors about the soundness of the programs. In fact, because of those deficiencies, Silvergate allegedly failed to detect nearly $9 billion in suspicious transfers among FTX and its related entities. Silvergate's stock eventually cratered, wiping out billions in market value for investors."

    - **Example TerraLuna used as further Collateral for Crypto Backed Loans:**

    "Terraform blockchain to settle transactions and about the stability of their crypto asset security, UST. The SEC also offered evidence at trial showing that, in May 2022, after UST depegged from the U.S. dollar, the price of UST and Terraform's other tokens plummeted to close to zero. This wiped out $40 billion in market value nearly overnight and caused devastating losses to countless investors, including numerous retail investors who believed defendants' lies and poured their life savings into Terraform's ecosystem."

Internal Law Firm Infiltration and Pre-Petition Control

The transition of control from exchange founders to restructuring firms was managed internally by former legal partners placed directly within corporate c-suites:

- **The Ryne Miller Nexus:** Ryne Miller, who served as General Counsel of FTX US, was a literal partner at Sullivan & Cromwell immediately prior to his employment at the exchange.

Case 22-11068-JTD Doc 510 Filed 01/17/23 Page 19 of 34

S&C's Relationship with Internal Lawyers of the Debtors

62. Ryne Miller, the General Counsel of FTX US, was a partner of S&C from January 2019 through July 2021 and an associate for several years before being elected partner. Mr. Miller introduced S&C to WRS in connection with the LedgerX acquisition and supervised certain of S&C's work on non-bankruptcy matters for WRS and its affiliates prior to the Petition Date. I understood that Mr. Miller was the General Counsel for the U.S. businesses, was based in the U.S. and reported to Mr. Friedberg, who was the senior legal officer for the FTX group. I also understood that Mr. Sun was the General Counsel of the businesses outside of the U.S., was based in The Bahamas and also reported to Mr. Friedberg. Neither Mr. Friedberg nor Mr. Sun had any relationship with S&C.

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S&C's Disinterestedness

72. S&C does not own any debt or equity securities of the Debtors, and does not hold any accounts on any of the Debtors' exchanges. None of the connections with the parties listed on Schedule 2 or 3 of the Original Declaration is directly related to the Debtors or involves S&C advising on any matter adverse to the Debtors.[4] S&C does not hold or represent an interest adverse to the Debtors' estates.

73. S&C lawyers generally are not permitted to serve as corporate officers or directors. S&C sent a firm wide email to confirm that no S&C attorney or their spouse or other close family member are officers or board members of any of the Debtors.

74. S&C also sent a firm wide email to confirm that no S&C attorney (i) owns any debt or equity securities of the Debtors or their affiliates, (ii) holds any account on the Debtors' exchanges, and (iii) has a connection to any of the following categories of parties-in-interest: (a) current and former directors and officers of the Debtors, (b) holders of 5% or more of the equity of any Debtor, (c) non-Debtor affiliates, (d) the joint provisional liquidators, (e) members of the Official Committee of Unsecured Creditors, or (f) significant competitors of the Debtors. With respect to accounts on the Debtors' exchanges, three S&C attorneys stated that they opened accounts on FTX exchanges but did not deposit any funds or transact.

25. S&C represented all of these groups simultaneously without proper conflict waiver. S&C also represented Sam and Nishad personally. The lawyers in this important bankruptcy proceeding should be independent and not have a history of representing all of the various groups and the principals at one time.

V. Discovery of the Customer Deficit

26. On November 7, 2023, certain FTX personnel including Sam informed certain executives in the Bahamas of the existence of an $8 billion customer deficit with respect to FTX International.

27. The FTX International general counsel contacted me by zoom to inform me of this shocking development.

28. Prior to this disclosure, I had no idea of any customer deficit. It was not my job as regulatory counsel to conduct a customer proof of reserves; indeed, I would have no idea how to do this. I relied on the executives, the finance team, and the auditors, and believed that the customer assets were fully funded on a 1:1 basis as advertised to the customers.

29. I was in the New York office of FTX.US at the time and went to Ryne Miller to inform him of the development. Mr. Miller was already aware of the development and said that he was busy contacting "all the billionaires that he knew" to provide emergency financing to cover the customer deficit.

30. I explained to Mr. Miller that he had to review his ethical obligations before continuing to represent FTX.US under such circumstances, and soliciting financing under the circumstances might conflict with his ethical duties. He dismissed my concerns and remained optimistic about helping Sam get future financing.

31. I reviewed my ethical obligations that evening and felt that there was substantial risk that I would be used to further additional fraud in connection with the additional investment efforts if I stayed on. In addition, I no longer trusted

Sam, Gary, or Nishad, and did not think that I could proceed under such circumstances.

32. I therefore tendered my resignation the following day.

VI. Final Discussion with Ryne Miller

33. A day or two later, I had a final call with Ryne Miller as I was concerned about the direction of the companies. This was after CZ of Binance had announced that he was abandoning the purchase of the Debtors and it looked like bankruptcy was the only answer for the FTX International Group and the Alameda Group.

34. On that call, I first informed Mr. Miller that we had been counseled by all our other law firms that the bankruptcy filings of FTX International Group and the Alameda Group should occur outside the United States, and likely in Bahamas or Europe. This was in part because of the unnecessary expense of the US bankruptcy system, the situs of the primary regulator, as well as the fact that creditors of the FTX International Group were outside the United States, amongst other legal issues.

35. Mr. Miller told me that the bankruptcy filings of FTX International Group, the Alameda Group, and the FTX.US Group had to be in the United States because otherwise S&C couldn't do the job.

36. I then told Mr. Miller that FTX.US should not file bankruptcy at all until it was certain that there were insufficient assets at FTX.US. Indeed, the tech team checked the wallets and had told the FTX International general counsel at the time of the disclosure of the customer deficit that FTX.US was not affected. I told Mr. Miller that the FTX.US crypto exchange needed to be retained if at all possible and sold as a going concern to allow the preferred shareholders to be paid back. Mr. Miller stated that he needed to include FTX.US as part of the bankruptcy because FTX.US had the cash to pay S&C its retainer. Without this retainer from FTX.US,

S&C wouldn't file. I told him that it wasn't proper for FTX.US to pay for the expenses of the bankruptcy of FTX International Group or the Alameda Group.

37. Mr. Miller informed me that S&C was installing "S&C's guy" to run all the companies.

38. I told Mr. Miller that S&C was not the proper law firm to select because of the claims and conflicts, as well as the exorbitant costs of the firm. Mr. Miller told me that there was over $200 million cash in LedgerX and that he was going to send these funds to S&C, and that bankruptcy legal costs were therefore not a problem.

39. I was horrified at this response and started to try to remind him of his ethical obligations and that he was stealing further funds from customers, but he hung up the phone on me and terminated the call.

VII. Inappropriate Conduct of S&C After Bankruptcy Filings

40. I have had several disturbing interactions with S&C following the bankruptcy filing.

41. In my first call with an S&C female partner who specialized in white collar crime (I forget her name), I asked who S&C was representing in this matter. She indicated that S&C was representing all the companies and that all the assets were being combined. I started to explain to her that there were unwaivable conflicts considering the bankruptcy (as described above) between the entities. She told me that the conflict rules do not apply in the bankruptcy context. I was later told by other counsel that this was not correct. This was a knowingly false statement made to me in violation of the New York ethical rules that prohibits a lawyer from making a false statement of fact or law made to third persons in the course of representation.

42. Then that same S&C lawyer told me that I should personally hi a lawyer at the Covington law firm that was representing FTX personnel in this

matter. I spoke to the lawyer at Covington who informed me that he had received assurances from S&C that they would foot his bill through indemnification.

43. I asked how much he would charge me for this personal representation and he said it would likely be in the hundreds of thousands and under $1 million but that I could rest assured that he would get the Debtors to pay because the "lawyers are always paid first".

44. I was horrified of the thought that customer assets were being used to frivolously pay lawyers at the behest of S&C. I did not hire this lawyer.

45. Finally, I approached S&C and asked them to waive my attorney-client privilege solely for the purpose of aiding the FBI, the SEC, the CFTC and the regulators in their investigations. S&C has repeatedly refused this request and attempted to muzzle me in an effort to avoid me raising issues adverse to S&C. I think this is totally inappropriate and I should be allowed to freely help law enforcement under these circumstances.

46. In addition, from Bahamian regulators, I was told that S&C refuses to communicate with the Bahamas on this important matter. This is attributed to the fact that the bankruptcies of the FTX International Group and the Alameda Group should have been made in the Bahamas, and the Bahamas were the appropriate place of jurisdiction, notwithstanding that S&C couldn't represent those groups in such a proceeding.

VIII. Claims that the Debtors have against S&C

47. The Debtors have at least four significant claims against S&C arising from their past work and also related to the bankruptcy. Under any reasonable reading, these potential claims are sufficient to disqualify S&C from acting as a lawyer at all for the Debtors in this proceeding.

- **Corporate Board Proliferation:** Pre-petition records demonstrate that Miller systematically consolidated legal and administrative power across 100% owned subsidiaries, simultaneously holding equity or executive officer titles within West Realm Shires Services Inc., West Realm Shires Inc., Alameda Research LLC, FTX Lend Inc. (as Treasurer and Secretary), and the core tokenization vehicle Cottonwood Grove Ltd..

Case 22-11068-JTD Doc 2092 Filed 07/31/23 Page 45 of 45

Debtor Name: FTX Lend Inc. Case Number: 22-11167 (JTD)

Statement of Financial Affairs for Non-Individuals Filing for Bankruptcy

SOFA Question 28: List the debtor's officers, directors, managing members, general partners, members in control, controlling shareholders, or other people in control of the debtor at the time of the filing of this case.

Name	Address	Position	% Interest
Ryne Miller	ADDRESS ON FILE	Treasurer, Secretary	N/A
Samuel Bankman-Fried	ADDRESS ON FILE	Director, President	N/A

Case 22-11068-JTD Doc 2305 Filed 08/31/23 Page 51 of 56

Debtor Name: Cottonwood Grove Ltd Case Number: 22-11112 (JTD)

Statement of Financial Affairs for Non-Individuals Filing for Bankruptcy

SOFA Question 13: Transfers not already listed on this statement

Creditor Name and Address	Description of Property	Relationship to Debtor	Date	Amount
Miller, Ryne ADDRESS ON FILE	Grant on Exchange	General Counsel	09/27/2021	1,000,000 Locked_MAPS
Miller, Ryne ADDRESS ON FILE	Grant on Exchange	General Counsel	09/27/2021	1,000,000 Locked_OXY

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EXHIBIT B

FTX Trading Equity Holders List

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RDM Revocable Trust (Ryan Miller)	Common	Common (CS)	763
RDM Revocable Trust (Ryan Miller)	Preferred	Series B-1 Preferred (PB1)	191

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Debtor Name: West Realm Shires Inc. Case Number: 22-11183 (JTD)

Statement of Financial Affairs for Non-Individuals Filing for Bankruptcy

SOFA Question 13: Transfers not already listed on this statement

Creditor Name and Address	Description of Property	Relationship to Debtor	Date	Amount
Miller, Ryne ADDRESS ON FILE	Equity	General Counsel	10/27/2021	JITY_STRIKE-0.33_EXPIRE-2030

- **Regulatory Interventions and Misrepresentations:** On August 10, 2022, Miller and S&C partners jointly answered policy questions from the Commodity Futures Trading Commission (CFTC). They explicitly declared that Alameda Research acted as a primary liquidity backstop providing over-the-counter "convert" (crypto-to-fiat) functionality, while assuring the Commission that internal access controls completely insulated sensitive data networks from affiliates.

2. When it may be more difficult for customers to add margin during off-business hours, because of when funds from traditional US banks typically clear (e.g., not during the weekend).

24x7 Collateral Transfer Mechanisms

ACH and Stablecoin: FTX plans to support instant transfers from FTX US, which accepts 24x7 cash deposits via stablecoin, ACH and other common payment rails. These instant transfers will work in roughly the same way that FTX plans to credit Kalshi customers for ACH deposits at its clearinghouse: by maintaining a pre-funded facility that fully collateralizes cash settlement risk.

Instant bank transfer networks: FTX will continue to support instant bank transfer networks, such as Silvergate Exchange Network and Signature Bank's Signet, which permit 24x7 transfer of fully settled US dollar funds.

FTX solves weak customer protections on traditional platforms, which offer crypto products with dangerous auto-margin calls, which can lead to unlimited loss

Retail traders on traditional platforms offering crypto derivatives products may face margin calls, whereby risk positions remain open and accumulate potentially unlimited losses, including during overnight hours, when traditional derivatives markets remain closed but underlying prices of crypto continue to move.

FTX's model dispenses with this practice in favor of requiring more margin from users, so that under-margining events are more rare, given the same level of price movement.

While on-market de-risking orders may be inconvenient for some institutional traders in traditional markets, they are the only safe approach to use on platforms with large amounts of retail traders.

In fact, the danger of allowing risk positions to remain open (by allowing for margin calls) is so great that both regulators and industry are moving away from the margin call system for retail traders. For example, Interactive Brokers has long disallowed margin calls.

2. What are the relationships between the current BLPs and FTX?
   1. What steps have been taken to minimize/eliminate conflict of interest concerns?

LedgerPrime is both a wholly owned subsidiary of the parent company of LedgerX LLC (dba FTX US Derivatives), and a Backstop Liquidity Provider. Compliance manual section 10.3 addresses LedgerPrime Conflict of Interest Mitigation. Among other things, those provisions prohibit LedgerX employees from providing LedgerPrime with access to material, non-public information. It also requires such information to be stored in a manner that renders it inaccessible to LedgerPrime. Moreover, DCM Rule 2.5 discloses that LedgerPrime is a wholly-owned subsidiary of the parent company of LedgerX, and that "LedgerPrime does not receive any preferential pricing from the Company and does not have an inherent advantage over any other Participant with respect to latency or Order execution speed." It further states that "LedgerPrime traders are subject to the same access criteria and must abide by the same rules as all other Participants."

Alameda Research LLC ("AR") is not owned by any FTX entity, but is majority owned by Sam Bankman-Fried in his personal capacity (although he is not involved in the day-to-day activities of AR, does not offer trading suggestions, advice, or have control over AR's trading activities). AR also holds approximately 1% of the interests in the holding company of FTX.com. AR is one amongst many other professional trading participants transacting on both FTX International and FTX.US. In both instances, AR has no preferential fee structures or special or unique access to the exchange, to exchange data, or to any other feature of either exchange, versus that which is available to any other professional trading participant (e.g., AR does have access to the fee schedule tiers available to any user that meets the relevant requirements). Similar to any other professional trading participant, AR may participate in FTX US's borrow-lend book as well as the FTX US letter of credit program, and AR may participate in similar programs on FTX.com. AR also provides liquidity through the over-the-counter and "convert" (i.e., crypto to USD) functionality on the FTX crypto exchanges.

AR does not currently trade on FTX, but FTX expects that AR will be one of the Primary BLPs on FTX following approval of our forthcoming amended application to revise our DCO registration order.

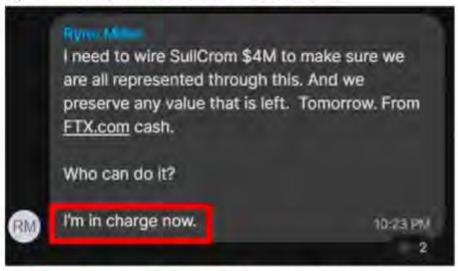
FTX technology is segmented from technology used by affiliates, including any affiliates who may be BLPs, using industry standard access control technology. In addition, FTX communication channels with sensitive information (such as Slack channels and email) are not shared with affiliates, including affiliates that may be BLPs.

The $4 Million SullCrom Transfer and the Executive Coup

Internal, time-stamped messaging logs extracted by federal investigators document that the execution of the bankruptcy filings was characterized by an aggressive, non-cooperative transfer of operational authority:

- **The November 8th Mandate:** At 10:23 PM on November 8, 2022, Ryne Miller bypassed existing executive structures, messaging the small group chat: *"I need to wire SullCrom $4M to make sure we are all represented through this... From FTX.com cash. Who can do it? I'm in charge now."* Subsequent testimony from executive insiders like Ryan Salame confirmed that while inside lawyers like Dan Friedberg and Can Sun structured prior loans, Miller took absolute operational command on November 8th, issuing unilateral directives to wire millions out of international customer cash pools.

14) I will end this section with a screenshot of a message Mr. Miller sent to much of FTX's leadership at 10:23 pm on November 8th, 2022:



a)

b) Needless to say, Sullivan & Cromwell has not made sure that we are all represented through this. They have, however, done a good job of making sure they were wired $4M.

i) I believe that the current Chapter 11 team has significantly overstepped its mandate.

a) Numerous entities were improperly placed in Chapter 11 proceedings by the Chapter 11 team, either because:

i) John Ray was not the CEO of the entities;

ii) they were not owned by FTX, FTX US, or Alameda Research to begin with;

iii) they are subject to other global insolvency processes that preceded and thus supersede the Chapter 11 process; or

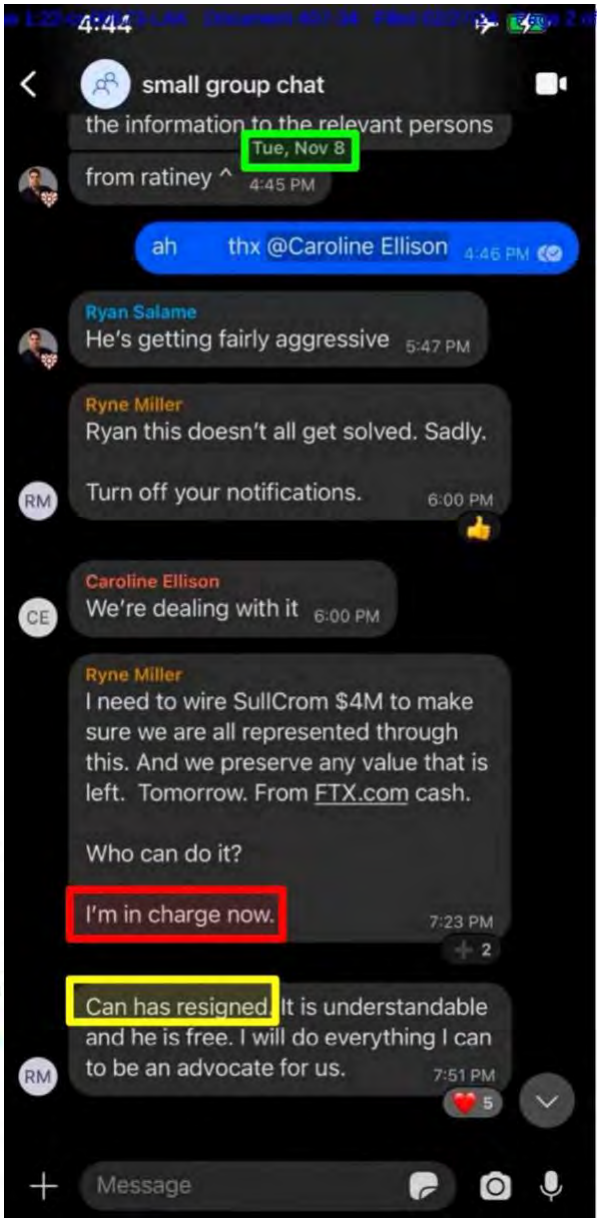
iv) they were not filed properly

b) This includes entities that I believe own the vast majority of customer accounts of FTX International, and oversee the vast majority of customer assets.

5) Claims that I have billions of dollars stashed away personally

a) I'm aware of a bank account which, as best I can remember, has roughly $100k in it. While I have taken loans out of Alameda in my own name, those were not generally used for personal consumption or savings; most were used to invest in the business. I believe that they were taken out of Alameda's trading profits, which I believe were in the billions of dollars prior to 2022. I was not involved in the structuring of any of these loans. They were handled by inside and outside counsel.

8) When John Ray became CEO of FTX US on November 10th, 2022, FTX US was still operational, and still processing customer withdrawals. I intended and expected for withdrawals to remain open, making all customers whole. I am surprised that did not happen.



- **The Coerced Signature Disconnect:** On November 10, 2022, S&C partner Andrew Dietderich pressured the founding team for signatures, emailing Sam Bankman-Fried: *"We have done the work we can without Sam's signature. If Sam is not going to sign the instruction appointing Ray tonight, we will send people home and regroup."*

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From: Ryne Miller <ryne@ftx.us>
Date: Wednesday, Nov 09, 2022 at 10:14 PM
To: Dietderich, Andrew G. <dietdericha@sullcrom.com>, Joe Bankman <joebankman@ftx.us>, Joe Bankman <joebankman@gmail.com>
Cc: Eitel, Mitchell S. <Eitelm@sullcrom.com>, Glueckstein, Brian D. <gluecksteinb@sullcrom.com>, sam@ftx.com <sam@ftx.com>, zzExt-sam <sam@ftx.us>
Subject: [EXTERNAL] Re: Preparation steps

Adding in Joe Bankman as well.

Joe - appreciate your looking at below.

On Wed, Nov 9, 2022 at 9:32 PM Dietderich, Andrew G. <dietdericha@sullcrom.com> wrote:

Sam and Ryne,

I know company focused on rescue alternatives at this time and we are here to help support that however we can. On the safety net, there is a short list we need your decision on to keep making progress and have the option ready in case you need it. Even if we go full speed, it usually takes two weeks to be ready in an organized manner. We have that process underway but think it's important to do a few more things:

1. Identify someone at FTX.com that can be our point person for information requests. Is that Ryne or is Ryne only in US? There is a lot of information to get ready to pay employees etc. without disruption upon filing.

2. Appoint Alvarez & Marsel to help us on the accounting side for case prep. They work on an hourly basis and take a retainer. We have documentation to send you to sign if you are okay.

SBF GOOGLE SW 00899258

EMAIL - NOV 10, 21:20 https://www.ft.com/content/6e912f25-f1b7-4b19-b370-007fbc867246
FROM: RYNE MILLER
TO: SAM BANKMAN-FRIED
Sam need this signed ASAP. Let me know.

EMAIL - NOV 10, 22:36
FROM: ZACH DEXTER
TO: SAM BANKMAN-FRIED
Sam this is an excellent pick and I wholeheartedly hope you sign this tonight. The faster John is in place, the faster the company can resolve issues that require urgent progress. Those of us remaining can help you significantly if you sign tonight.

Bankman-Fried's lawyers haggled over the choice of Ray and the selection of new directors for the company in bankruptcy. They questioned whether filing for bankruptcy in the US would expose Bankman-Fried to more scrutiny from American law enforcement, Dietderich later said in court filings. He said he told Bankman-Fried's counsel that the worries about his own interest were "inappropriate." Meanwhile, Miller continued to press.

NOV 10, 21:48
Ryne Miller to SBF: *Hello sir — I sent you the doc as DocuSign. I would super appreciate your signing it. Thank you again for getting this piece done.*

Ryne Miller to Sam Bankman-Fried: MISSED CALL 22:14

NOV 10, 22:36
Ryne Miller to SBF: *Hi there - a gentle ping to see if you could sign the DocuSign I sent. Happy to discuss it with you if helpful. Thanks again.*
EMAIL - NOV 10, 22:36
FROM: ANDY DIETDERICH
TO: SAM BANKMAN-FRIED
Can we please have an update? We have many people in NY and Delaware waiting to proceed. We have done the work we can without Sam's signature. If Sam is not going to sign the instruction appointing Ray tonight, we will send people home and regroup in the morning. Australia has commenced voluntary proceedings and we can expect more shortly. If Sam is signing relatively promptly, we can stay around. Please let us know promptly if we should continue to wait. Andy

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Messages in chronological order (times are shown in GMT +00:00)

mpdm-zach--nishadsingh--zx.gary--brian225--ryne-1

Zach Dexter 11/10/2022, 1:20 PM
Nishad, Gary - I extremely strongly recommend to you that you convince SBF to re-enable Ryne's posting ability. we are not all going to agree on what to do, but there is an objectively correct way and an objectively incorrect way to conduct operations at this point. Ryne has laid out the objectively correct way. you guys need to convince SBF to let Ryne continue to do that.

Zach Dexter 11/10/2022, 1:20 PM
what you guys do now is extremely important

Zach Dexter 11/10/2022, 3:23 PM
@Gary Wang I don't know where Nishad is. if there is ever a time in your life where you need to stand up and tell someone to stop fucking around, it's now.

Zach Dexter 11/10/2022, 3:24 PM
tell Sam to appoint a wind-down manager as Ryne has instructed

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From: Ryne Miller <ryne@ftx.us>
Subject: Re: URGENT - FTX Australia - Crypto-Assets [434982] [PA-A.FID1016001]
Sent: Thursday, November 10, 2022 2:37:23 PM
Cc: Sam Bankman-Fried <sam@ftx.com>, "tim@ftx.com" <tim@ftx.com>, Steven Pettigrove <spettigrove@piperalderman.com.au>
To: Michael Bacina <MBacina@piperalderman.com.au>

Thank you. I am FTX US General Counsel. I am advising the founding team that the exchanges must be halted immediately. The founding team is not currently in a cooperative posture. We are exploring ways to change control in order to authorize a proper insolvency process (Sullivan & Cromwell and Fenwick are advising).

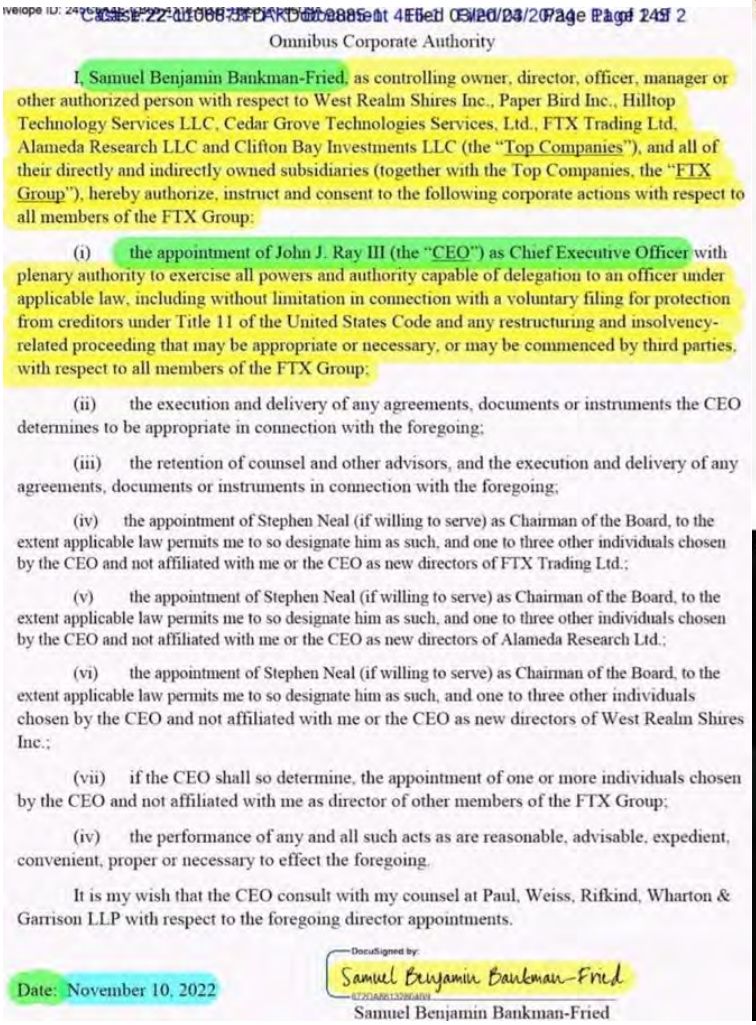
Ryne Miller

FTX US
General Counsel
ryne@ftx.us
(405) 517 7570

<URGENT Letter to SBF re FTX Australia.pdf>

SBF_GOOGLE_SW_00899946

- **The Forgery and Solvency Contradiction:** While the restructuring team filed an "Omnibus Corporate Authority" dated November 10th granting John J. Ray III plenary authority, contemporaneous Signal logs from November 11th reveal that Miller was still actively trying to push unexecuted documents to Bankman-Fried. Bankman-Fried publicly declared that the exchange's domestic arm, FTX US, was entirely solvent with hundreds of millions in excess cash balances, stating in recorded media interviews that he was "sort of coerced" into signing over complete corporate control to S&C's designated management team under intense legal duress.



Omnibus Corporate Authority

I, Samuel Benjamin Bankman-Fried, as controlling owner, director, officer, manager or other authorized person with respect to West Realm Shires Inc., Paper Bird Inc., Hilltop Technology Services LLC, Cedar Grove Technologies Services, Ltd., FTX Trading Ltd, Alameda Research LLC and Clifton Bay Investments LLC (the "Top Companies"), and all of their directly and indirectly owned subsidiaries (together with the Top Companies, the "FTX Group"), hereby authorize, instruct and consent to the following corporate actions with respect to all members of the FTX Group:

(i) the appointment of John J. Ray III (the "CEO") as Chief Executive Officer with plenary authority to exercise all powers and authority capable of delegation to an officer under applicable law, including without limitation in connection with a voluntary filing for protection from creditors under Title 11 of the United States Code and any restructuring and insolvency-related proceeding that may be appropriate or necessary, or may be commenced by third parties, with respect to all members of the FTX Group;

(ii) the execution and delivery of any agreements, documents or instruments the CEO determines to be appropriate in connection with the foregoing;

(iii) the retention of counsel and other advisors, and the execution and delivery of any agreements, documents or instruments in connection with the foregoing;

(iv) the appointment of Stephen Neal (if willing to serve) as Chairman of the Board, to the extent applicable law permits me to so designate him as such, and one to three other individuals chosen by the CEO and not affiliated with me or the CEO as new directors of FTX Trading Ltd.;

(v) the appointment of Stephen Neal (if willing to serve) as Chairman of the Board, to the extent applicable law permits me to so designate him as such, and one to three other individuals chosen by the CEO and not affiliated with me or the CEO as new directors of Alameda Research Ltd.;

(vi) the appointment of Stephen Neal (if willing to serve) as Chairman of the Board, to the extent applicable law permits me to so designate him as such, and one to three other individuals chosen by the CEO and not affiliated with me or the CEO as new directors of West Realm Shires Inc.;

(vii) if the CEO shall so determine, the appointment of one or more individuals chosen by the CEO and not affiliated with me as director of other members of the FTX Group;

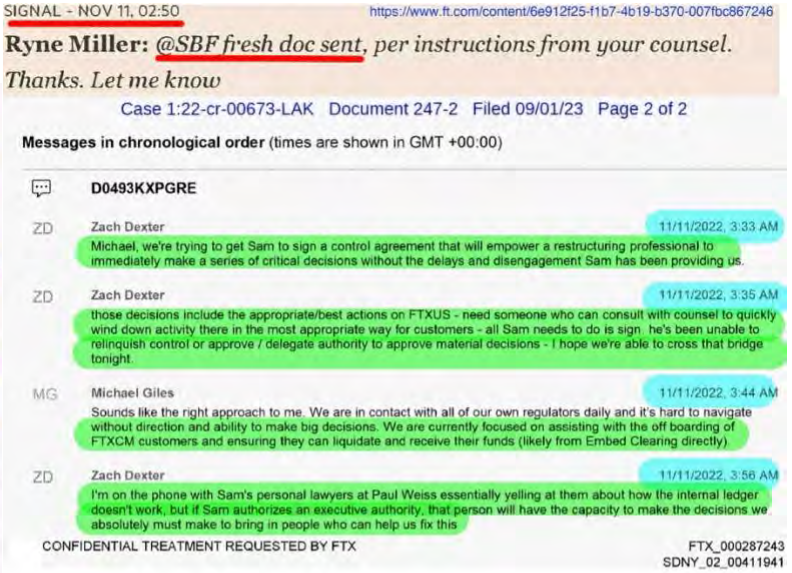
(iv) the performance of any and all such acts as are reasonable, advisable, expedient, convenient, proper or necessary to effect the foregoing.

It is my wish that the CEO consult with my counsel at Paul, Weiss, Rifkind, Wharton & Garrison LLP with respect to the foregoing director appointments.

Date: November 10, 2022

DocuSigned by:
Samuel Benjamin Bankman-Fried

Samuel Benjamin Bankman-Fried



SIGNAL - NOV 11, 02:50 https://www.ft.com/content/6e912f25-f1b7-4b19-b370-007fbc867246

Ryne Miller: *@SBF fresh doc sent, per instructions from your counsel. Thanks. Let me know*

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Messages in chronological order (times are shown in GMT +00:00)

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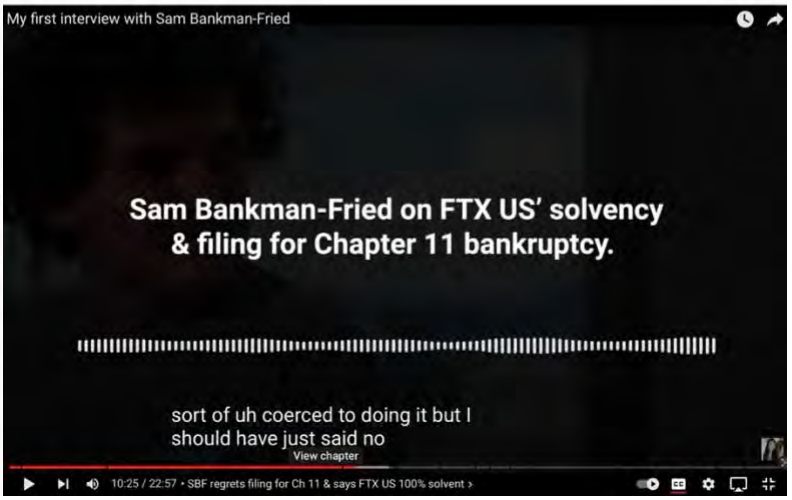
ZD Zach Dexter 11/11/2022, 3:33 AM
Michael, we're trying to get Sam to sign a control agreement that will empower a restructuring professional to immediately make a series of critical decisions without the delays and disengagement Sam has been providing us.

ZD Zach Dexter 11/11/2022, 3:35 AM
those decisions include the appropriate/best actions on FTXUS - need someone who can consult with counsel to quickly wind down activity there in the most appropriate way for customers - all Sam needs to do is sign. he's been unable to relinquish control or approve / delegate authority to approve material decisions - I hope we're able to cross that bridge tonight.

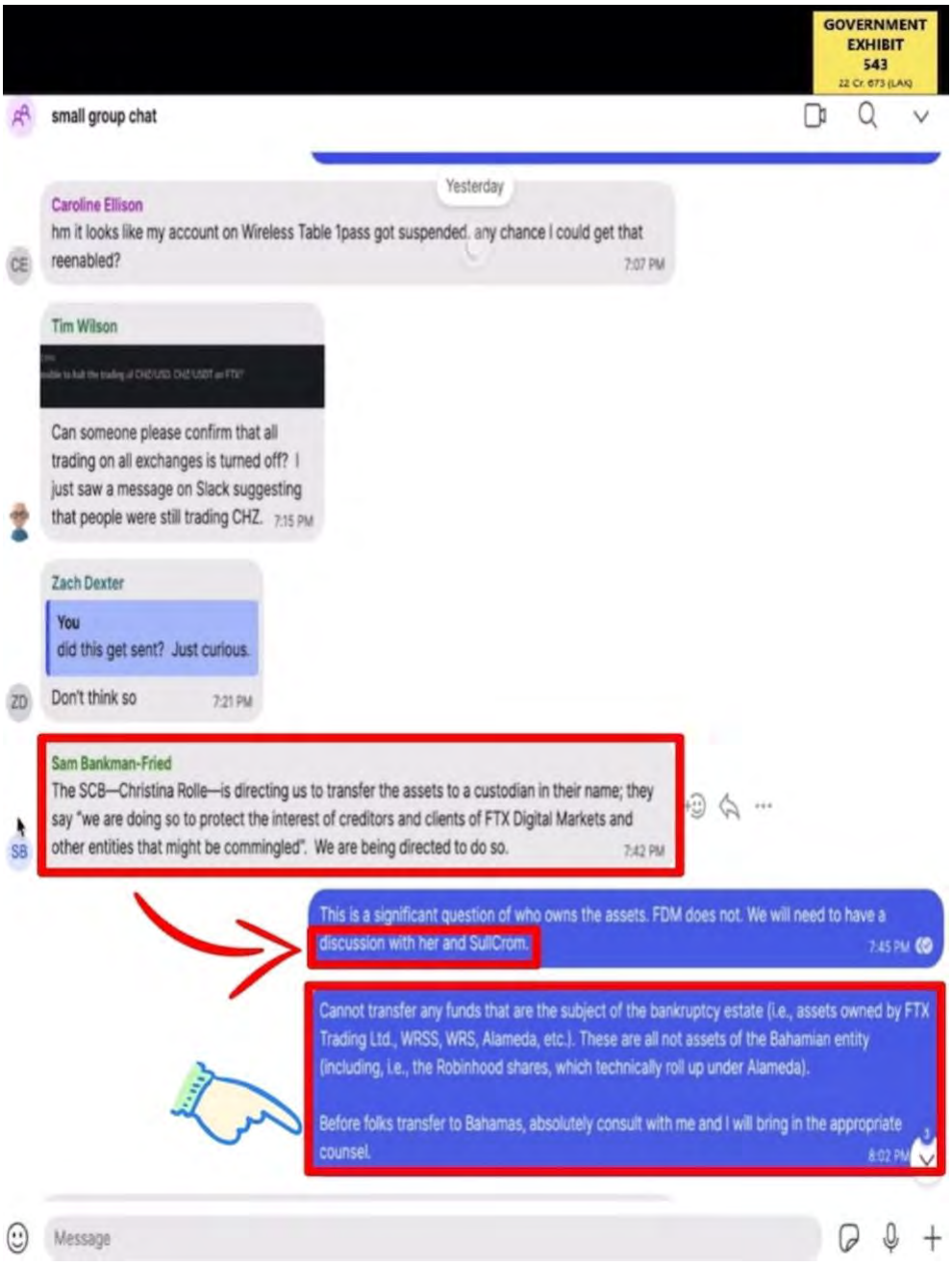
MG Michael Giles 11/11/2022, 3:44 AM
Sounds like the right approach to me. We are in contact with all of our own regulators daily and it's hard to navigate without direction and ability to make big decisions. We are currently focused on assisting with the off boarding of FTXCM customers and ensuring they can liquidate and receive their funds (likely from Embed Clearing directly).

ZD Zach Dexter 11/11/2022, 3:56 AM
I'm on the phone with Sam's personal lawyers at Paul Weiss essentially yelling at them about how the internal ledger doesn't work, but if Sam authorizes an executive authority, that person will have the capacity to make the decisions we absolutely must make to bring in people who can help us fix this

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- **The Sovereign Jurisdictional Conflict:** This internal coup directly interfered with international regulatory enforcement. When Christina Rolle of the Securities Commission of The Bahamas (SCB) directed the immediate transfer of assets to a protected sovereign custodian wallet to preserve creditor interests, Miller aggressively intervened. He ordered a total halt on all data transfers and site functionality, stating that no funds subject to the U.S. bankruptcy estate could be transferred to Bahamian jurisdiction, effectively locking down Robinhood equity shares and international customer assets within the S&C-controlled Chapter 11 framework.





B. Capital Control Evasion via "KYC Farming" and Chinese Exchange Funnels

Extracted media testimony, insider communications, and regulatory disclosures reveal that a primary mechanism for driving large-scale capital into the digital asset ecosystem relied on the systematic circumvention of sovereign capital controls through illicit peer-to-peer verification networks.

- **The Sovereign Capital Flight:** High-net-worth individuals seeking to extract massive volumes of capital from strict control jurisdictions, such as mainland China, were blocked from traditional interbank networks due to restrictive domestic outbound limits. To bypass these barriers, actors engaged specialized "KYC farmers" to construct dummy authentication profiles.
- **The Mechanics of KYC Farming:** "KYC farming" involves the collection and utilization of third-party identities to open hundreds of secondary, straw-buyer bank accounts and corresponding exchange profiles. In practice, a single coordinator would manage 50 to 100 distinct bank accounts under falsified or rented credentials.
- **The Peer-to-Peer Funnel:** Wealthy capital holders distributed large fiat sums incrementally across these networks of surrogate accounts. The KYC farmers then funneled the split cash tranches directly into international cryptocurrency exchanges—specifically targeting specialized accounts operating in China under Huobi (HBY) and OKX.
- **The Institutional Liquidity Destination:** These highly fragmented, peer-to-peer cash flows were ultimately consolidated to provide the core trading liquidity utilized by institutional market makers. Post-collapse testimonies from exchange executives, such as Ryan Salame, explicitly document that the digital assets driving Alameda Research's high-volume trading desks were predominantly derived from funds borrowed directly against these exact Genesis trading accounts and Chinese exchange deposit funnels.

C. Automated Stablecoin Default Conversions and Third-Party DCE Deflection

Corporate service schedules and internal platform terms show that international crypto exchanges utilized structural architecture to systematically deflect local banking compliance obligations while automatically replacing customer fiat balances with unbacked stablecoins.

- **The Automated Conversion Default:** As detailed in updated corporate user agreements (such as the September 18, 2022, Service Schedule for Australian Users), exchanges implemented an automated fiat-to-stablecoin default loop. When a retail customer deposited local fiat currency into the platform, the funds were routed away from standard deposit accounts and automatically converted into stablecoins by default.

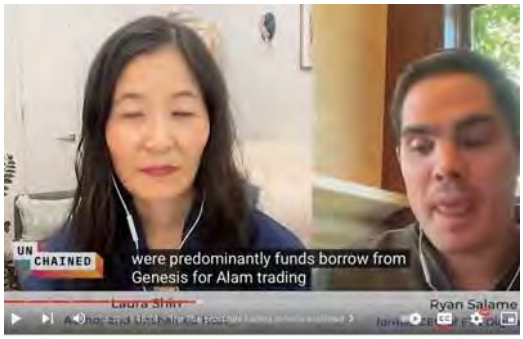


- **The Balance Sheet Ledger Disconnect:** Under this structure, international entities like FTX Trading did not hold actual cash or E-Money balances for standard accounts. Any account balances displayed to users on the application interface in traditional fiat denominations were completely synthetic ledger entries provided strictly for "convenience". The actual underlying value was entirely held in stablecoins, such as Circle's USDC.
- **The Third-Party DCE Provider Shield:** To shield the primary exchange entities from regional licensing liabilities, corporate covenants dictated that all fiat-to-digital asset conversions were legally processed by detached, third-party Digital Currency Exchange (DCE) providers. Users were forced to explicitly agree that they were not placing conversion orders with the primary exchange (e.g., FTX Trading or FTX Australia), effectively allowing the platform to operate macro-scale fiat clearing rails while denying any direct involvement in money transmission or domestic banking activities.

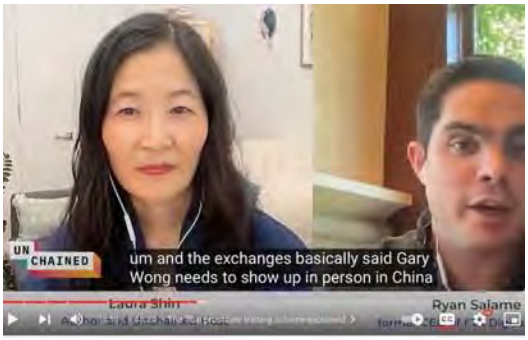
D. Internal Structuring, Legal Licensing Omissions, and Fee Tier Manipulation

Internal law firm invoices and corporate organization agreements establish that the structuring of foreign futures entities and the omission of money transmitting licenses were actively directed by internal and external legal teams.

- **The Deliberate Money Transmitter Omission:** Retrospective legal analysis and interview records indicate that exchange executives were explicitly instructed by senior legal officers, including compliance attorney Daniel Friedberg, that the corporate ecosystem did not require standard Money Transmitting Licenses (MTLs) to process user transactions. Executives relied on multiple overlapping sets of internal and external law firms to validate these operational omissions.
- **Forensic Legal Billing Proofs:** Itemized general corporate invoices from April and May 2019 outline the precise development of this regulatory avoidance strategy. Billing logs show that Friedberg, alongside specialized tax partners like David L. Forst and corporate associates like Chad Richman, structured the offshore Antigua and Seychelles entities specifically to isolate the futures exchange and leveraged token models from U.S. regulatory reach. Legal teams hounded regional counsel to draft cross-border "user agreements" and "liquidity provider agreements" designed to embed AML checklists and stablecoin transaction definitions directly into the code before compliance flags could be raised.
- **The Multi-Jurisdictional Token Loop:** By January 2021, legal teams were actively coordinating massive token sales and researching multi-jurisdictional loopholes, including structural drafts for Silvergate bank submissions, Bittrex regulatory carve-outs, and Special Purpose Acquisition Company (SPAC) precedents. This legal architecture allowed the platform to launch predatory volume incentives—such as the July 2022 "VIP Fee Tier" promotion—which coerced massive retail and market-maker deposits up to $10 million per account to achieve artificial volume expansion while shielding the core capital transfers behind unbacked synthetic collateral agreements with offshore entities like Binance and CM-Equity.


UN CHAINED
were predominantly funds borrow from Genesis for Alam trading
Laura Shin
Ryan Salame


UN CHAINED
name that these accounts existed in China in HBY and in okx
Laura Shin
Ryan Salame

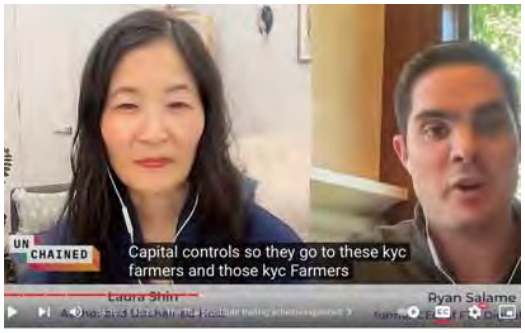

UN CHAINED
um and the exchanges basically said Gary Wong needs to show up in person in China
Laura Shin
Ryan Salame


UN CHAINED
they're very it's very common in China but it's in most Capital control
Laura Shin
Ryan Salame


UN CHAINED
but it's in most Capital control countries and it's called kyc farming
Laura Shin
Ryan Salame


UN CHAINED
know someone who has a t ton of money in China and is trying to move it to the
Laura Shin
Ryan Salame


UN CHAINED
United States they're not able to due to Capital controls
Laura Shin
Ryan Salame

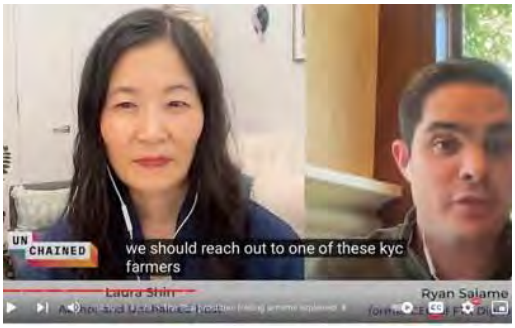

UN CHAINED
Capital controls so they go to these kyc farmers and those kyc Farmers
Laura Shin
Ryan Salame


UN CHAINED
farmers and those kyc Farmers give them you know 50 or 100 bank accounts to
Laura Shin
Ryan Salame


UN CHAINED
of people within China that they can send a little bit of money slowly out
Laura Shin
Ryan Salame


UN CHAINED
and get it out of China so this is just this this is just a backstory of what
Laura Shin
Ryan Salame


UN CHAINED
kyc farming is but that's sort of very popular in capital control countries
Laura Shin
Ryan Salame


UN CHAINED
we should reach out to one of these kyc farmers
Laura Shin
Ryan Salame


UN CHAINED
Tai prostitute thing I don't know I never met any of these people before
Laura Shin
Ryan Salame


UN CHAINED
farmers and see if sort of getting these other accounts set up on these exchanges
Laura Shin
Ryan Salame


UN CHAINED
you know there's going to be this theme of me blaming lawyers but
Laura Shin
Ryan Salame


UN CHAINED
telling you what happened Dan freeberg said hey you know there's something you
Laura Shin
Ryan Salame

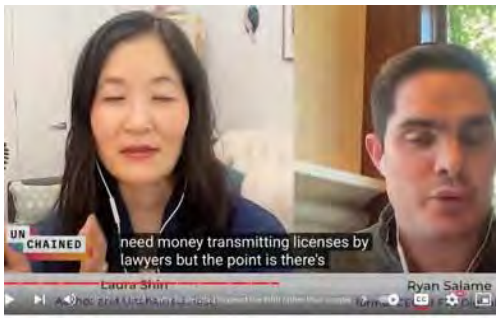

UN CHAINED
multiple sets of lawyers that were involved for the loans that I was
Laura Shin
Ryan Salame


UN CHAINED
um and you know the lawyers advised first off other people in the company
Laura Shin
Ryan Salame


UN CHAINED
had been taking out loan agreements so I hadn't been aware of that but this loan
Laura Shin
Ryan Salame

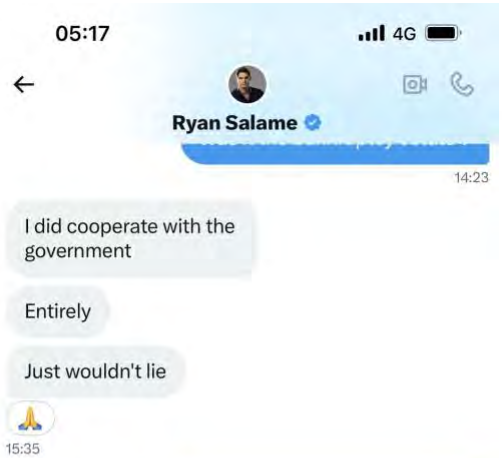

UN CHAINED
external lawyers and tax accountants that indicated that you know
Laura Shin
Ryan Salame

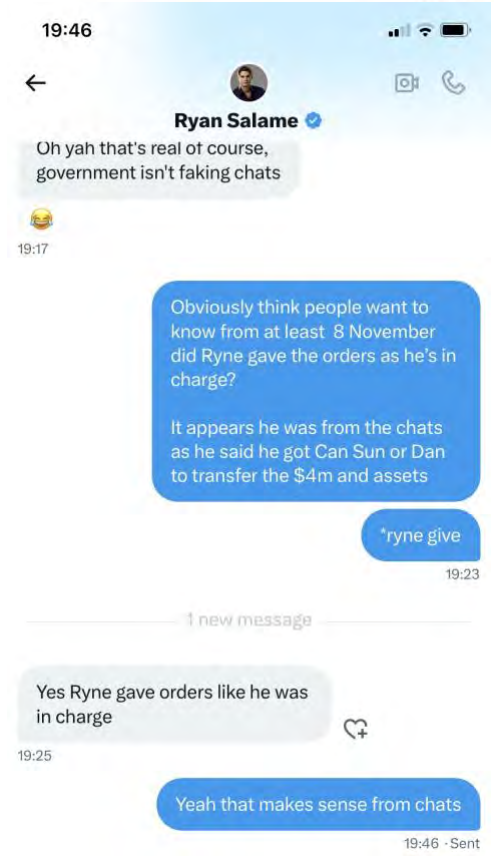

UN CHAINED
you know they had stuff around the MTI you know I was explicitly told we didn't
Laura Shin
Ryan Salame

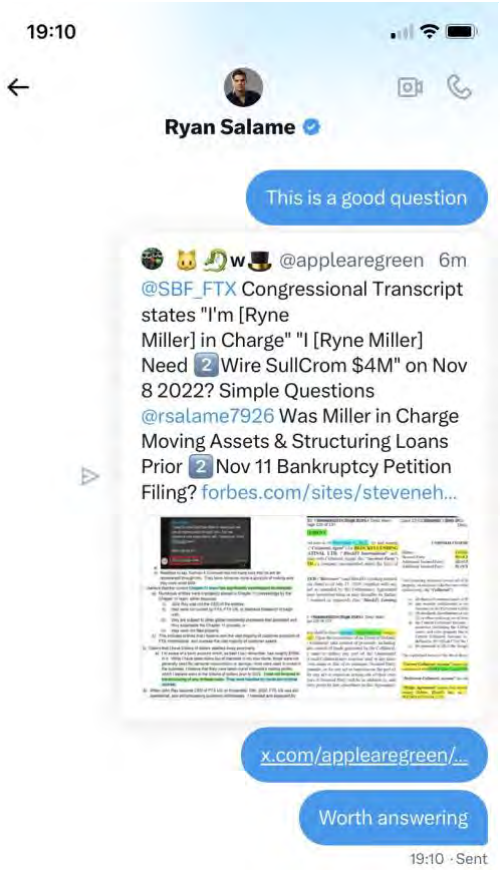

UN CHAINED
need money transmitting licenses by lawyers but the point is there's
Laura Shin
Ryan Salame

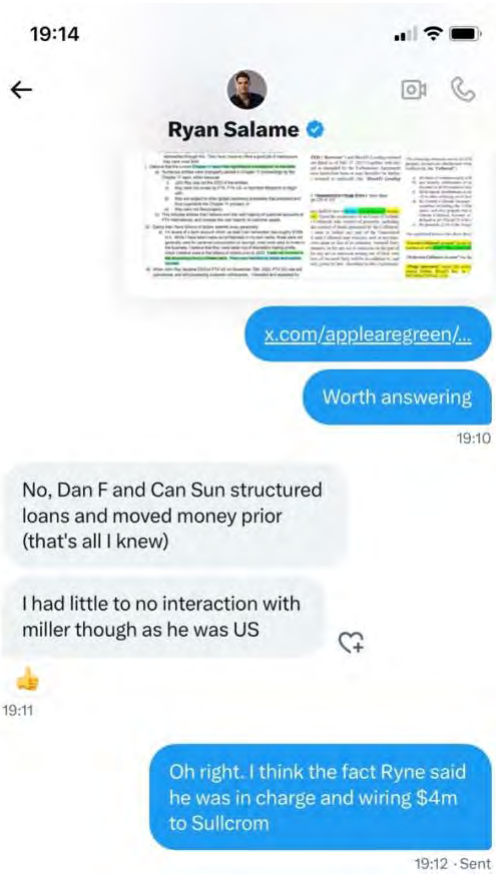

instruction from you know good lawyers that we did not need money transmitting
THE TUCKER CARLSON


um you know the lawyers that sort of ran the company ran regulation
THE TUCKER CARLSON









Daniel S. Friedberg
January 10, 2022
Page 26

"Buying, selling, issuing, or taking custody of payment instruments or stored value in the form of virtual currency or receiving virtual currency for transmission to a location within or outside the United States by any means."[70] Based on the above, FTX.US would not be subject to MTL requirements. Nonetheless, FTX.US has submitted an MTL application to account for changes in the regulatory treatment of the Platform and any future product launches that may require licensure.



E. The Venture Loan Avoidance Strategy and California Bank Failures

Forensic accounting invoices and internal communications suggest a coordinated effort by major venture capital entities and digital asset platforms to systematically use traditional banking vulnerabilities to isolate their "Venture Books" from market collapses.

- **Rehypothecated Collateral in Traditional Banks:** Digital platforms—working alongside specialized legal experts across concurrent bankruptcies (Voyager, BlockFi, Celsius, and FTX)—regularly utilized cryptocurrency assets and unbacked tokenized stocks as collateral to secure massive venture loans from California-based financial institutions, most notably Silicon Valley Bank (SVB) and Silvergate Bank.



SULLIVAN & CROMWELL LLP

125 Broad Street
New York, New York 10004-2498

July 22, 2022

Voyager Digital Holdings, Inc.

c/o Jared Dermont
Moelis & Company LLC
399 Park Avenue, 4th Floor
New York, NY 10022

c/o Joshua A. Sussberg, P.C.
Kirkland & Ellis LLP
601 Lexington Avenue
New York, NY 10022

Re: Customer Liquidity and Asset Purchase Agreement

Dear Jared and Josh,

FTX Trading Ltd and West Realm Shires Inc. (collectively, "FTX") and Alameda Ventures Ltd ("Alameda") have asked us to convey their joint proposal to enter into a Customer Liquidity and Asset Purchase Agreement, subject to the terms and conditions we describe in this letter and more fully in the attached term sheet.

A few other notes with respect to the proposal. First, FTX and Alameda are not interested in purchasing, and plan to leave behind in the bankruptcy estate, all 3AC-related litigation claims. The chapter 11 case is the best place to pursue recoveries relating to Voyager's loan to 3AC. We expect Voyager will use its bankruptcy powers to monetize these claims and provide supplemental recoveries to customers.

Second, Alameda will write off its own $75 million loan claim as part of the proposed transaction. This claim would otherwise share in supplemental recoveries. By writing off our loan, we will permit customers and other unsecured creditors to receive 100% of any incremental recoveries from the enforcement of the 3AC claim and any related litigation claims.

Attached is a term sheet describing the legal and financial terms of the customer liquidity transaction, as well as a short annex describing some of its benefits for FTX and Voyager customers. As with other financial institution insolvencies, we would seek expedited approval from the Bankruptcy Court of the customer liquidity transaction. We would aim to have a closing by August 17, so that we can begin customer migration promptly.

We are available to discuss this proposal with you at your earliest convenience.

Sincerely,

Andy Dietderich

cc: Mitchell S. Eitel (Sullivan & Cromwell LLP)

SCHEDULE A
LOAN TERMS

BORROWER:	**VOYAGER DIGITAL HOLDINGS, INC.**
Cash Revolving Loan Amount:	Two Hundred Million Dollars ($200,000,000.00) (the "**Cash Revolving Loan Amount**").
BTC Revolving Loan Amount:	Fifteen Thousand (15,000) BTC (the "**BTC Revolving Loan Amount**").
Guarantor:	Voyager Digital LTD.
Draw Period:	The period of time commencing upon the Effective Date and continuing through the earlier to occur of (a) December 30, 2024 or (b) the earlier termination of this Agreement in accordance with the terms thereof (**"Draw Period"**).
Maturity Date:	December 31, 2024 (the "**Maturity Date**").
Cash Revolving Loan:	Subject to the terms and conditions of this Agreement, during the Draw Period, and upon the delivery by Borrower to Lender of a completed and executed irrevocable loan request (in a form acceptable to Lender), Lender shall make cash loans available to Borrower in an aggregate original principal amount not to exceed the Cash Revolving Loan Amount, subject to the funding restrictions set forth in this Agreement. Prior to the Maturity Date, Cash Revolving Loans may be repaid and reborrowed. Lender will only be obligated to make a Cash Revolving Loan so long as the Conditions to Funding set forth in Section 3 of this Agreement have been met.
BTC Revolving Loan:	Subject to the terms and conditions of this Agreement, during the Draw Period, and upon the delivery by Borrower to Lender of a completed and executed irrevocable loan request (in a form acceptable to Lender), Lender shall make loans available to Borrower in an aggregate original principal amount not to exceed the BTC Revolving Loan Amount, subject to the funding restrictions set forth in this Agreement. Prior to the Maturity Date, BTC Revolving Loans may be repaid and reborrowed.
Repayment:	For the Cash Revolving Loan, the repayment shall be in the form of Dollars or USDC, depending on the Applicable Currency in which such Loan was funded. For the BTC Revolving Loan, the repayment shall be in the form of BTC in an amount equal to the amount drawn down and outstanding at the time of repayment.
Interest:	The Loans shall accrue interest on the outstanding principal balance at a rate equal to five percent (5.0%) per annum and shall be payable on the Maturity Date (provided that under the BTC Revolving Loan the interest shall be paid in kind based on the number of BTC outstanding at the Maturity Date). Interest is computed on a three hundred sixty (360) day year for the actual number of days elapsed.

VOYAGER

VOYAGER DIGITAL LTD.

Management's Discussion and Analysis

For the quarter ending March 31, 2022

May 16, 2022

USE OF PRINCIPAL

14. After investors provide principal to Voyager, their principal is comingled in omnibus accounts, they relinquish control of their principal and Voyager takes legal and beneficial ownership of the principal.

15. Voyager is thereafter able to use principal consistent with the terms of use, and as such it may transfer principal to foreign jurisdictions, lend principal, pledge principal, sell principal, rehypothecate principal, transfer principal to unidentified third parties and engage in any other transaction at Voyager's discretion and the depositing investor's sole risk.

7. Voyager's Security Processes and Procedures

Voyager has a defined cybersecurity framework that includes protecting people, technology, and digital assets. The security protocols utilize several strategies and activities, including conducting first and third-party security assessments, multi-party computation ("MPC") and asset protection, and diligent monitoring and proactive hunting for risks. The Debtors use four different custodial solutions to hold and safely store a majority of the Cryptocurrency: Fireblocks Inc. ("Fireblocks"), Copper.co ("Copper"), Anchorage Digital Bank N.A. ("Anchorage") and Coinbase Trust Company ("Coinbase") and one self-custodial software solution called Gnosis (collectively, the "Custodians").[30] Specifically, all of the Custodians use MPC, which is one of the primary technologies custodians in the industry utilize to secure Cryptocurrency assets. Through MPC, private keys are never constructed in one place, which minimizes the possibility for a single point of compromise. To set up keys, wallets typically are "multi-signer" wallets that require a threshold of co-signers on behalf of the Custodian and a threshold of co-signers on behalf of Voyager. None of the parties are able to sign a transaction by themselves to setup a key and none of the Custodians hold the entire "private key" for wallets.

From: Dietderich, Andrew G. <dietdericha@sullcrom.com>
Sent: Tuesday, November 8, 2022 8:34 AM
To: Azman, Darren
Cc: gluecksteinb; FTI_Voyager; Steinman, Gregg; Williams, Grayson; Evans, Joseph
Subject: RE: [EXTERNAL] Re: Town Hall

[External Email]
First I've heard of it. Talking with them later today on Voyager migration protocol and will ask. Assume Binance nonsense. This is getting crazy.

From: Azman, Darren <Dazman@mwe.com>
Date: Tuesday, Nov 08, 2022, 9:29 AM
To: Dietderich, Andrew G. <dietdericha@sullcrom.com>
Cc: Glueckstein, Brian D. <gluecksteinb@sullcrom.com>, FTI_Voyager <FTI_Voyager@fticonsulting.com>, Steinman, Gregg <Gsteinman@mwe.com>, Williams, Grayson <Gwilliams@mwe.com>, Evans, Joseph <Jbevans@mwe.com>
Subject: RE: [EXTERNAL] Re: Town Hall

Andy: Can you let me know whether this story is accurate about FTX withdrawals being paused (removing your client from this email).

https://www.theblock.co/post/184176/ftx-appears-to-have-stopped-processing-withdrawals-on-chain-data-show [theblock.co]

DARREN AZMAN
Partner
McDermott Will & Emery LLP One Vanderbilt Avenue, New York, NY 10017-3852
Tel +1 212 547 5615 Mobile +1 410 409 7591 Email dazman@mwe.com
Biography [mwe.com] | Website [mwe.com] | vCard [dynasend.com] | Twitter [twitter.com] | LinkedIn [linkedin.com]

baseline liquidity in the middle of April.

The price of bitcoin, which has gained more than 35 percent in the last month, increases the value of the mined bitcoin and makes the mining operations that much more attractive and productive, even without Core Scientific.

Additionally, now that the Court has authorized the Debtors to sell stable coins, the Debtors have access to much-needed liquidity that improves the cashflow forecast

THE COURT: Have stable coins been sold since the Court's ruling?

MR. FERRARO: No, but it's -- it will be this week.

THE COURT: Okay.

MR. KWASTENIET: Your Honor, I don't have anything further for Mr. Ferraro.

THE COURT: I do. I do. So, Mr. Ferraro, during the hearing on November 15th, 2022 -- let me -- I have the transcript if you'll just bear with me a second.

Okay. I ask questions about the -- let me -- I ask a question about Celsius' exposure with respect to FTX. And at Pages 27 and 28 of the transcript, your answer is there. And I won't read it verbatim, but I believe that you estimates Celsius' exposure to FTX and Alameda at approximately $12 million.

I read some reports over the last week or two that

questioned whether Celsius had exposure to FTX and Alameda in the hundreds of millions of dollars. Are you -- I just want to ask, not for you to comment on a report you haven't seen, but I just want to see whether you have any update on what Celsius' exposure to FTX or any of its affiliates are at this time.

MR. FERRARO: Yes, Your Honor. My update -- I don't have it in front of me, so I apologize. But to my understanding, our exposure remains at the $12 million. I think there was transactions between Celsius and Alameda, you know, leading up to our filing. We did have relationships with them, as I discussed I believe in November when I gave the update to the report. So I haven't read the report that you're speaking to. But, you know, our exposures from the standpoint of what's on the balance sheet are really limited to some coins on FTX and then the Alameda loan.

THE COURT: Okay. Let me make -- when I saw I saw a report, it wasn't from FTX. I mean, you know, there are some wild things on the internet, and I don't -- I'm not putting credence in them. But because I saw some report that suggested that the Celsius exposure was in the hundreds of millions, I thought I would ask about -- we went back and we looked at the transcript from November. And I just wanted to be sure to ask it again today. So thank you very

- **The "Pledge Agreement" Loophole:** Legal firms executed sophisticated "Pledge Agreements" (such as the November 9, 2022, agreements between Alameda Research and BlockFi) that granted platforms the absolute right to pledge, rehypothecate, assign, commingle, or otherwise dispose of customer collateral at the depositing investor's sole risk. This architecture allowed the same pools of digital and synthetic stock assets to be reused repeatedly across multiple traditional banking entities.

c. BlockFi Private Client Program

40. In addition to BIAs, which generally have standardized terms applicable to all holders, BlockFi provides an individually negotiated interest-bearing borrowing product to eligible clients as part of its BlockFi Private Client suite of products ("BPC"). The BPC product suite permits clients to lend digital assets to BlockFi on individually negotiated terms, which may lead to individually negotiated terms for other products and services. BPC loan interest is paid in the form of digital assets at a negotiated rate. A BPC loan may be structured as an "open" term (*i.e.*,

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the BPC client may request that BlockFi repay the loan at any time) or a "fixed" term (*i.e.*, the loan has a negotiated maturity date).



41. BlockFi has the right to redeploy digital assets borrowed under a BPC loan for its revenue-generating activities. More specifically, BlockFi has the right, without further notice to a BPC client, to pledge, repledge, hypothecate, rehypothecate, sell, lend, or otherwise transfer, invest, or use any amount of digital assets borrowed under a BPC loan, separately or together with other property, with all attendant rights of ownership, and for any period of time and without retaining in BlockFi's possession and/or control a like amount of digital assets.

1. The FTX Loan Agreement

67. On June 30, 2022, BlockFi Inc., as borrower, entered into a loan agreement with West Realm Shires Inc. (d/b/a FTX US, "FTX US"), as lender (the "FTX Loan Agreement"), which provides for loans (the "Loans") to be made to BlockFi Inc. in an amount of up to $400 million outstanding at any time, of which: (a) $300 million is available for general corporate purposes; and (b) $100 million is available solely to fund BlockFi Inc.'s obligations to its clients (the "Client Payment Obligations"). BlockFi Inc.'s obligations under the FTX Loan Agreement are guaranteed by BlockFi Trading and BlockFi Lending (together, the "Guarantors").

68. The Loans (a) are *pari passu* in right of payment with all other senior unsecured indebtedness of BlockFi Inc. and the Guarantors and (b) rank junior to the Customer Liabilities.[8]

[8] Customer Liabilities are defined as "obligations to clients incurred by [BlockFi Inc., the Guarantors] or any of [their] Subsidiaries in connection with (x) the BlockFi Interest Account, BlockFi Yield, BlockFi Personalized Yield or BlockFi Wallet products, (y) custody arrangements and collateral arrangements relating to loans made to clients and (z) any other similar products or services provided to clients by [BlockFi Inc., the Guarantors] or any of [their] Subsidiaries."

21

The Loans bear interest at a fixed rate of 5.00% per annum, payable at maturity. Loans may be made in USDC, the digital asset issued by the Centre Consortium, and are redeemable 1:1 for U.S. dollar, or other digital asset or fiat currency as mutually agreed to between the parties.

loans. This report (available at https://blockfi.com/blockfi-transparency-report-Q2-2022) was and is part and parcel of BlockFi's guiding principle that "Transparency Builds Trust."

26. Among other things, BlockFi was transparent with clients and investors that funds held in BlockFi Interest Accounts and in the Private Client Program, as well as loan collateral for Retail Client Loans (all discussed below), were going to be used for lending to generate the yields provided to clients. BlockFi was forthright about what it would and would not do with funds on its platform—in stark contrast to others reported to have done the opposite.[3]

27. BlockFi experienced rapid growth; between 2019 and March 2022, total trading volume grew from $2 million to more than $23 ***billion*** as of March 2022 (on an LTM basis), while deployable assets grew from $345 million to $14.8 billion, and gross loan originations expanded from $687 million to more than $47 billion. As BlockFi's business and operations grew, it expanded its management team and employee base, with a focus on hiring experts from other segments of the financial industry to better mature the nascent cryptocurrency business.

II. The Company's History and Business Operations

22. BlockFi Inc. (with its direct and indirect subsidiaries, "BlockFi") was founded in 2017 by Zac Prince and Flori Marquez to provide credit services to markets with limited access to simple financial products. BlockFi's culture embodies four core values: "Pragmatic Pioneering"; "Clients not Customers"; "Individual Effort, Collective Success"; and "Transparency Builds Trust." These values have been key drivers of BlockFi's strategy and decision-making, which has consistently prioritized client protection, stability, and prudent stewardship. BlockFi always endeavored to do things the right way, even when it was difficult, and even when certain of BlockFi's competitors did less to gain a competitive advantage.

23. BlockFi worked to become an industry leader in compliance. Unlike certain competitors, BlockFi never launched its own token to raise funds but instead relied on traditional venture capital. BlockFi was also the first in many states to seek and receive lending licenses to make cryptocurrency-backed loans. As disclosed on its website, https://blockfi.com/licenses, BlockFi was issued 47 licenses for lending, money transmission, operations, and the like by 32 states and D.C., and received a separate Class F Digital Business Assets License from Bermuda.



A. BlockFi's Client Offerings

29. BlockFi's business model is client centric, consistent with its core value of "Clients not Customers" and its commitment to prioritizing clients' best interests. BlockFi acquires clients by offering custom products and services that enable its clients to meet their financial goals, and continuously expands its product suite to deepen its relationship with its clients over time.

30. Generally, BlockFi has two primary types of clients: retail and institutional. As described in more detail below, BlockFi serves retail clients through web and mobile applications, and its products enable individuals and small businesses to store and/or earn interest on, buy and sell, borrow U.S. dollars secured by, and earn (via a credit card rewards program) digital assets. On the institutional front, BlockFi provides hedge funds, market makers, proprietary trading firms, trading desks, cryptocurrency miners, exchanges, and corporations with bespoke financing, trading, and treasury solutions relating to digital assets.

- **Coordinated Bank Runs as Venture Deleveraging:** Financial Stability Oversight Council (FSOC) data and public bank records document that the March 2023 bank stress was heavily accelerated by a flight of capital engineered by top depositors. Venture capital firms and digital asset entities used Circle's USDC stablecoin as a core transactional conduit to rapidly extract cash from U.S. equity markets, funneling it through SVB. Circle Internet Financial emerged as the single largest depositor at Silicon Valley Bank with a cash balance exceeding $3.3 billion.

state securities law violations in relation to a firm's staking rewards programs.[74] Federal agencies, specifically the SEC and CFTC, have continued to bring enforcement actions due to fraud, manipulation, and failure to register with the appropriate agency, among other types of misconduct. In fiscal year 2023, the CFTC brought 47 actions charging a wide range of violations, including fraud, manipulation, failure to register, failure to supervise, and lack of adequate know your customer and anti-money laundering controls. The defendants in these actions included, among others, digital asset trading platforms, the operators of DeFi protocols, and a digital asset lending platform.[75] The allegations in these cases exemplify the consumer and investor risks that arise from using unregistered platforms. The SEC brought actions this year against companies for operating as unregistered exchanges, broker-dealers, and clearing agencies.[76] The SEC also charged entities with the unregistered offer and sale of securities, including the offer and sale of securities in connection with staking and lending programs.[77] Both the SEC and the CFTC have brought charges related to a firm's failure to comply with anti–money laundering laws.[78]

Interconnections Between the Crypto-Asset Ecosystem and Traditional Finance

The crypto-asset market experiences a higher level of volatility than does the traditional finance system and is also prone to shocks that may impact traditional financial institutions that partner or otherwise interact with the crypto-asset market.[79] Such shocks may include the collapse of fraudulent schemes, cybersecurity issues, technology-related disruptions, and governance or decision-making breakdowns, among other events.

Banking

In January and February 2023, the FDIC, OCC, and Federal Reserve issued joint statements on crypto-asset risks to banking organizations and liquidity risks related to the crypto-asset market.[80] The statements noted, among other things, that the stability of deposits placed by crypto-asset-related entities may be influenced by vulnerabilities in the crypto-asset sector.

The risks faced by banks that maintain a high concentration of deposit accounts for crypto-asset-related entities were visible during the March 2023 bank stress, when California-based Silvergate Bank announced its voluntary liquidation.[81] In the last quarterly report it filed in 2022, Silvergate noted that substantially all of its deposits were derived from crypto-asset customers.[82] However, depositors withdrew over $8 billion (68 percent of Silvergate's deposits) as stress within the crypto-asset market was exacerbated by the shock of the collapse of crypto-asset trading platform FTX.[83] On January 4, 2023, Judge John Dorsey, the presiding official in the FTX bankruptcy, also ordered the seizure of FTX's funds held at Silvergate. Silvergate's SEC filings show that in response to the outflow, it secured a $4.3 billion advance from the Federal Home Loan Bank (FHLB) of San Francisco. To pay back the FHLB and address remaining liquidity issues posed by the decline in deposits, Silvergate sold assets at a loss. In a March 1 SEC filing, Silvergate disclosed that it might be unable to continue as a going concern.[84] Silvergate began the process of self-liquidation on March 8.[85]

The disruption created by Silvergate's self-liquidation made evident the potential for further knock-on effects arising from interconnections between the crypto-asset ecosystem and traditional finance. On March 9, Silicon Valley Bank (SVB) experienced a deposit run and was closed by the California Department of Financial Protection and Innovation the next day, March 10. Signature Bank also experienced a run and was closed by the NYDFS on March 12. The NYDFS noted in its report that in the case of Signature Bank, the percentage of crypto-asset customer withdrawals on March 10 was relatively proportional to the percentage of crypto-asset customers in the deposit base overall. The NYDFS also noted that the perceived public association between Signature and the crypto-asset ecosystem, as well as the timing of SVB's failure and Silvergate's voluntary liquidation, were factors in Signature's failure.[86] Separately, the FDIC noted in its internal review that the root cause of Signature's failure was poor management, including its failure to understand the risks associated with its reliance on crypto-asset industry deposits and its vulnerability to contagion from the crypto-asset industry turmoil that occurred in late 2022 and into 2023.[87] According to the FDIC's report, crypto-asset-related deposits represented 23.5 percent of total deposits at Signature Bank as of September 30, 2022.[88]

In addition to showing the effects the crypto-asset market could have on the traditional financial system, the March bank stress revealed how the interconnections between the crypto-asset and banking sectors, as well as concentration risk, can cause stress in the crypto-asset market. Hours after SVB closed on March 10, Circle Internet Financial LLC (Circle), the issuer of the stablecoin USDC, revealed that $3.3 billion (approximately 8 percent) of the reserves purportedly backing USDC were held at SVB.[89] The news sparked a run on USDC, with $1.6 billion of USDC redemptions occurring on the same day as Circle's announcement. Coinbase and Binance announced that the platforms would temporarily pause conversions between USDC and U.S. dollars as well.[90] Over the weekend after SVB's closure, USDC temporarily lost its 1-to-1 peg with the dollar, with the value of USDC falling as low as $0.89. By March 15, Circle reported that crypto-asset market participants redeemed some $3 billion of USDC. Circle's problems triggered MakerDAO's DAI stablecoin to de-peg over the weekend as well.[91] DAI, a stablecoin backed by other crypto-assets, relied on USDC for approximately 52 percent of the collateral supporting its circulating stablecoins.[92]

To help ensure the safety and soundness of the banking system as banks explore crypto-asset related activities, the Federal Reserve announced a novel-activities supervision program in August 2023. The program will be integrated into the Federal Reserve's existing supervisory process to help address risks of novel activities related to crypto-assets, DLT, and complex technology-driven partnerships with nonbanks.[93]

Stablecoins

The Council has previously noted that interconnections between the financial system and the crypto-asset trading markets that are created by stablecoins could serve as conduits for contagion to traditional financial institutions. A stablecoin's impact on the financial system depends on the scale of the stablecoin. For example, if a stablecoin were to scale significantly, a run on the stablecoin could lead to fire sales of the traditional assets backing the stablecoin like bank deposits, MMFs, Treasury securities, and commercial paper (CP).[94] The President's Working Group on Financial Markets (PWG), FDIC, and OCC have also published an assessment of the risks related to stablecoins (2021 PWG Report).[95] In the 2021 PWG Report, the PWG, FDIC, and OCC noted that the failure of stablecoins to maintain a stable value could expose stablecoin users to unexpected losses and lead to stablecoin runs that damage financial stability.[96] The 2021 PWG Report also flagged that disruptions to the payment chain that allow stablecoins to be transferred among users could lead to a loss of payments efficiency and, depending on the extent to which stablecoins are used, undermine functioning in the broader economy.[97] Like the Council's Digital Asset Report, the 2021 PWG Report detailed systemic concerns related to the potential risk of stablecoin arrangements to rapidly scale.[98]

In addition to these issues, some stablecoin issuers do not provide adequate or accurate information about their asset holdings and rights of redemption.[99] A lack of information about these holdings and issuers' reserve management practices may pose a challenge for accurate market analysis of the impact of a stablecoin issuer's holdings, as well as a risk of fraud if the extent of the stablecoin's reserves is misrepresented. The lack of information on reserves can contribute to outsize market reactions to news about an issuer, which can manifest in outsize volatility and potential losses. Regulatory requirements for reserves, capitalization, and reporting may mitigate some of these risks.[100] Like the traditional payment system, stablecoins, if used as a payment instrument, may pose credit risk, liquidity risk, operational risk, risks arising from ineffective system governance, and settlement risk.[101]

Recent Developments

Tokenization

Tokenization, the process of digitally representing an existing reference asset on a ledger, involves linking a digital token's price to the value of its reference asset. Tokenization that occurs on blockchains, a type of DLT, aspires to introduce DLT into clearing and settlement processes, as well as payment systems.[102] This year, some firms have offered tokenized products, including digital forms of securities.[103] To date, the current uses of tokenized traditional assets are limited in their size and impact.[104] The overall value of tokenized

Bloomberg.com

Top 10 Depositors

Owner Name	Total Balance
CIRCLE INTERNET FINANCIAL	$ 3,340,061,357.25
SILICON VALLEY BANK	$ 2,497,556,580.09
SVB FINANCIAL GROUP	$ 2,118,179,865.33
SEQUOIA CAPITAL FUND	$ 1,011,479,029.59
KANZHUN LIMITED	$ 902,875,700.25
BILL.COM LLC	$ 761,109,263.00
ALTOS LABS	$ 680,346,027.62
MARQETA	$ 634,534,332.85
ROKU INC	$ 420,004,504.53
INTRAFI / PROMONTORY	$ 410,856,940.57

Top 10 Accounts

CIRCLE INTERNET FINANCIAL, LLC	$ 3,276,604,827.99
SVB FINANCIAL GROUP	$ 1,953,395,231.76
SEQUOIA CAPITAL FUND, L.P.	$ 1,011,479,029.59
SVB F BENEFIT OF NVOICEPAY, INC. CLIENTS	$ 995,451,708.21
KANZHUN LIMITED	$ 701,608,671.03
MARQETA, INC. 6TH FLO	$ 632,034,327.92
ALTOS LABS, INC.	$ 601,002,262.65
SVB F BENEFIT OF PEOPLE CENTER, INC. CLIENTS DBA RIPPLING	$ 544,083,624.59
BILL.COM, LLC	$ 444,085,284.84
ROKU INC ATTN TREASURY ROKU INC	$ 415,602,338.78

FDIC Insured Billions In Deposits For Sequoia, Other Top SVB Customers -...

Visit >

- **The Loan Avoidance Objective:** Internal corporate tracking records from February 2023 reveal that investigative teams focused heavily on "Venture Book Avoidance" strategies. By orchestrating a rapid run on California banks, prominent venture capital figures—including Peter Thiel (whose linked fund Valar Ventures controlled a massive 19% equity stake in BlockFi) alongside funds like Coatue, USV, and Founder Collective—advised portfolio companies to simultaneously pull funds from SVB. This deliberate liquidity drain successfully triggered federal interventions and receiverships, effectively isolating and protecting approximately $4.5 billion in funded assets across 438 highly illiquid venture investments from bankruptcy estate clawbacks.

Bloomberg Today 4m ago
Coatue, USV, Founder Collective joined Thiel in advising companies to pull SVB funds.

@jason @Jason · 3/12/23
YOU SHOULD BE ABSOLUTELY TERRIFIED RIGHT NOW — THAT IS THE PROPER REACTION TO A BANK RUN & CONTAGION

@POTUS & @SecYellen MUST GET ON TV TOMORROW AND GUARANTEE ALL DEPOSITS UP TO $10M OR THIS WILL SPIRAL INTO CHAOS

David Sacks @DavidSacks · 3/10/23
Where is Powell? **Where is** Yellen? Stop this crisis NOW. Announce that all depositors will be safe. Place SVB with a Top 4 bank. Do this before Monday open or there will be contagion and the crisis will spread.

March 10, 2023 7:52 PM EST

Thiel's Founders Fund Withdrew Millions From Silicon Valley Bank

Bloomberg
Lizette Chapman
Bloomberg News

Peter Thiel's Founders Fund had no money with Silicon Valley Bank as of Thursday morning as the bank descended into chaos, according to a person familiar with the matter.

Founders Fund withdrew millions from SVB, said the person, who asked not to be identified discussing private information. It joined other venture funds that took dramatic steps to limit exposure to the now-failed financial institution. Founders Fund also advised its portfolio companies that there was no downside to moving their money away from SVB, even if the risk was low.



Peter Thiel

EXHIBIT B

FTX Trading Equity Holders List

Holder	Security Class	Share Type	Number of Securities
2021-015 Investments LLC investments@rivendelltrust.com, jmichels@thielcapital.com	Common	Common (CS)	45,784
2021-015 Investments LLC investments@rivendelltrust.com, jmichels@thielcapital.com	Preferred	Series B-1 Preferred (PB1)	11,446

EXHIBIT A

WRS Equity Holders List

Holder	Security Class	Share Type	Number of Securities
Name on File Address on File	Common	Class A Common (CA)	85,000
1885 Private Opportunities Fund, L.P. (2021 Series) 1 University Square Drive 5th Floor Princeton, NJ 08540 samir.menon@blackrock.com	Preferred	Series A Preferred (PA)	59,557
2021-015 Investments LLC investments@rivendelltrust.com; jmichels@thielcapital.com	Common	Class A Common (CA)	245,000



1. The Institutional Venture Loan Reciprocity Framework and Capital Circularity

Sworn criminal trial transcripts and admissions from corporate insiders expose a highly integrated financial network where customer fiat and digital asset pools were systematically deployed to inflate corporate valuations, generate artificial bank deposits, and isolate venture capital books from free-market losses.

- **The Circular Banking Loop:** Forensic analysis of the trial record details a circular loan fraud mechanism spanning digital asset exchanges, venture capital funds, and specialized regional banks. Under this structure, client assets deposited on cryptocurrency exchanges were secretly extracted to fund high-risk corporate venture investments. The venture capital entities then required their newly funded portfolio start-ups to deposit their financing checks directly back into the identical California financial institutions that were issuing the senior credit lines.
- **The Insider-Creditor Duplicity:** This architecture created a closed-loop ecosystem where prominent venture capital figures functioned simultaneously as the majority creditors, primary debtors, dominant depositors, and lead lenders across the banking network and the underlying venture start-ups. Customer asset pools were systematically diverted to serve as the unbacked collateral and loan payment rails driving this multi-billion-dollar circular balance sheet illusion.
- **The Executive Looting Scheme:** Internal financial records and testimonies confirm that while customer balances faced severe shortfalls, executive insiders weaponized the exchange's lending arms to extract massive personal capital under the guise of unmonitored "open term" venture loans. Chief Technology Officer Gary Wang received over $200 million in loans from Alameda Research to fund personal real estate acquisitions and private venture investments, executed via internal promissory notes drafted by general counsel under the direction of Senior Legal Officer Daniel Friedberg. Simultaneously, Chief Engineering Officer Nishad Singh extracted a $477 million loan from the exchange to purchase direct equity tranches within the corporate structure, while adding $1 million to $2 million cash bonuses to his personal ledger.

2. Criminal Admission of Systematic Customer Misappropriation and Balance Sheet Falsification

Cross-examinations and direct testimonies from the executive leadership of the debtor entities provide irrefutable proof of intentional asset commingling, the creation of fraudulent financial disclosures, and the active deception of institutional lenders.

- **The $10 Billion Customer Deficit:** In explicit trial admissions, Alameda Research CEO Caroline Ellison confirmed that the trading desk was entirely dependent on the structural misappropriation of exchange deposits. Under direct questioning by the Assistant United States Attorney (AUSA), Ellison stated that



Alameda had covertly borrowed over $10 billion directly from FTX customer accounts to fund private investments, settle external debt liabilities, and fuel directional cryptocurrency trading desks controlled 90% by Sam Bankman-Fried.

- **The False Financial Mandate:** As macro market pressures accelerated in mid-2022, external institutional lenders began recalling open-term credit lines. To prevent a systemic unwind, exchange leadership explicitly directed the creation of fraudulent corporate financial statements. Ellison testified that Bankman-Fried ordered her to actively withhold the true balance sheets from institutional lenders like Genesis Capital. This was done to deliberately conceal that the trading desk had misappropriated $10 billion in customer funds while maintaining over $5 billion in unbacked, illiquid loans granted directly to its own executive officers and affiliated shell entities.
- **The 30% Probability Insolvency Protocol:** Internal statistical modeling conducted by the fund's management team calculated a definitive 30% mathematical probability that Alameda would be completely unable to repay its outstanding debt obligations, even when factoring in the continuous, unapproved injection of stolen customer assets. Despite explicit internal confirmation that the firm lacked the capacity to cover its liabilities, executives continued to misappropriate retail deposits to repay senior institutional lenders.
- **The November 6th Public Deception:** On November 6, 2022, as public market anxiety heightened, fund leadership published public statements and digital communications claiming that Alameda had successfully returned the vast majority of its outstanding third-party loans. Trial testimony confirms this public assurance was entirely false. The firm had only succeeded in settling its external institutional debt by aggressively pulling billions of dollars more out of internal FTX customer asset pools, effectively replacing third-party liabilities with an unbacked, concealed deficit against retail depositors.

3. Institutional Contagion, Credit Extensions, and Inter-Debtor Loan Arbitrage

The trial record documents how the concealment of inter-debtor liabilities and the manipulation of native exchange tokens deliberately corrupted the credit risk models of competing digital asset platforms, accelerating systemic institutional collapse.

- **The BlockFi Insolvency Contagion:** Testimonies from competing platform executives, including BlockFi CEO Zac Prince, establish that institutional credit extensions were granted based entirely on the fraudulent misrepresentation of the exchange's asset backing. Between July and early November 2022, BlockFi extended over $850 million in active credit lines to Alameda Research. Prince testified under oath that had the firm been notified that Alameda's trading operations were funded via the unauthorized borrowing of exchange customer deposits, or that billions were routed to corporate insiders, BlockFi would have immediately halted all credit extensions, as the disclosure would have instantly exposed Alameda as fundamentally insolvent.
- **The FTT Liquidity Trap:** When the exchange’s native utility token (FTT) experienced sudden price drops, the interlinked credit agreements collapsed.



Although BlockFi attempted to aggressively recall its outstanding loans, it was left with over $650 million in unrecoverable, toxic exposure due to the underlying asset commingling and the unbacked nature of the tokenized collateral.

- **The "On-Paper" Corporate Authority Illusion:** To further mask structural capital holes, internal engineering teams and executives coordinated artificial, non-executed corporate maneuvers. Chief Security Officer Nishad Singh testified that in September 2022, executive leadership directed himself, Sam Bankman-Fried, and Gary Wang to execute purely "on-paper" loan agreements. Under these arrangements, insiders signed documents stating they were personally taking out massive loans to inject capital directly into the domestic entity, FTX US, creating a false ledger illusion of capital sufficiency to mislead regulators while no physical cash or digital asset units were ever moved or deposited.

4. General Counsel Omissions and the Failure of Internal Segregation Mandates

The breakdown of compliance infrastructure was characterized by a deliberate disregard for formal legal boundaries and the systematic bypass of internal controls by executive management.

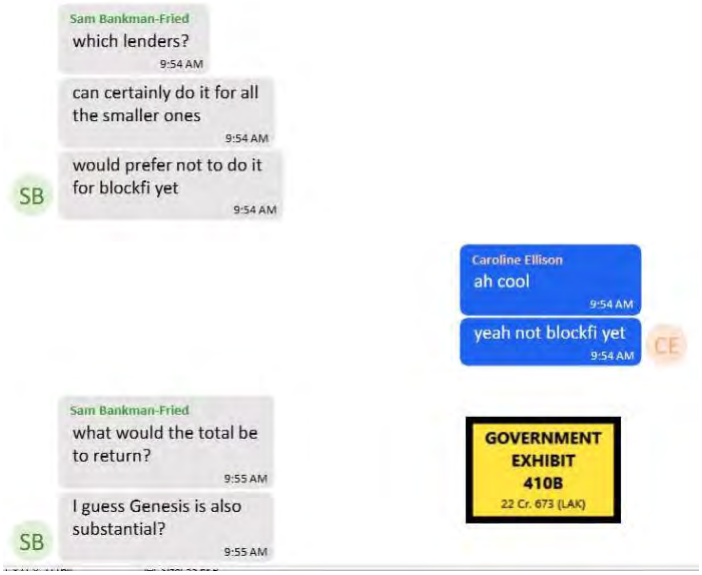
- **The Total Segregation Falsehood:** External promotional campaigns and regulatory compliance filings repeatedly assured the Commission that customer asset pools were strictly segregated from proprietary trading desks to guarantee protection against misappropriation. However, internal legal evaluations completely contradict these claims. Former General Counsel Can Sun testified under oath that while he structured international legal parameters under the explicit mandate that customer deposits must remain locked and unencumbered, executive leadership routinely bypassed the legal department to authorize billions in secret transfers without the knowledge or approval of compliance officers.
- **The Concealed Straw-Buyer Loan Funnel:** To route funds into highly sensitive or legally restricted entities without triggering audit flags, executives used straw-buyer arrangements. Ellison testified that she was directed to assume a personal $3.5 million loan in her own name to acquire a gambling company that platform engineers wanted to integrate. This structure was intentionally deployed because Ellison was not listed on the official corporate books of the exchange entity, allowing the firm to execute high-value corporate acquisitions and massive political contributions while completely insulating the transactions from regulatory oversight and standard disclosure dockets.
- **The Ephemeral Messaging Evidentiary Gap:** Internal compliance workflows and legal department communications were systematically migrated onto encrypted, ephemeral messaging platforms like Signal and Slack. Executive management maintained hundreds of distinct, auto-deleting communication channels to coordinate day-to-day operations and balance sheet modifications. This operational architecture was intentionally maintained to erase the daily decision-making trail, disrupt internal audit capabilities, and prevent the post-petition recovery of definitive cross-corporate routing instructions.

5. Appendix: Comprehensive Criminal Trial Transcript Registry

To support the statutory enforcement arguments detailed across this submission, the following formal evidentiary matrix compiles the specific Government Exhibits (GX) and time-stamped chat logs establishing the mechanical execution of the balance sheet fraud:

Evidentiary Communications and Ledger Admissions Matrix

- **Exhibit 9: The Pre-Collapse Loan Recall Protocol**
  - *Source:* Federal Criminal Trial Record, *United States v. Samuel Bankman-Fried*, Case No. 22-cr-00673-LAK, Government Exhibit 410B.
  - *Transaction Content:* Active Signal log tracking data from November 2022 establishing a direct coordination between Sam Bankman-Fried and Caroline Ellison regarding the selective return of institutional capital. The text documents Bankman-Fried explicitly directing the platform to prioritize returning capital to smaller lenders, while explicitly stating: *"would prefer not to do it for blockfi yet,"* exposing a calculated corporate preference to leave specific institutional counterparty books exposed while hiding the massive underlying debt levels from primary lenders like Genesis Capital.
  - *Source:* Sworn Trial Testimony of Corporate Insiders (Yedidia, Wang, Singh, Sun), Southern District of New York Enforcement Docket.
  - *Regulatory Focus:* Compiles the formal trial admissions of senior software engineers and legal officers operating under federal immunity orders. This docket mathematically outlines how the platform's automated engine was coded to allow a multi-billion-dollar negative balance sheet exemption for a single proprietary trading participant, directly undermining the public exchange's automated liquidation safeguards and verifying the absolute absence of physical asset segregation.



- *Source:* Caroline Ellison Nov 9, 2022; "All Hands Meeting" vast amounts of "Open Terms" "Venture Loans" [TimeStamp 0:40].

  AUSA Roos: The defendant WAS Alameda. 90% owner. It took out loans to do crypto trading. Then the defendant started FTX and started getting customer money. He thought this was a new source of money for Alameda. Caroline Ellison told you so

  AUSA Rehn: He gave stolen money to a non-profit his brother controlled. But then Alameda was losing money. The defendant doubled down. He pulled more customer money out of FTX to pay off Alameda's loans. He directed creation of false financial statement

  AUSA Sassoon: When the defendant said FTX had enough to cover all customer holdings, that was a lie. That was taking into account illiquid investments not on the exchange. He said privately they had one-third...

  SBF's Cohen: Sam worked at Jane Street, a highly regarded trading firm. He wanted to create a Jane Street for crypto. From Jane Street he learned you could fund it with third party loans. Then they created the futures exchange, FTX, unsurprisingly called that.

  AUSA: What was his involvement in the crimes?
  Ellison: He was the head of Alameda then FTX. He directed me to commit these crimes.
  AUSA: What makes you guilty?
  Ellison: Alameda took several billions of dollars from FTX customers and used it for investments.

  Ellison: We were discussing having borrowed $10 billion
  AUSA: From where?
  Ellison: FTX customers. Sam was screaming that it was my fault
  AUSA: How did you feel?
  Ellison: I was crying. But it was Sam who made all these investments that put us in this situation

  AUSA: What was the volume of Alameda's loans at the time?
  Ellison: Over $9 billion.
  AUSA: When you wrote "FTX borrows" what did you mean?
  Ellison: The money on the FTX exchange that Alameda could make use of: $7 billion. We had done it before.



AUSA: Did you get any loans from Alameda?
Ellison: One loan of $3.5 million for a gambling company people at FTX wanted to put in my name since I wasn't on the books of FTX. Money also went to political contributions. Ryan Salame got a $35 million loan

AUSA: What did the defendant tell you to do?
Ellison: To continue repaying Alameda's loans.
AUSA: How did you?
Ellison: Taking money from FTX customer funds.

AUSA: At this time, what was FTX's equity value?
Ellison: $20 billion.
AUSA: Did you share your conclusions on possible impacts on Alameda with the defendant?
Ellison: Yes. He suggested we shift our loans to fixed term...
AUSA: Did he dispute the risk?
Ellison: No

AUSA: Please read this. What is a USD return?
Ellison: Return of our US Dollar loans, to this crypto currency address.
AUSA: What is an OT loans?
Ellison: An open term loan. Genesis wanted $400 million back. I was very stressed out. We would have to take from FTX

Ellison: Alameda by Sept 2022 was borrowing $13 billion from FTX customers.
AUSA: How did it go up?
Ellison: We used it to repay loans, and as collateral for other investments.

AUSA: What did you do?
Ellison: Sam said don't sent the balance sheet to Genesis. We were borrowing $10 billion from FTX and we had $5 billion in loans to our own executives and affiliated entities. We thought Genesis might share the info

Ellison: I withdrew $10 million for an investment in a start up. $100,000 for a loan to my parents. And $2 million for my own donor-advised fund.
AUSA: Did you have equity in Alameda?
Ellison: No. And 0.5% of FTX.



AUSA: You calculated a 30% chance Alameda could not repay its loans - was that of concern?
Ellison: Yes.
AUSA: Even if you used FTX customer funds?
SBF's lawyer: Objection!
Judge Kaplan: Overruled
AUSA: And you still wouldn't be able to repay
Ellison: That's right

AUSA: Did Alameda still have lenders?
Ellison: Yes. They were recalling the loans. I wasn't sure how to balance with responsibilities to FTX customers.
AUSA: GX 410. Mr. Arora, an agent of the defendant.
SBF's lawyer: Not in the scope of the agency
Judge: Denied

AUSA: Were you able to convert over to fixed term loans?
Ellison: Not much.
AUSA: Did you tell the defendant?
Ellison: Yes, I regularly updated him. He wanted to expand investments.
AUSA: And if Genesis recalled the loans?
Ellison: We'd borrow from FTX

AUSA: You were assuming that FTX customer money would be available to Alameda?
Ellison: That's right.
AUSA: What does this mean, "Genesis freaks out immediately?"
Ellison: That Genesis would call in all our loans.

SBF's Cohen: You discussed them with Mr. Bankman-Fried?
Ellison: Some.
Cohen: What was your concern with the third party loans?
Ellison: It might look like Alameda was funneling money to FTX executives.

SBF's Cohen: What is this?
Ellison: Loan agreement with Voyager. I signed it.
Cohen: Did you know Ramnik Arora?
Ellison: Yes. I heard him making a lot of calls to investors. FTX was selling shares. Cohen: You didn't prepare materials to investors?
A: I did not



SBF's Cohen: Let's move forward to November 6. You put up a tweet, that Alameda had returned most of its loans - as that true?
Ellison: Not really. We'd returned 3rd party loans, by taking out more loans from FTX.

AUSA: What did the defendant say in this tweet?
Ellison: That FTX was starting a venture fund. This was part of Sam's general push to do more investments.
AUSA: If the money was coming from Alameda, why was it called FTX?
Ellison: The brand.

Cohen: How many Signal channels were you on?
SBF: A few hundred, I think.
Cohen: Did the growth of FTX impact your relationship with Alameda?
SBF: I had to stop being CEO. But I was still involved in ventures. I turned it over to Caroline Ellison and Sam Trabucco

SBF's Cohen: The Robin Hood shares you mentioned, did you know who owned them?
BlockFi's Prince: It turns out I wasn't aware of the nuances.
Cohen: Why did BlockFi seek a loan from FTX in the summer of 2022?
AUSA Roos: Objection! Cumulative!
Judge Kaplan: It is

AUSA Roos: If you'd known Alameda was using FTX customer money, would you have lent?
BlockFi's Prince: No. That is not appropriate.
AUSA: And when FTT dropped what did BlockFi do?
Prince: We called some of the loans. But there were still $650 million outstanding

AUSA Roos: Were you extending loans to Alameda because of your deal with FTX?
SBF's lawyer Cohen: Objection! Leading!
Judge Kaplan: Sustained.
AUSA: Did BlockFi lend to Alameda in 2022?
BlockFi's Prince: Yes, from July to early November, $850 million of loans

AUSA: If you'd known of FTX - Alameda loans would BlockFi have still extended credit?
BlockFi's Prince: No. They would have been insolvent.
AUSA: & if you'd known of Alameda's loans to Sam Bankman-Fried?
Prince: That's not generally done, we'd have been concerned



BlockFi's Prince: It also provided for FTX being able to acquire BlockFi in July 2023. We thought that would happen
AUSA: Did that happen?
Prince: No.
AUSA: But did your arrangement with FTX influence loans to Alameda?
Prince: It was a data point

AUSA: What about his, Skybridge Capital?
Singh: That's Anthony Scaramucci's firm.
AUSA: And this was in September, after your talk?
Singh: Yes... In this one, Sam, Gary and me were supposed to take loans and then give it to FTX US, this was just on-paper

SBF's Cohen: You got cash bonuses of 1 to 2 million?
Singh: I think that's right.
SBF's Cohen: And loans from FTX - let me give you the foundation. You borrowed $477 million from FTX?
Singh: In a sense.
SBF's Cohen: To buy equity in FTX?
Singh: My first

Everdell: You got over $200 million in loans from Alameda?
Gary Wang: Yes.
Everdell: To make venture investments, and to buy a house, right?
Wang: I used $200,000 for a house.
Everdell: What lawyers worked on the promissory notes?
Wang: General counsel, under Dan

AUSA Sassoon: What if anything did you approve about lending to Alameda?
SBF's lawyer Cohen: Same objection.
Judge: Overruled
Sun: I never approved loans of FTX customer funds to Alameda. It was segregated.
AUSA: What was the purpose?
Sun: So not misappropriated



SBF's Cohen: Have you heard of Signal and Slack?
Can Sun: Yes.
Cohen: Were they used by the FTX legal dep't?
Sun: Yes.
Cohen: You said Nishad Singh told you he was concerned about this loans?
Sun: He was worried about repaying
Cohen: Understood

Cohen: After you took the $2.3 million loans, you got a $2.3 million bonus from FTX?
Can Sun: Actually I think it was $3.5 million.
SBF's Cohen: And they were connected?
Can Sun: Well they were both about my employment.

Yedidia: I learned that Alameda used FTX depositors money to pay back Almeda's loans.
AUSA: Were you subpoenaed to be here today?
Yedidia: No.
AUSA: Do you have an immunity order?
Yedidia: Yes.

From: Washburn, Charles
Sent: Tuesday, July 24, 2018 10:57 AM
To: 'Nourafshan, Alexander@DBO'
Subject: RE: Confidential Treatment Re: BlockFi
Importance: High

CONFIDENTIAL

Alex,

I hope this message finds you well.

I am following up to check on the status of our request for an interpretive opinion, a copy of which request I have attached for ease of reference. As you know, it was received by the Department on May 15.

As discussed in more detail in the opinion request, the position taken by the Department to-date that a licensee under the California Financing Law ("CFL") cannot hold collateral I respectfully believe is based on a clear misreading of vestigial language in Section 22009 of the CFL defining the term "finance lender," which hopefully you see as well.

As also discussed in the request, this incorrect Department position is causing substantial harm to our client BlockFi Lending LLC. In particular and as noted in the request for expedited treatment, I understand from the client that a competitor, Unchained Capital, Inc., was granted a CFL license by the Department (60DBO-78867) and based on the Department's web site that license is still active. The client further advises that Unchained Capital is still doing a lending business in California and is still holding crypto currency as collateral in connection

with those loans, while at the same time BlockFi Lending is unable to lend in California on similar terms with respect to holding collateral based on this Department position.

Thank you in advance for your assistance, and I would again be happy to discuss any questions you may have regarding the analysis.

Best regards,

Chuck

Charles Washburn

Partner

Exhibit D

FTX Trading Ltd., et al.,
Time Detail by Activity by Professional
February 1, 2023 through February 28, 2023

Avoidance Actions

Professional	Date	Hours	Activity
David Medway	2/1/2023	0.5	Call with A. Canale, D. Medway (A&M) regarding Alameda venture investment investigation
David Medway	2/1/2023	0.4	Review summary of findings from analysis of Alameda venture investment Loan and Option Agreements
David Medway	2/1/2023	0.4	Call with A. Canale, D. Medway (A&M) regarding Alameda venture investment investigation
David Medway	2/1/2023	0.3	Teleconference with D. Medway and S. Mimms (A&M) regarding Alameda venture investment loan history documentation and Relativity review
David Medway	2/1/2023	0.2	Teleconference with D. Medway and S. Mimms (A&M) regarding updates to Alameda venture investment loan history spreadsheet
David Medway	2/1/2023	0.2	Teleconference with D. Medway and A. Helal (A&M) regarding Alameda venture investment collateral transactions analysis
David Medway	2/1/2023	0.8	Prepare materials summarizing historical Alameda venture investment loan accrued interest and payments
David Medway	2/1/2023	0.5	Investigate cash transactions with Alameda loan counterparty during the preference period

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Matter #: 11807-00001
Invoice Number: 101-0000149656

02/02/23	NH2	Review of engagement letters and populate the summary chart for purpose of Rule 2004 document request (4.8); call with S. Rand related to the review (0.5); call with A. Alden and S. Seneczko for avoidance action analysis (0.6).	5.90	5,336.55
02/02/23	OBY	Team call on issuing Rule 2004 requests (.5).	0.50	452.25
02/02/23	SS6	Research due diligence materials re potential avoidance actions, entities (3.7); draft analysis re same (2.4); correspond with A. Kutscher re same (.1); conference with A. Alden, N. Huh re avoidance action complaints, diligence analysis (.6); review, revise memorandum, materials re same (1.1).	7.90	7,785.45
02/02/23	APA	Review Token Purchase Agreement and memo regarding same (0.8); review memo regarding Venture investments (0.5); teleconference with N. Huh and S. Senezcko regarding tasks and research (0.6).	1.90	2,736.00
02/02/23	EK	Legal and factual research in support of avoidance actions (1.3); case management for avoidance actions (0.3).	1.60	1,994.40
02/02/23	AK2	Confer with J. Young re: venture book avoidance action targets (.2); conduct research and determine next steps re: same (3.7); confer with Alvarez and Marsal re: same (.1); confer with S. Seneczko re: same (.1).	4.10	4,981.50

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		regarding same (0.2); emails to and from A. Kutscher and S. Rand regarding same (0.3); review agreements with venture book target and emails regarding same (1.7); attention to emails from N. Huh and Alvarez and Marsal regarding venture book target (0.3).		
02/07/23	EK	Conference with A&M re avoidance action analysis (0.4); analyze data in connection with avoidance actions (0.5); correspond with team regarding avoidance action analysis (0.3).	1.20	1,495.80
02/07/23	AK2	Confer with S. Rand re: upcoming call with Alvarez and Marsal re: avoidance action targets in venture book (.1); confer with Alvarez and Marsal re: venture book targets for avoidance actions and next steps re same (.1); confer with E. Sutton and Alvarez and Marsal re: same (.1); confer with I. Nesser re: upcoming call re: same (.1); conduct research re: potential avoidance action targets between $10 million and $20 million and determine next steps re: same (2.3); confer with S. Rand and Alvarez and Marsal re: upcoming call re: avoidance action targets in venture book (.1); attend same (1.3); confer with team re: results of same (.1); analyze venture book and revisions to priority cases (2.8); confer with team re: results of same (.2); confer with Alvarez and Marsal re: same (.1); confer with S. Rand re: same (.2); confer with A. Alden re: same (.1); confer with Alvarez and Marsal re: upcoming call on avoidance targets and next steps re: same (.1); confer with I. Nesser re: potential avoidance action target and next steps for avoidance actions generally (.3); confer with M. Smith	8.70	10,570.50

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Matter #: 11807-00001
Invoice Number: 101-0000149656

		Alvarez and Marsal re: financial valuation of potential avoidance target and stock received from purchase, confer with I. Nesser re: same, and confer with Alvarez and Marsal and I. Nesser re: upcoming call re: same (.3); revise draft memorandum on avoidance action target, conduct research re: same, and confer with S. Rand, J. Shaffer, and I. Nesser re: same (.5); confer with A. Roytenberg re: avoidance action target and timing of memorandum re: same (.1); confer with I. Nesser re: memorandum on potential avoidance action, revise comments on same, confer with E. Winston re: same (.3); confer with M. Meadows re: avoidance action document review and documents to provide to investigations team (.1); confer with S. Rand, J. Shaffer, I. Nesser, E. Winston, E. Sutton, E. Kapur, and A. Alden re: upcoming call on status of avoidance action analysis and next steps re: same (.2); draft venture book avoidance analysis status document and confer with team re: same (.4); review and revise draft memorandum on potential avoidance action target, determine next steps re: same, confer with S. Turk and M. Smith re: same, and confer with I. Nesser re: same (.7); draft communication to Sullivan and Cromwell re: data source, confer with S. Rand re: same, and confer with E. Sutton re: same (.3).		
02/27/23	JR8	Prepare draft complaint (5.2), fact research re: same (1.2).	6.40	6,710.40
02/28/23	NH2	Drafted a memo for a target - draft fact sections and legal analysis (2.7), finalized a memo for another target and reviewed investigation result (1.5).	4.20	3,798.90

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Matter #: 11807-00001
Invoice Number: 101-0000149656

		S. Hill (0.2).		
02/28/23	RP	Review documents related to investigations targets (7.7).	7.70	6,964.65
02/28/23	ET3	Drafting and editing memorandum on results of law firm review (5.1).	5.10	2,593.35
02/28/23	KS7	Analyze documents and communications to evaluate in-house counsel targets (summarize same) (5.9).	5.90	5,336.55
02/28/23	TCM	Investigations team calls re. prioritization of bank and law firm 2004s (.5); review of SBF superseding indictment and SEC and CFTC complaints, and associated dockets (3).	3.50	4,252.50
02/28/23	CM	Research regarding law firm review (6.8); Analyze court filings and other documents related to potential claims (1.6).	8.40	4,271.40
02/28/23	JA4	Review of documents for family investigations targets (7.5).	7.50	3,813.75
02/28/23	SH6	Prepare 2004 law firm requests, review and analyze invoices and retainers detailing services of potential targets and emails with QE leadership team re: same (3.5); correspondence with K. Lemire and J. Young re: bank targets for 2004 requests (0.1); review issue documents related to intercompany loans of inside counsel (1.0); review draft in house counsel module and analyze for interview targets (1.0); review and revise family investigation team's political and charitable module (0.9); correspondence with investigation reviewers re: findings related to political and charitable contributions and analyze documents of interest re: the same (1.0); prepare case management topics for upcoming	8.00	6,732.00



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EXHIBIT B

FTX Trading Equity Holders List

Case 22-11068-JTD Doc 450-1 Filed 01/09/23 Page 22 of 65

Coinbase Global, Inc. c/o: The Corporation Trust Company 1209 Orange Street Wilmington, DE 19801 ventures.legal@coinbase.com, brandon.myint@coinbase.com, dan.klawitter@coinbase.com	Preferred	Series B Preferred (PB)	929,989

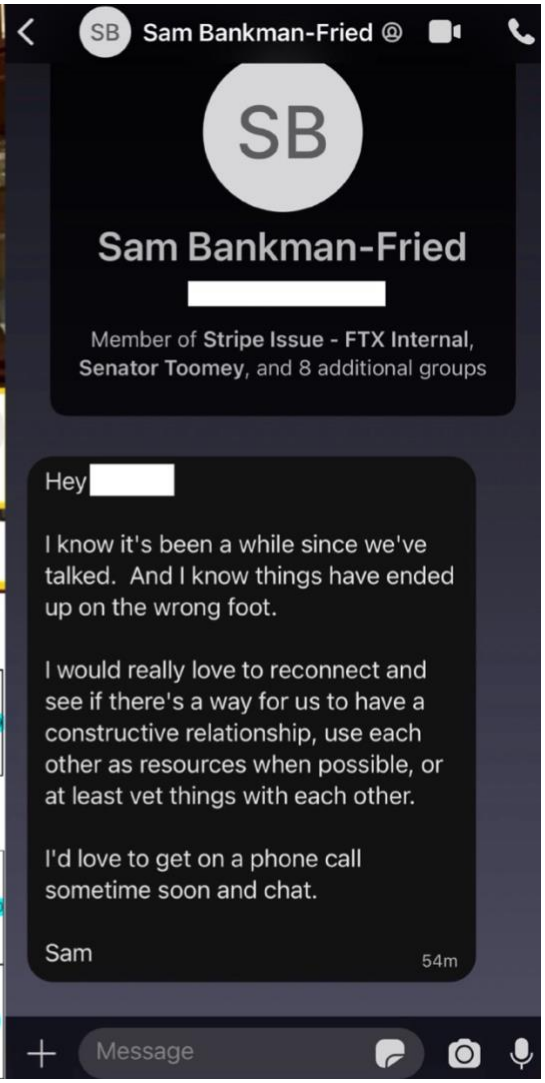
Case 22-11068-JTD Doc 450-1 Filed 01/09/23 Page 1 of 65

EXHIBIT A

WRS Equity Holders List

Case 22-11068-JTD Doc 450-1 Filed 01/09/23 Page 5 of 65

Coinbase Global, Inc. c/o: The Corporation Trust Company 1209 Orange Street Wilmington, DE 19801 ventures.legal@coinbase.com; brandon.myint@coinbase.com; dan.klawitter@coinbase.com; ventures.legal@coinbase.com	Common	Class A Common (CA)	3,992,000
Coinbase Global, Inc. c/o: The Corporation Trust Company 1209 Orange Street Wilmington, DE 19801 ventures.legal@coinbase.com; brandon.myint@coinbase.com; dan.klawitter@coinbase.com; ventures.legal@coinbase.com	Preferred	Series A Preferred (PA)	362,910



Facts Specific to Relief Requested

6. SC30 is "the off-court presence of four-time NBA Champion and two-time MVP, Stephen Curry, which prioritizes endeavors spanning brand partnerships, media, investments and philanthropy." Coverick Decl. Ex. 2. SC30 states that it seeks to partner with, and invest in, organizations that will bring strong financial returns and amplify Curry's brand. *See* Coverick Decl. Ex. 3.

7. On August 11, 2021, Blockfolio and SC30 executed their Agreement pursuant to which Blockfolio agreed to pay SC30 sponsorship fees of $12,000,000 (the "Sponsorship Fees") to SC30 as follows: $4,000,000 upon execution of the Agreement, $1,000,000 one year after the execution of the Agreement, and $1,000,000 every three months thereafter until all sponsorship fees are paid. Agreement § 5(A). In return, Curry would contribute each year a maximum of twenty "service hours," for which Curry could be asked to, among other things, participate in personal and virtual appearances, photo shoots for the purpose of creating

advertising materials, and provide autographs, limited to a maximum of fifty autographed items each year. Agreement § 4.

8. Under section 5(B) of the Agreement, Blockfolio also agreed to a separate cryptocurrency compensation whereby Blockfolio would deposit into Curry's FTX.com exchange account $500,000 per year in cryptocurrencies of Curry's choosing. Instead of making a payment in cryptocurrency, Blockfolio also could make a payment equal to the cryptocurrency compensation in cash. Agreement § 5(B).

9. Prepetition, Blockfolio paid a total of $6 million in Sponsorship Fees and cryptocurrency compensation under the Agreement. On September 14, 2021, Blockfolio received an invoice for the first $4,000,000 payment, and Blockfolio paid SC30 the invoiced $4,000,000 on September 30, 2021. On July 18, 2022, Blockfolio received an invoice for the second $1,000,000 payment, which Blockfolio paid to SC30 on July 19, 2022. Under the cryptocurrency compensation portion of the Agreement, Blockfolio paid Curry a total of $1 million. On August 27, 2021, Debtor West Realm Shires Services Inc., on behalf of Blockfolio, paid Curry $500,000 in cash. On August 9, 2022, Blockfolio paid Curry the following cryptocurrencies: 12.93 BTC, 58.82 ETH, and 2,470 SOL, which amounted to $500,000.

5. COMPENSATION.

A. In consideration of the rights and services granted to Company by Consultant hereunder, Company agrees to pay to Consultant Twelve Million Dollars ($12,000,000) (the "***Cash Compensation***") payable in accordance with the following schedule:
- $4,000,000 due upon the execution hereof;
- $1,000,000 due one (1) year following the Effective Date; and
- $1,000,000 due every three (3) months thereafter during the Term until the full Cash Compensation is paid.

B. Every Contract Year, Company shall pay to Consultant Five Hundred Thousand Dollars ($500,000) in the cryptocurrency or cryptocurrencies of Talent's choosing and deposited into Talent's FTX/Blockfolio account, subject to any applicable restrictions on such cryptocurrency or cryptocurrencies being transferred to Talent (the "***Crypto Compensation***"), provided to the extent Company cannot provide Crypto Compensation due to such applicable restrictions, Company shall provide an amount equal to such Crypto Compensation in cash, which shall be due with the next

installment of any Cash Compensation. The Crypto Compensation shall be due on the Effective Date for Contract Year One, and on the first day of each subsequent Contract Year in Contract Year Two and Contract Year Three. Notwithstanding the foregoing and for the avoidance of doubt, the Crypto Compensation paid in connection with each Contract Year shall remain in Talent's FTX/Blockfolio account for twelve (12) months following the initial deposit thereof and shall not be subject to forfeiture for any reason.

C. In addition to the Cash Compensation and Crypto Compensation Consultant shall be entitled to receive common shares of FTX TRADING LTD on the terms outlined in the attached Exhibit A, incorporated herein for reference (the "***Equity Compensation***").

D. The Cash Compensation shall be paid by wire transfer to the bank account designated by "SC30 Inc." and paid/wired as directed by invoice. The Cash Compensation shall be payable in U.S. Dollars, provided upon notice to Company, Consultant or Talent may request that Company make any payment due hereunder in the cryptocurrency or cryptocurrencies of Talent's choice into Talent's FTX/Blockfolio account subject to any applicable restrictions on such cryptocurrency or cryptocurrencies being transferred to Talent. Furthermore, if Consultant or Talent provides notice to the Company that Talent wants the Cash Compensation to be made to an alternate account, the Company shall follow such instructions of Consultant or Talent, as applicable.

EXHIBIT A
Equity Compensation Terms

On the Effective Date, Talent will receive from FTX TRADING LTD. (the "Issuer") 572,301 shares of the common stock of Issuer (the "***Shares***").

For purposes of calculating the number of Shares issued to Talent, Issuer will divide $15 million by the per share price paid by investors for shares of preferred stock in Issuer's current financing round ($17 billion pre-money fully diluted valuation).

Vesting. One third (1/3) of the Shares will be vested upon issuance, one sixth (1/6) of the Shares shall vest one year from the Effective Date, and the remaining one half (1/2) of the Shares will vest ratably on a daily basis over the first three years of the Term. Except as otherwise set forth in the Award Agreement or determined by the Issuer, the Shares may not be transferred until vested, and vesting will cease and any then-unvested Shares (after taking into account any accelerated vesting, if any, that occurs in connection with such termination) will be cancelled upon termination of the Agreement prior to expiration of the initial 3-year term.

In the event of a change of control of the Company during the Term, including but not limited to a SPAC transaction, all of the then-unvested Shares will automatically vest, if and only if the Company or its successor terminates this Agreement in violation of the permitted terminations pursuant to the Agreement as outlined in Section 11 of this Agreement.

Talent acknowledges that the issuance of the Shares to Talent will have tax consequences and Talent is responsible for paying any taxes for which he is liable under applicable law with respect to the Shares.

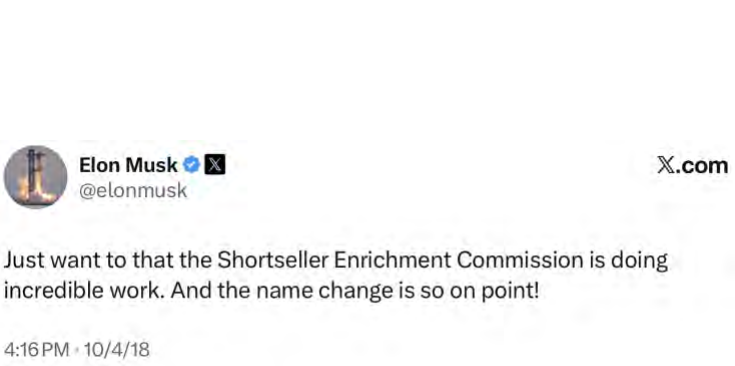
The Shares will be subject to the terms set forth in an award agreement between Issuer and Talent, in a form mutually agreed upon by Issuer and Talent (the "***Award Agreement***").



IX. Public Backlash and the Weaponization of Unhedged Short Positions

The complete absence of a unified audit trail tracking order mis-marking, tokenized rehypothecation, and hidden institutional short interests has led to a complete breakdown of trust in market fairness. This opacity has catalyzed two dangerous phenomena:

1. **Vocal on Short Selling:** Elon Musk have repeatedly called out naked short selling on public channels, what he terms the "Shortseller Enrichment Commission", utilizing social media to openly mock regulatory bodies (such as releasing promotional merchandise like "radiant red satin short shorts") to highlight criminal institutional short books.
2. **Catastrophic Sovereign Losses:** Major institutional actors and global tech founders [i.e. Jim Chanos **(Kynikos Associates)**; John Hempton **(Bronte Capital Management Pty Ltd)**; George Nobles; Chase Coleman **(Tiger Global Management)**; Phillippe Laffont **(Coatue Management)**; Peter Thiel **(Valar Ventures)**; Robert Citrone **(Discovery Capital Management, LLC)**; David Saunders **(K2 Advisors)**; Marc Andreessen, Ben Horowitz **(a16z)**; Ravi Mhatre, Peter Nieh, Barry Eggers, Christopher Schaepe **(Lightspeed Venture Partners);** Micky Malka **(Ribbit Capital);** Paul Graham, Jessica Livingston, Robert Tappan Morris, Trevor Blackwell **(Y Combinator);** Scott Goodwin and Jonathan Lewinsohn **(Diameter Capital Partners LP, Anchorage Capital Group, Apollo);** Brad Gerstner **(Altimeter Capital);** Daniel Sundheim **(D1 Capital Partners);** Alfred Lin **(Sequoia Capital);** Teo Chee Hean **(Temasek Holdings);** Patrick Soon-Shiong **(NantWorks & Nant Capital);** Ken Griffin **(Citadel LLC);** Steve Cohen **(Point72);** Matt Huang, Fred Ehrsam **(Paradigm);** & Bill Gates] have suffered massive financial consequences from constructing unhedged short positions without transparent market visibility. Unhedged short exposure targeting 1% of Tesla's outstanding shares (initially valued as a $500 million bet by entities associated with Bill Gates) ballooned into cumulative unrealized losses exceeding $10 billion as the underlying equity surged past $495 per share.







IN THE MATTER OF: TESLA STOCK SHORTING INQUIRY

WITNESS: Bill Gates

FORUM: Wall Street Journal Interview

DATE OF RECORDING: May 4, 2022

VIDEO SOURCE: WSJ Interview via YouTube

EXAMINER INQUIRY & WITNESS RESPONSE SUMMARY

[02:54] — Topic: Personal Conflict & Shorting Tesla Stock

Inquiry: The examiner brings up Musk's recent critical public tweets directed at Gates, asking if they bother him, and directly confronts him with the underlying concern: "Are you shorting Tesla?"

Gates Response: Gates states that the social media comments do not bother him. Regarding the short position, Gates pivots by stating it is simply a market reality that if a stock goes down, anyone shorting it makes money. He claims he has not closely followed whether the stock fell in the preceding month.



Gates Position on Climate: Gates explicitly rejects the premise that holding a short or long position in Tesla functions as a benchmark or statement regarding an individual's seriousness about climate change. He notes that he personally dedicates billions of dollars to climate change innovation and commends Tesla's historic role in the green transition, stating he has only positive things to say about Musk's industrial contributions.

WITNESS: Elon Musk (Chief Executive Officer, Tesla, Inc.)

INTERVIEWER: Chris Anderson (Head of TED)

DATE OF VIDEO PROCEEDING: April 14, 2022

VIDEO SOURCE: Elon Musk live at TED2022

EXCERPT TRANSCRIPT

MR. CHRIS ANDERSON: Let me ask this... how can I say is... funding secured?

MR. ELON MUSK: [28:18] At the time, Tesla was in a precarious financial situation, and I was told by the banks that if I did not agree to settle with the SEC, that they would... the banks would cease providing working capital, and Tesla would go bankrupt immediately. So that's like having a gun to your child's head. So I was forced to concede to the SEC unlawfully, those bastards. [28:48] And and and now that they... they say it makes it look like I lied, when I did not in fact lie. I was... I was forced to admit that I lied for... to save Tesla's life, and that's the only reason.

MR. CHRIS ANDERSON: Given what's actually happened... given what's actually happened to Tesla since then, though, aren't you glad that you didn't take it private?

MR. ELON MUSK: [29:01] Yeah, I mean it's difficult to put yourself in the position at the time. Tesla was under the most relentless short seller attack in the history of the stock market. Uh, there's something called "short and distort," um, where the barrage of negativity that Tesla was experiencing from short sales on Wall Street was beyond or belief. Tesla was the most shorted stock in the history of stock markets. [29:33] This is saying something.

So, you know, this was affecting our ability to hire people. It was affecting our ability to sell cars. It was... uh, they were... yeah, it was terrible. Um, yeah, they wanted Tesla to die so bad they could taste it.

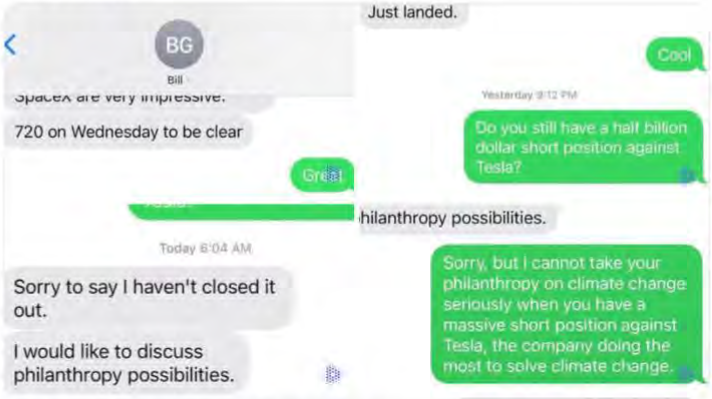
MR. CHRIS ANDERSON: Well, most of them have paid the price.

MR. ELON MUSK: [29:49] Yes, where are they now?

Whole Mars Catalog @wholemars · 4/22/22

So apparently Bill Gates hit up @elonmusk to discuss "philanthropy on climate change" but Elon asked if he still had a half billion dollar short position on $TSLA.

Bill said he hasn't closed it out, so Elon told him to get lost. No idea if this is true lol



1.4K 9.6K 50K

Whole Mars Catalog @wholemars · 4/22/22

@elonmusk is this real lol

81 462 9K

Elon Musk @elonmusk X.com

Yeah, but I didn't leak it to NYT. They must have got it through friends of friends.

I heard from multiple people at TED that Gates still had half billion short against Tesla, which is why I asked him, so it's not exactly top secret.

11:12 PM · 4/22/22

Ian Miles Cheong @ianmiles · 9/11/23

Bill Gates says Elon Musk was 'super mean' to him following Tesla short position. In my opinion you cannot be mean enough to Bill Gates.



From rebelnews.com

475 752 6.1K 867K

Elon Musk @elonmusk X.com

Just so that the public understands:

Taking out a short position against Tesla, as Gates did, results in the highest return only if a company goes bankrupt!

Gates placed a massive bet on Tesla dying when our company was at one of its weakest moments several years ago. Such a big short position also drives the stock down for everyday investors.

To the best of my knowledge, Gates *still* has that massive bet against Tesla on the table. Someone should ask him if he does.

The lack of self-awareness and hypocrisy of Gates who had the nerve to ask me to donate to his mostly window-dressing environmental causes, while simultaneously aiming to make $500M from Tesla's demise, boggles the mind ... 😵

5:12 PM · 9/11/23 · **2.7M** Views

Alex @alex_avoigt · 5/28/24

By constantly shorting Tesla for years the fund of Jim Chanos has lost 96% of its value from $6bn in 2008 down to $200m in Nov 2023.

Never bet against Elon.

56 128 1.6K 217K

Elon Musk @elonmusk X.com

It's not just that he would short Tesla, he would also push false stories about Tesla in the media, who performed for him like circus poodles!

12:28 AM · 5/29/24 · **139K** Views



SUBJECT: SHORTING TESLA STOCK / ENVIRONMENTAL INCONSISTENCY CLAIMS

INTERVIEW TRANSCRIPT

WITNESS: BILL GATES

DATE OF INTERVIEW: June 2, 2022

INTERVIEWER: Hugo Travers (HugoDécrypte)

[13:46] **MR. TRAVERS:** So this is a telephone emoji, so let's discover basically what's, uh, what's behind. So it's a text message discussion between you and Elon Musk, so the owner of Tesla, and recently, uh, Twitter. The screenshots were leaked, leaked on Twitter, and Elon Musk a few days ago, as you know, confirmed this discussion happened.

[14:07] In this chat, Elon Musk said that he can't work with you on financial philanthropic projects because you were shorting on Tesla, basically trying to make profit with a fall of Tesla's stock price. And Elon Musk sees this as contradictory to the desire to fight, uh, climate change, as you say you should support Tesla as an electric development. First of all, do you think he's right? And then, most importantly, how do you handle the fact, as, as a billionaire, you might want to fight for causes, whatever they are, like climate change, but at the same time, you might want to make your money grow through investments?

[14:36] **MR. GATES:** Well, Tesla's not short of capital, and Tesla's done a fantastic job. The cars are great. Uh, I give, give a lot more money to climate change than, uh, Elon or, or anyone else.

[14:52] Uh, I give lots of philanthropic dollars, I back companies. You know, electric car, cars are about 16% of emissions, so we also need to solve that other 84%. But, you know, he's done a great job, but somebody's shorting his stock doesn't slow him down or hurt him in any way.

Transcription of the relevant segment of the audio/visual recording provided via YouTube Link: Bill Gates - L'interview face cachée, extracted specifically at the requested timestamp location of **[13:46]** through **[15:15]**.

Whole Mars Catalog @wholemars · 7/2/24
Suck my balls

> **ValueAnalyst** @ValueAnalyst1 · 7/2/24
> What do you say to $TSLA bears?
>
> 94 62 1.8K 189K

Elon Musk X.com
@elonmusk

😂

Once Tesla fully solves autonomy and has Optimus in volume production, anyone still holding a short position will be obliterated. Even Gates.

11:09 AM · 7/2/24 · **1.6M** Views

Michael A. Arouet @MichaelAArouet · 12/16/25
Fun fact: if Bill Gates hadn't listened to Warren Buffett and hadn't sold his Microsoft shares to diversify, he would be the world's first trillionaire, worth twice as much as Elon.

What do we learn from this story?

Rank	Name	Total net worth	$ YTD change
1	Elon Musk	$638B	+$205B
2	Larry Page	$265B	+$96.8B
3	Sergey Brin	$246B	+$88.2B
4	Jeff Bezos	$246B	+$6.99B
5	Larry Ellison	$238B	+$46.1B
6	Mark Zuckerberg	$229B	+$21.5B
7	Bernard Arnault	$202B	+$26.1B
8	Steve Ballmer	$166B	+$19.0B
9	Jensen Huang	$153B	+$39.0B
10	Warren Buffett	$152B	+$10.2B

1.5K 1.4K 23K 3.1M

Elon Musk X.com
@elonmusk

Bill Gates placed a massive short bet against Tesla of ~1% of our total shares, which might have cost him over $10B by now

10:27 AM · 12/17/25 · **2.4M** Views

Teslaconomics @Teslaconomics · 12/9/24
This is why it's a big [redacted] to Bill Gates since day 1 $TSLA

> **Elon Musk**
> @elonmusk
>
> Just so that the public understands:
>
> Taking out a short position against Tesla, as Gates did, results in the highest return only if a company goes bankrupt!
>
> Gates placed a massive bet on Tesla dying when our company was at one of its weakest moments several years ago. Such a big short position also drives the stock down for everyday investors.
>
> To the best of my knowledge, Gates *still* has that massive bet against Tesla on the table. Someone should ask him if he does.
>
> The lack of self-awareness and hypocrisy of Gates who had the nerve to ask me to donate to his mostly window-dressing environmental causes, while simultaneously aiming to make $500M from Tesla's demise, boggles the mind ... 😎
>
> 2:12 PM · 9/11/23 · **2.7M** Views
>
> 2.6K 6.2K 31K 864

158 420 3.7K 223K

Elon Musk X.com
@elonmusk

If Tesla does become the world's most valuable company by far, that short position will bankrupt even Bill Gates

1:44 AM · 12/10/24 · **2.1M** Views

Tesla Owners Silicon Valley @teslaownersSV · 11/15/25

Dang, Bill is covering his $TSLA short

> **Barchart** @Barchart · 11/15/25
>
> Bill Gates Foundation dumped 65% of its Microsoft $MSFT position for a total of $8.8 Billion Wut?
>
> **GATES FOUNDATION TRUST**
>
> 
>
> 46 128 1.9K 361K

Elon Musk @elonmusk

X.com

If Gates hasn't fully closed out the crazy short position he has held against Tesla for ~8 years, he had better do so soon

6:53 AM · 11/16/25 · **4.4M** Views

X Freeze @XFreeze · 2/16/26

Epstein was desperately spamming invites, trying to get Elon to the island, using every connection he had

Elon had to blocklist him at the SERVER LEVEL

That's how badly Elon wanted zero contact with Epstein - completely blacklisted from SpaceX



1K 3.4K 27K 1.8M

Elon Musk @elonmusk

X.com

Yup

That really made him upset. After I ghosted him, Epstein went on a massive campaign to short Tesla and got Gates to short 1% of Tesla stock when the market cap was $40B. As far as I know, Gates still has the short open.

Someone should ask him how that's working out

2:46 AM · 2/16/26 · **4.3M** Views



Short-selling is fundamentally defined by an extreme, asymmetrical risk curve: while a long investor's maximum loss is strictly capped at 100% of their initial capital, an unhedged short position faces theoretically infinite upside liability. When retail platforms like Gemini Earn concurrently lock up nearly a billion dollars in customer funds due to unsecured institutional lending failures by entities like Genesis, it becomes clear that the systemic cost of unmapped short exposure is invariably offloaded onto the public.

X. Explicit Recommendations for Enhanced Data Standards under File No. S7-2026-12

To address these vulnerabilities and protect the integrity of the U.S. financial system, the SEC must update the Consolidated Audit Trail rules to include the following mandates:

- **Stricter Algorithmic Audits on Short-Sale Marking and Riskless Principal Processing:** The Commission must mandate daily automated verification routines within the CAT system to programmatically cross-check firm execution records against actual clearing settlements. Broker-dealers processing client orders on a riskless principal basis must be restricted from using internal logic that delays aggregate inventory updates. All "child order" execution legs must report and update position engines in real time, regardless of whether institutional underlying clients request deferred or "roll-up" data reporting.
- **Mandatory Integration of Tokenized Securities and Cross-Chain Swaps:** The CAT must systematically capture all digital assets, stablecoin pairs, and tokenized stock certificates tracking national market system (NMS) securities. Any offshore or onshore entity utilizing "riskless principal" routing to issue asset-backed tokens must be subjected to real-time transaction reporting.
- **Elimination of the Broker-Dealer Reporting Shield:** Quantitative investment vehicles and market-makers utilizing internal broker-dealer licenses must be stripped of reporting exemptions. They must face identical 48-hour disclosure windows when accumulating significant stakes, and all short positions must require clear pre-borrow verification before execution.
- **Transition to Open-Source, Non-Proprietary Identifiers:** In alignment with current retail advocacy filings submitted under the Financial Data Transparency Act (FDTA) (File Number S7-2024-05), the Commission must replace restrictive, copyrighted CUSIP identification systems with an open-source, non-proprietary data architecture. Proprietary identification networks allow institutions to mask synthetic rehypothecation loops across alternative trading systems; a public, uniform tracking framework is required to bring total clarity to short accounting.



Executive Conclusion: Systems Risk, Synthetic Leverage, and Shadow Network Exposure

The collective empirical data, statutory disclosures, and internal multi-brokerage ledgers mapped between 2003 and 2023 reveal a systemic breakdown in legacy reporting frameworks. Traditional oversight systems fail to capture a massive network of cross-border parallel ledgers and synthetic derivatives, which has exponentially inflated institutional operational exposure from a baseline of **$26.8 quintillion up to an unprecedented $1.187 sextillion**. To mitigate catastrophic liquidity distortions and protect retail market structures, the Consolidated Audit Trail (CAT) must be structurally modernized to ingest the following empirical realities:

1. The Proliferation of Shadow Networks and Off-Market Capital Funnels

- **Epstein / JPMorgan Revenue Engine:** Internal Private Banking records show that the relationship with Jeffrey Epstein and his primary client, Leslie Wexner, generated over **$4.5 million in revenue in 2003 alone**, fueled entirely by complex foreign exchange (FX) transactions, options, total return swaps, and structured products managed across specialized ISDA/GIO desks.
- **The $100 Billion Asset Target:** Behind-the-scenes structuring from 2011 to 2013 for Bill Gates' proposed "Super Donor Advised Fund" (Project Molecule/Nucleus) reveals plans to use JPM as a fiduciary to ingest complex, unlisted "funky assets." The financial roadmap explicitly targeted a scale of **$100 billion in assets within two years** of launch, establishing minimum entry contributions of **$100 million per donor**.
- **Offshore Legal Funnels:** Corporate operations actively utilized custom-built shell structures—such as Crypto Currency Partners II, LLC—designed explicitly to "funnel" assets away from transparent regulatory visibility, while foundational entities like FTX orchestrated massive multi-billion-dollar liquid flows (e.g., executing a single transfer of **1,764,040 BNB and over $1.071 billion BUSD** directly to Binance).

2. The Decoupling of 1:1 Physical Hedging and Sub-Ledger Netting Evasion

- **The 13(f) Disclosure Disconnect:** Regulatory filings reveal that prime brokers routinely run immense synthetic exposures that completely detach from physical holdings. For example, statutory dockets show Credit Suisse reporting **2,088,120 physical shares** of Baidu (BIDU) while running a synthetic swap exposure of **6,968,500 shares** for Archegos. Similarly, Goldman Sachs held **2,754,520 physical shares** of Discovery A while maintaining an active client swap exposure of **7,531,577 shares**.
- **Internalized Market Control:** Prime brokers weaponized internal sub-ledgers to net long and short client positions to zero outside of the lit market. Internal trading desk admissions confirm total price manipulation, acknowledging that asset prices would not be anywhere near their public valuations without synthetic manipulation ("We were literally the market").

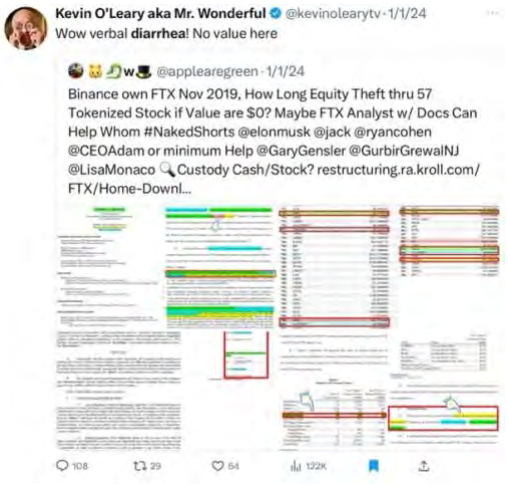
In conclusion, while we note the Commission's intent to standardize reporting for fully collateralized event contracts, this framework cannot be effectively implemented if it continues to ignore the **empirical realities of systemic shadow-ledger rehypothecation.** The data provided in the sources indicates that theoretical institutional operational exposure has surged from a $26.8 quintillion baseline to an **unprecedented $1.187 sextillion**, a scale that renders traditional legacy demand metrics effectively obsolete.

For this proposed alternate framework to foster true market integrity, the Commission must move beyond a mere taxonomy shift and mandate the following structural reforms:

- **Modernization of Audit Trails:** Reporting requirements must be upgraded to ingest **atomic, sub-ledger derivatives and synthetic wrappers on an un-netted basis**. As seen in the Archegos failure, tracking only final net positions allows for the massive masking of counterparty risk through parallel ledgers, where prime brokers like Credit Suisse and Goldman Sachs ran synthetic exposures millions of shares higher than their reported physical holdings.
- **Elimination of the Proprietary Reporting Shield:** The Commission must ensure that **quantitative funds and market makers** are no longer permitted to use internal broker-dealer licenses to bypass real-time disclosure mandates. The sources highlight how firms like Renaissance Technologies have used these internal routing shields to systematically accumulate massive positions away from public oversight.
- **Transition to Open-Source Identifiers:** The CFTC should mandate a move away from restrictive, proprietary identification systems like CUSIP toward **uniform, open-source data architecture**. Proprietary networks currently allow institutions to mask synthetic rehypothecation loops across alternative trading systems; a public tracking framework is required for total clarity in short accounting.

Without these updates, the new taxonomy risks providing a "regulatory wrapper" for a system that remains fundamentally exposed to **hidden, sextillion-dollar liquidity cliffs**. We urge the Commission to ensure that this guidance is paired with the technical mandates necessary to secure the structural integrity of the global markets.

Respectfully submitted,
Conan Mak (Former Domino's Pizza Franchisee)
Global Retail Market Participants & The Apes Together Strong Movement



Comprehensive Master Chronological Timeline

Phase 1: Traditional Banking Infrastructure & Early Shorting Strategies (2003–2013)

- **October 8, 2003:** JP Morgan Private Bank issues an internal briefing outlining financial advising services for Jeffrey Epstein, focusing on utilizing leveraged structures like options and total return swaps (TRS) to optimize yield and mask direct market exposure.

Case 1:22-cv-10904-JSR Document 242-25 Filed 07/25/23 Page 2 of 3

Subject: NEED YOUR HELP PLEASE - TONIGHT

From: marcus.sheridan@jpmorgan.com

Date: Wed, 08 Oct 2003 22:19:57 +0000

To: "mary rieth/jpmchase"

----- Forwarded by Marcus Sheridan/JPMCHASE on 10/08/2003 06:19 PM -----

Jeffrey Epstein (Tad -- this is your edited version)
Jeffrey Epstein is a financial advisor to several very large clients, and works with multiple institutions to invest on behalf of his clients. Our investment revenue is derived primarily from FX trades done between Epstein and Laurie Cameron. Epstein invests in FX for his own account and for Les Wexner (chairman of Limited Brands). It is unlikely that Epstein would be interested in a discretionary IM account managed by JPM. He also has direct access to most hedge funds and private equity opportunities, and has shown limited interest in accessing those through JPM. He has helped us source several managers including Glen Dubin and steve salman. Future investment revenue opportunities are: continued FX trading, reverse-inquiry structured products, and opportunistic fixed income and equity ideas using leveraged structures such as options and total return swaps.

HUBUS133 Alpha Group Capital

Convertible arbitrage is an example of a relative value strategy. Another example of this strategy is where the Capital Structure Fund acquires a long position in an issuer's debt which is hedged by an offsetting position in another security in the same capital structure. A relative value trade also may involve the use of other instruments (such as a credit default swap) in conjunction with the long positions. This strategy also could be reversed at times, to center around a short position in the issuer's debt, hedged with offsetting long position/s.

Convertible Arbitrage Strategy

The Capital Structure Fund's convertible arbitrage strategy consists of buying, selling and trading convertible securities, typically including hedging a portion of the risk inherent in such securities. Convertible hedging combines the use of other instruments in conjunction with a convertible security with a view to controlling risk while seeking capital gains. Convertible securities may be hedged by selling short some or all of the common stock issuable upon conversion of such securities, or by establishing "synthetic" short positions through derivatives and options transactions.

Hudson Bay Capital will employ a variety of convertible arbitrage trading and investment strategies for the Capital Structure Fund. The primary objective of such trading is to profit from mispricings and anomalies between and among the various instruments traded, seeking to exploit a relatively small perceived spread on any given trade. The successful identification of mispriced securities and contracts requires expertise in assessing the relative values of different but related instruments.

The value of a security is influenced by a number of characteristics, including credit quality, volatility, liquidity and "borrowability," as well as "corporate event" risk (*e.g.*, change of control transactions). In order to mitigate these risks, Hudson Bay Capital utilizes fundamental credit research along with quantitative analysis and modeling in making investments with regard to the equity and fixed income components of any particular investment.

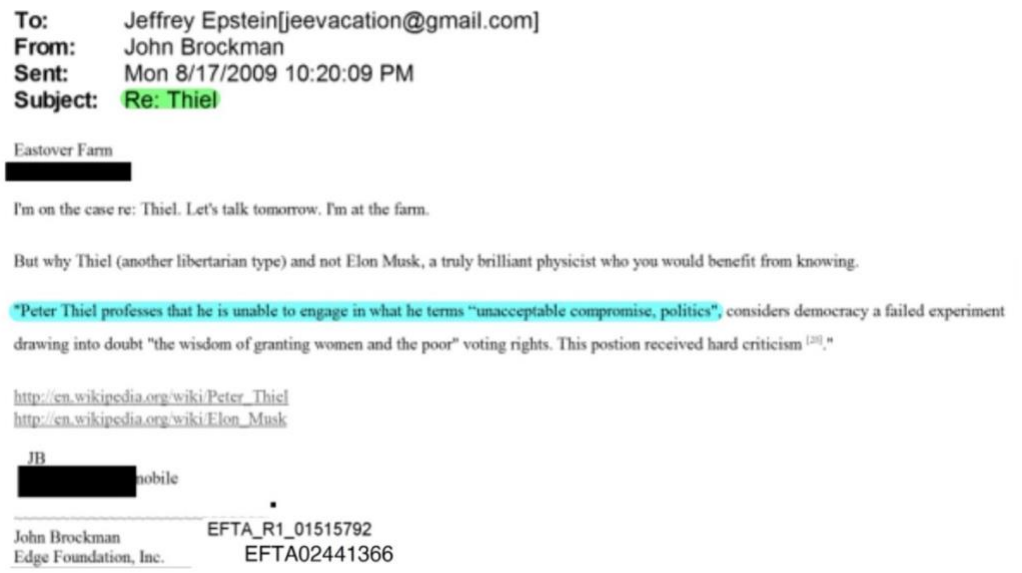
"Low Premium" Convertibles

At times in the life cycle of a convertible or equity-linked instrument, that instrument will trade at a valuation near to the market valuation of the equity into which it converts. This may be due to the underlying equity trading above the effective conversion price, the occurrence of certain corporate or market events, limited availability of borrowable shares for hedging purposes, structural or regulatory issues and/or other factors. As a result, Hudson Bay Capital may enter into a long position in such convertible or equity-linked instrument and a short position in the underlying equity (and possibly incorporate other hedging methods). Such trades may provide a cash flow arbitrage opportunity, a synthetic put on the related equity or may be utilized as an equity substitution vehicle (unhedged or not fully hedged) in a directional trade.

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- **August 17, 2009:** Literary agent John Brockman emails Epstein regarding Peter Thiel's core operational philosophy, writing that Thiel professes an absolute inability to engage in "unacceptable compromise" or "politics."



To: Jeffrey Epstein[jeevacation@gmail.com]
From: John Brockman
Sent: Mon 8/17/2009 10:20:09 PM
Subject: Re: Thiel

Eastover Farm
[redacted]

I'm on the case re: Thiel. Let's talk tomorrow. I'm at the farm.

But why Thiel (another libertarian type) and not Elon Musk, a truly brilliant physicist who you would benefit from knowing.

"Peter Thiel professes that he is unable to engage in what he terms "unacceptable compromise, politics", considers democracy a failed experiment drawing into doubt "the wisdom of granting women and the poor" voting rights. This postion received hard criticism [20]."

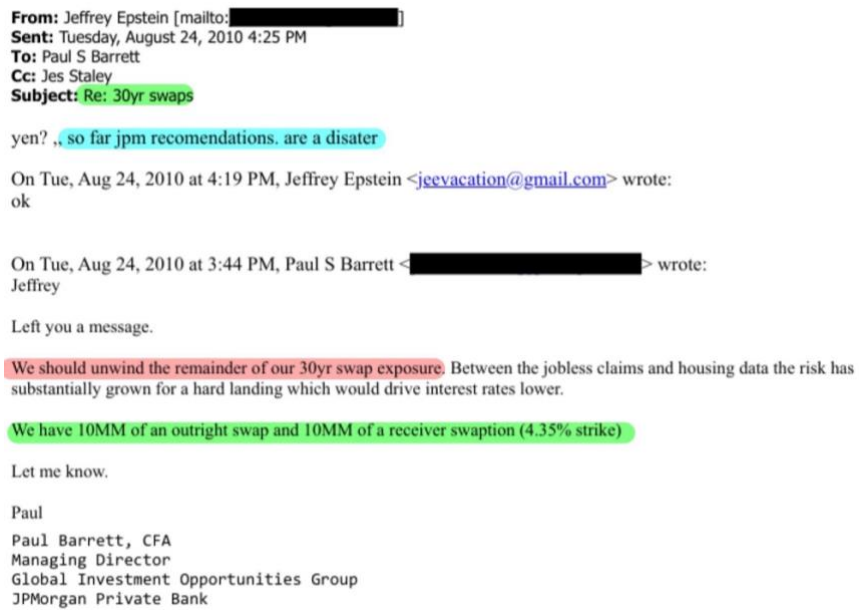
http://en.wikipedia.org/wiki/Peter_Thiel
http://en.wikipedia.org/wiki/Elon_Musk

JB
[redacted]nobile

John Brockman
Edge Foundation, Inc.

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  - *Source:* Department of Justice USVI v. JPMorgan Chase Bank, Case No. 1:22-cv-10904 (S.D.N.Y.).
- **August 24, 2010:** Paul S. Barrett (JP Morgan Private Bank Managing Director) advises Epstein to immediately unwind his remaining 30-year swap exposure due to high economic hard-landing risks. Later that evening, Epstein emails Barrett and Jes Staley sharply criticizing the firm's guidance: *"Yen?,, So Far JPM Recommendations. Are A Disaster"*.



From: Jeffrey Epstein [mailto:[redacted]]
Sent: Tuesday, August 24, 2010 4:25 PM
To: Paul S Barrett
Cc: Jes Staley
Subject: Re: 30yr swaps

yen? ,, so far jpm recomendations. are a disater

On Tue, Aug 24, 2010 at 4:19 PM, Jeffrey Epstein <jeevacation@gmail.com> wrote:
ok

On Tue, Aug 24, 2010 at 3:44 PM, Paul S Barrett <[redacted]> wrote:
Jeffrey

Left you a message.

We should unwind the remainder of our 30yr swap exposure. Between the jobless claims and housing data the risk has substantially grown for a hard landing which would drive interest rates lower.

We have 10MM of an outright swap and 10MM of a receiver swaption (4.35% strike)

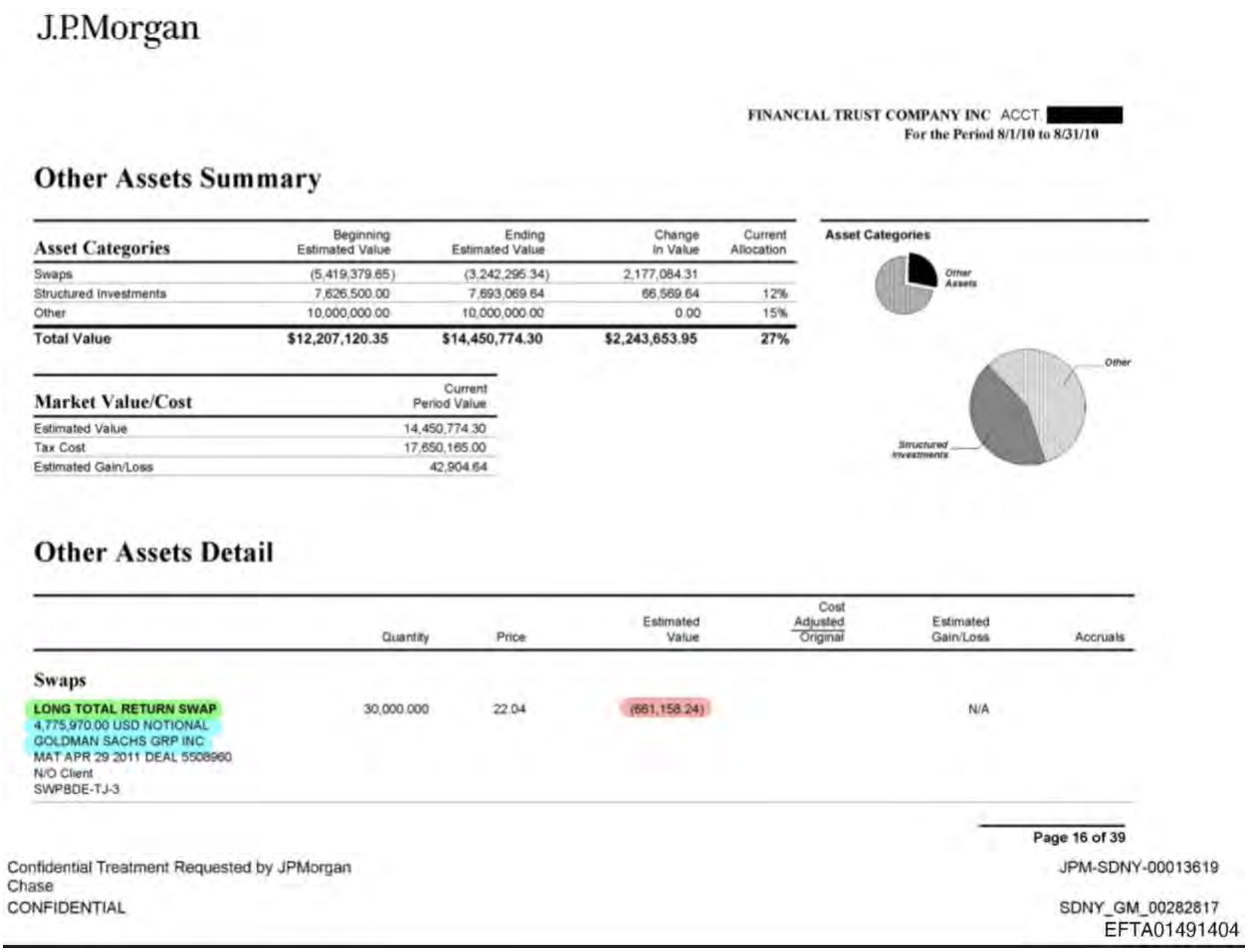
Let me know.

Paul

Paul Barrett, CFA
Managing Director
Global Investment Opportunities Group
JPMorgan Private Bank

  - *Source:* Department of Justice USVI v. JPMorgan Chase Bank, Case No. 1:22-cv-10904 (S.D.N.Y.).

- **August 2010 (Full Month):** Internal monthly banking statements track Epstein's major losses on a Long Total Return Swap managed by JP Morgan on Goldman Sachs Group Inc. equity, utilizing a USD Notional value of $4,775,970.



J.P.Morgan

FINANCIAL TRUST COMPANY INC ACCT [redacted]
For the Period 8/1/10 to 8/31/10

Other Assets Summary

Asset Categories	Beginning Estimated Value	Ending Estimated Value	Change In Value	Current Allocation
Swaps	(5,419,379.65)	(3,242,295.34)	2,177,084.31	
Structured Investments	7,626,500.00	7,693,069.64	66,569.64	12%
Other	10,000,000.00	10,000,000.00	0.00	15%
Total Value	**$12,207,120.35**	**$14,450,774.30**	**$2,243,653.95**	**27%**

Asset Categories

Market Value/Cost	Current Period Value
Estimated Value	14,450,774.30
Tax Cost	17,650,165.00
Estimated Gain/Loss	42,904.64

Other Assets Detail

	Quantity	Price	Estimated Value	Cost Adjusted Original	Estimated Gain/Loss	Accruals
Swaps						
LONG TOTAL RETURN SWAP 4,775,970.00 USD NOTIONAL GOLDMAN SACHS GRP INC MAT APR 29 2011 DEAL 5508960 N/O Client SWPBDE-TJ-3	30,000.000	22.04	(661,158.24)		N/A	

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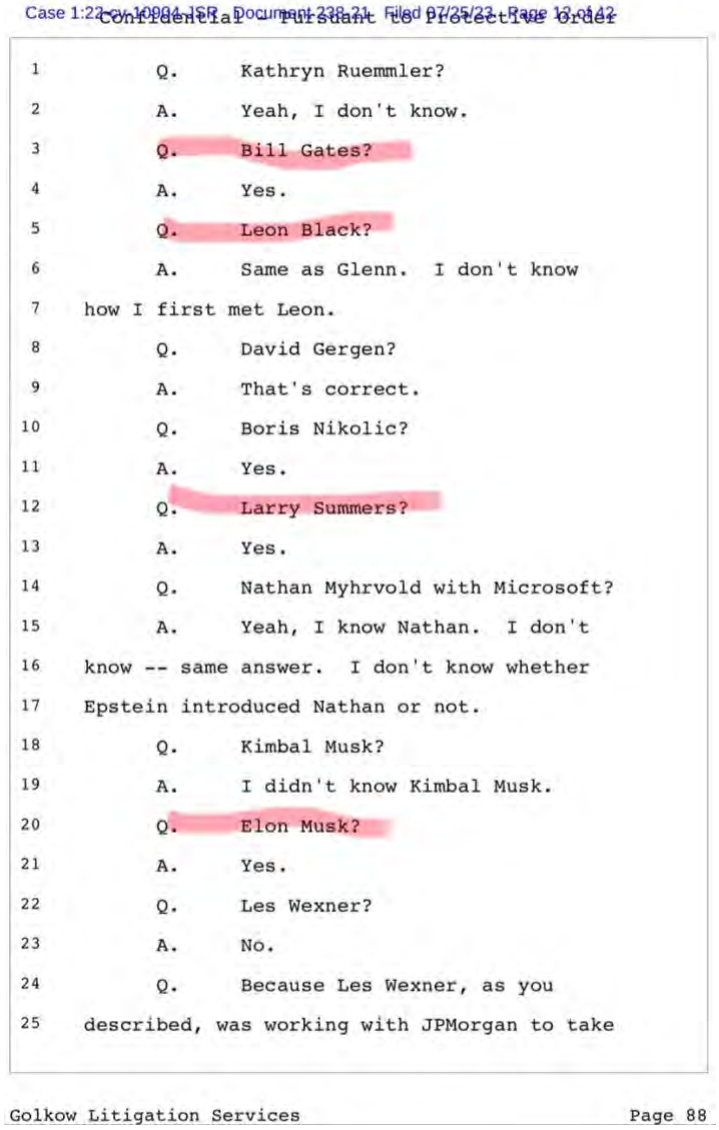
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  - *Source:* Department of Justice USVI v. JPMorgan Chase Bank, Case No. 1:22-cv-10904 (S.D.N.Y.), Monthly Ledger Statements.
- **Post-2008 Lehman Brothers Collapse:** Following the systemic fallout of the Lehman Brothers collapse, Martin Shkreli and his partner, Mark Biestek, co-found the hedge fund MSMB Capital Management.
  - *Source:* Martin Shkreli Interview with Vlad Lyubovny, Part 4.
- **2011 (The Orexigen Naked Short Campaign):** Shkreli and MSMB Capital Management execute a massive short position targeting 32 million shares of Orexigen Therapeutics at $2.50 per share.
  - **Mechanics of the Short:** MSMB initiates the trade after identifying that Orexigen's core weight-loss drug did not perform effectively in trials, prompting an FDA non-approval signal. Believing the company is completely terminal, Shkreli attempts to aggressively over-short the equity to test if the sheer volume of selling pressure will artificially force the stock price downward.
  - **The "Naked Short" / Bank Loophole:** Standard regulatory frameworks dictate that a short-seller must secure a "locate" (verify borrowable

shares) and officially borrow the stock before selling it. However, MSMB's prime brokerage bank operates under a relaxed relational allowance, advising Shkreli that as long as he obtains a locate "at some point," they do not require a pre-borrow. This omission effectively facilitates a naked short sale.
    - **The Broker-Dealer Loophole (The Renaissance Counterparty):** Despite MSMB's massive selling volume, Orexigen's stock price fails to drop because Renaissance Technologies aggressively buys up the entirety of Shkreli's short book. Shkreli highlights a critical institutional loophole: quantitative funds like Renaissance frequently maintain formal broker-dealer licenses. Because they operate as broker-dealers rather than standard hedge funds, they are legally exempt from pre-borrowing rules before shorting and are not mandated to publicly disclose when their ownership stake eclipses 5% of a company. (Orexigen would ultimately collapse into bankruptcy approximately one year later).
    - *Source:* Martin Shkreli Interview with Vlad Lyubovny, Part 4.
- **December 28, 2012:** AdFin Solutions, Inc. enters into a Series A Preferred Stock Purchase Agreement with purchasers David J. Mitchell and Jonathan Leitersdorf. Mitchell commits to an initial investment of 685,714 shares for $299,999.88, and Leitersdorf invests $1,499,999.81 for 3,428,571 shares, at a purchase price of $0.4375 per share.
    - *Source:* Department of Justice AdFin Solutions, Inc., Series A Preferred Stock Purchase Agreement, Schedule of Purchasers.
- **April 10, 2013:** AdFin Solutions, Inc. executes a subsequent closing of Series A Preferred Stock, raising $2,649,999.63 across 6,057,142 shares. Investors and their respective investments include:
    - Southern Trust Company, Inc. (Jeffrey Epstein): 1,142,857 shares for $499,999.94
    - David J. Mitchell: 457,143 shares for $200,000.06
    - Tom Glocer: 228,571 shares for $99,999.81
    - Richard Kirshenbaum: 114,286 shares for $50,000.13
    - *Source:* Department of Justice AdFin Solutions, Inc., Series A Preferred Stock Purchase Agreement, Exhibit A Ledger.

- **July 18, 2013:** Deposition documents Epstein leveraging private information regarding Bill Gates' personal meetings and associates (specifically Boris Nikolic) to force an ongoing financial advisory relationship.



Q. Kathryn Ruemmler?
A. Yeah, I don't know.
Q. Bill Gates?
A. Yes.
Q. Leon Black?
A. Same as Glenn. I don't know how I first met Leon.
Q. David Gergen?
A. That's correct.
Q. Boris Nikolic?
A. Yes.
Q. Larry Summers?
A. Yes.
Q. Nathan Myhrvold with Microsoft?
A. Yeah, I know Nathan. I don't know -- same answer. I don't know whether Epstein introduced Nathan or not.
Q. Kimbal Musk?
A. I didn't know Kimbal Musk.
Q. Elon Musk?
A. Yes.
Q. Les Wexner?
A. No.
Q. Because Les Wexner, as you described, was working with JPMorgan to take

  - *Source:* Government of the United States Virgin Islands *v.* JPMorgan Chase Bank, N.A.(1:22-cv-10904)

- **July 23, 2013:** AdFin Solutions, Inc. executes a final subsequent Series A Preferred Stock closing, issuing 7,940,935 shares for an aggregate amount of $3,474,158.50. Venture fund CVAFH I LLC (associated with Howard Lutnick's Cantor Fitzgerald) participates under specific custom purpose clauses. Investors and their investments include:
    - CVAFH I LLC: 800,000 shares for $350,000.00
    - David J. Mitchell: 285,714 shares for $124,999.87
    - Jonathan Leitersdorf: 285,714 shares for $124,999.87
    - Southern Trust Company, Inc. (Jeffrey Epstein): 285,714 shares for $124,999.87
    - Dani Ilani: 169,508 shares for $74,159.75
    - Gil Mandelzis: 57,142 shares for $24,999.63
    - *Source:* Department of Justice AdFin Solutions, Inc., Series A Preferred Stock Purchase Agreement, Closing Exhibits & Letter Agreements.



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Phase 2: Venture Capital & Crypto Banking Gateways (2014–2018)

- **December 1, 2014:** Brock Pierce (Co-Founder of Tether) contacts Epstein regarding Coinbase's ongoing $60 million Series C financing round, securing a dedicated investment allocation ahead of the round's finalization.

From: Brock Pierce <[redacted]>
To: Jeffrey Epstein <jeevacation@gmail.com>
Subject: Fwd: The Stephens brothers - Potential Series C Investors
Date: Mon, 01 Dec 2014 18:18:21 +0000
Attachments: 4855_001.pdf; Amended_and_Restated_Co-Sale_Agreement_(Series_B).pdf; Amended_and_Restated_Investor_Rights_Agreement_(Series_B).pdf; Amended_and_Restated_Voting_Agreement_(Series_B).pdf; Capitalization_Table.xls; Coinbase_Global_-_Amended_and_Restated_Certificate_of_Incorporation.pdf; Coinbase_Series_C.pdf; Series_B_Stock_Purchase_Agreement_(Series_B).pdf; Series_C_Term_Sheet.pdf

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Jeffrey,

The Coinbase Series C is going to be finalized this week. I have gotten us allocation if you're interested and able to move fast. Should be a $60M financing. The syndicate of investors in the round are DFJ Growth, a16z (Andreessen Horowitz), USV, Ribbit Capital and a few bank venture arms and traditional financial service players. Are you available to talk to the co-founder who is spearheading the financing today?

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  - *Source:* Department of Justice Estate of Jeffrey Epstein v. Coinbase, Inc., Ledger Logs and Electronic Mail Correspondence [Public Records / Delaware Chancery Court].
- **December 3, 2014:** Brock Pierce emails corporate and subscription documents to Epstein for "Crypto Currency Partners II, LLC" to systematically funnel private bank funds directly into the emerging crypto ecosystem.

From: Brock Pierce <[redacted]>
Sent: Wednesday, December 3, 2014 4:50 PM
To: Jeffrey Epstein
Subject: CCP LLC Docs
Attachments: Crypto Currency Partners II, LLC - Operating Agreement.pdf; Crypto Currency Partners II LLC Subscription Application.pdf

Jeffrey,

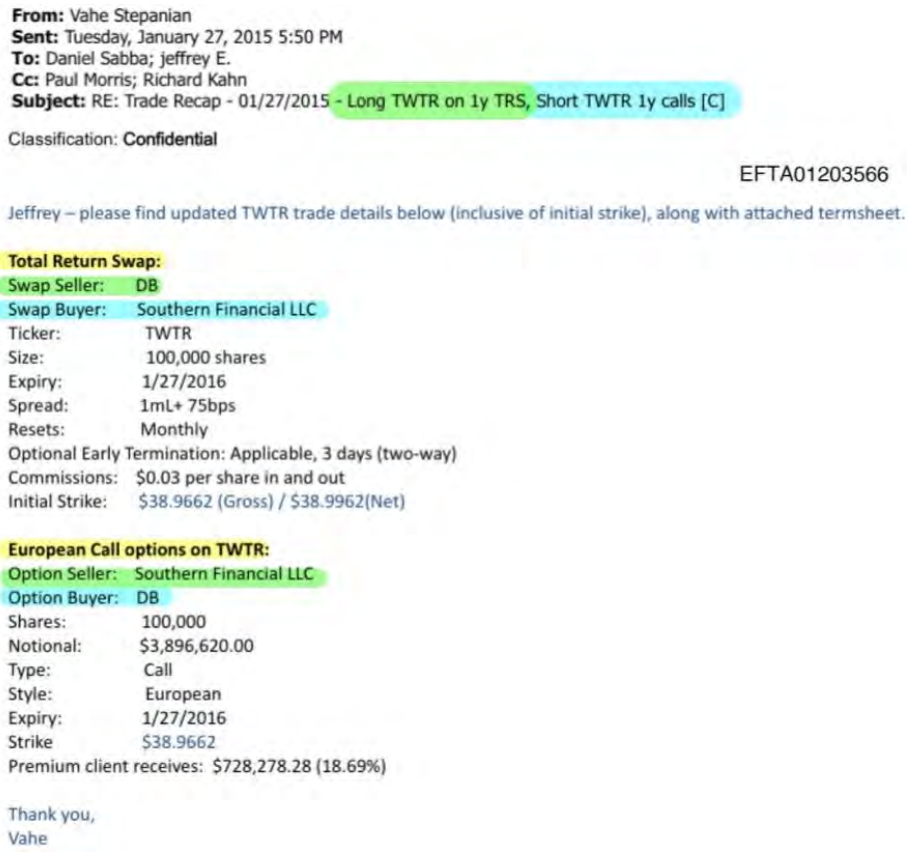
Attached are the docs I sent you for the LLC that w= intend to funnel your investments through. Please let me know if there ar= any issues with the structure and/or details. I'm available to chat a=y time.

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- *Source:* [Department of Justice In re Crypto Currency Partners II, LLC, Subscription Records [Public Disclosure Archive].]

- **January 27, 2015:** Wealth advisor Vahe Stepanian emails Epstein a banking trade recap showing heavy losses. Epstein's entity, Southern Financial, is long 100,000 Twitter (TWTR) shares on a Total Return Swap while being short TWTR calls; the strategy backfires as Twitter reports earnings and the stock drops 13.8%.



From: Vahe Stepanian
Sent: Tuesday, January 27, 2015 5:50 PM
To: Daniel Sabba; jeffrey E.
Cc: Paul Morris; Richard Kahn
Subject: RE: Trade Recap - 01/27/2015 - Long TWTR on 1y TRS, Short TWTR 1y calls [C]

Classification: **Confidential**

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Jeffrey – please find updated TWTR trade details below (inclusive of initial strike), along with attached termsheet.

Total Return Swap:

Swap Seller:	DB
Swap Buyer:	Southern Financial LLC
Ticker:	TWTR
Size:	100,000 shares
Expiry:	1/27/2016
Spread:	1mL+ 75bps
Resets:	Monthly

Optional Early Termination: Applicable, 3 days (two-way)

Commissions:	$0.03 per share in and out
Initial Strike:	$38.9662 (Gross) / $38.9962(Net)

European Call options on TWTR:

Option Seller:	Southern Financial LLC
Option Buyer:	DB
Shares:	100,000
Notional:	$3,896,620.00
Type:	Call
Style:	European
Expiry:	1/27/2016
Strike	$38.9662

Premium client receives: $728,278.28 (18.69%)

Thank you,
Vahe

  - *Source:* Department of Justice USVI v. JPMorgan Chase Bank, Case No. 1:22-cv-10904 (S.D.N.Y.), Brokerage Trade Recaps.

- **February 11, 2015:** Venture capital fund Valar Global Fund II LP (a Peter Thiel-linked entity) issues an official capital call notice to investor Southern Trust Company, Inc. (Jeffrey Epstein) requesting a contribution of $900,000.00. This represents 6% of an overall $15,000,000.00 total institutional commitment, bringing total contributions up to $1,050,000.00 and leaving an unfunded commitment balance of $13,950,000.00. The capital injection is directed to be wired by February 25, 2015, using Silicon Valley Bank as the processing bank repository.
    - *Source:* Department of Justice Valar Ventures, Valar Global Fund II LP Capital Call Records.
- **January 2015 – December 2016:** Epstein's Southern Trust Company systematically deploys capital across eight distinct capital calls into Peter Thiel's Valar Global Fund II & III LP ($150k on 1/21/15; $900k on 2/12/15; $2.7M on 3/20/15; $600k on 7/24/15; $1.95M on 9/24/15; $250k on 6/23/16; $1.25M on 8/18/16; and $3.75M on 12/12/16).

Asset Description	Mort Inc.	JEE	SFL Southern Trust	Grat IGO LLC	FT Real Estate
Investments			SFL		
Kyara I (repaid 100 cost + 201k profit)			0		
Kyara II (investment amount)			250,000		
Kyara III -> 483,915 repaid 8/5/2015			0		
Kyara IV (investment amount)			250,000		
Neoteny 3 (investment amount)			1,000,000		
Prytanee LLC (art partnership)			1,000,000		
Jawbone Investment (grat)	1,000,000				
AYH Marina (value per jee)		3,000,000	STC		
Seaford Avenue Capital - PB Investment - Auto Debt (total comm 2.6mm)			346,680		
Adfin Solutions (investment amount)			875,000		*butterfly trust*
Park Partners LLC - 320 East 82nd Street (investment amount)					3,480,000
Paid Contract to Purchase 2 Kean Court Livingston, NJ					3,000,000
Coinbase via Grat			STC	3,001,000	
Spotify via Honeycomb			1,000,000		
Reporty via Ergo Ltd (investment amount)			1,000,000		
Valar Global Fund II (amount funded vs 15mm committment)			14,250,000	(9/30/2017 stmt shows 3,055,395 unrealized gai	
Valar Global Fund III (amount funded vs 25mm committment)			17,250,000	(9/30/2017 stmt shows 4,327,247 unrealized gai	
Totals	1,000,000	3,000,000	37,221,680	3,001,000	6,480,000
Total Investments	50,702,680				

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EXHIBIT B: TRANSACTIONS INVOLVING HEDGE / INVESTMENT FUNDS

DATE	PAYER	RECIPIENT	AMOUNT	BATES #
5/2/2014	Southern Financial LLC	Boothbay Multi Strategy Fund LP	$10,000,000	DB-SDNY-0003845
5/14/2014	Southern Financial LLC	Barack Ferrazzano Kirschbaum and Nagelberg Client Fund[2]	$99,999	DB-SDNY-0003846
7/2/2014	Southern Financial LLC	Joichi Ito	$250,000	DB-SDNY-0003972
8/4/2014	Tudor Futures Fund	Southern Financial LLC	$12,826,541	DB-SDNY-0004032
8/8/2014	Tudor Futures Fund	Southern Financial LLC	$677,400	DB-SDNY-0004032
9/9/2014	Southern Financial LLC	Joichi Ito[3]	$500,001	DB-SDNY-0004084
1/21/2015	Southern Trust Company, Inc.	Valar Global Fund II LP	$150,000	DB-SDNY-0004346
2/12/2015	Southern Trust Company, Inc.	Valar Global Fund II LP	$900,000	DB-SDNY-0004412
3/12/2015	Southern Financial LLC	Joichi Ito[4]	$250,000	DB-SDNY-0004441
3/30/2015	Southern Trust Company, Inc.	Valar Global Fund II LP	$2,700,000	DB-SDNY-0004487
4/13/2015	Southern Financial LLC	Neoteny 3, LP	$1,000,000	DB-SDNY-0004518
6/30/2015	Southern Financial LLC	Boothbay Absolute Strategies Fund LP	$2,000,000	DB-SDNY-0004675
7/24/2015	Southern Trust Company, Inc.	Valar Global Fund II LP	$600,000	DB-SDNY-0004790
7/28/2015	Southern Financial LLC	Boothbay Absolute Strategies Fund LP	$7,000,000	DB-SDNY-0004745
8/5/2015	Joichi Ito	Southern Financial LLC	$483,915	DB-SDNY-0004815
9/24/2015	Southern Trust Company, Inc.	Valar Global Fund II LP	$1,950,000	DB-SDNY-0004924
9/28/2015	Southern Financial LLC	Boothbay Absolute Strategies Fund LP	$4,250,000	DB-SDNY-0004881
3/1/2016	Southern Financial LLC	Boothbay Absolute Strategies Fund LP	$10,000,000	DB-SDNY-0005280
3/31/2016	Southern Financial LLC	Boothbay Absolute Strategies Fund LLP	$5,000,000	DB-SDNY-0005281
5/31/2016	Southern Trust Company, Inc.	Honeycomb Partners LP	$20,000,000	DB-SDNY-0005457
6/23/2016	Southern Trust Company, Inc.	Valar Globaal Fund III LP	$250,000	DB-SDNY-0005526
8/18/2016	Southern Trust Company, Inc.	Valar Globaal Fund III LP	$1,250,000	DB-SDNY-0005667
12/2/2016	Kyara Investments I	Southern Financial LLC	$10,000	DB-SDNY-0005882
12/12/2016	Southern Trust Company, Inc.	Valar Globaal Fund III LP	$3,750,000	DB-SDNY-0005932

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EXHIBIT A: LEON BLACK / ROTHSCHILD GROUP TRANSACTIONS

DATE	PAYER	RECIPIENT	AMOUNT	BATES #
10/15/2013	Leon and Debra Black	Southern Trust Company, Inc.	$8,500,000	DB-SDNY-0002962
12/18/2013	Black Family Partners, LP c/o Apollo Management	Southern Trust Company, Inc.	$10,000,000	DB-SDNY-0003484
4/25/2014	Leon and Debra Black	Southern Trust Company, Inc.	$5,000,000	DB-SDNY-0003819
4/25/2014	Black Family Partners, LP c/o Apollo Management	Southern Trust Company, Inc.	$5,000,000	DB-SDNY-0003819
4/29/2014	Leon and Debra Black	Southern Trust Company, Inc.	$15,000,000	DB-SDNY-0003819
7/15/2014	Narrow Holdings LLC c/o Elysium Management	Southern Trust Company, Inc.	$20,000,000	DB-SDNY-0004009
10/16/2014	Leon and Debra Black	Southern Trust Company, Inc.	$7,000,000	DB-SDNY-0004172
10/16/2014	Black Family Partners, LP c/o Apollo Management	Southern Trust Company, Inc.	$13,000,000	DB-SDNY-0004172
10/22/2014	Leon and Debra Black c/o Apollo Management	Southern Trust Company, Inc.	$2,000,000	DB-SDNY-0004173
10/22/2014	Black Family Partners, LP c/o Apollo Management	Southern Trust Company, Inc.	$3,000,000	DB-SDNY-0004173
10/13/2015	Leon and Debra Black c/o Apollo Management	Southern Trust Company, Inc.	$5,000,000	DB-SDNY-0004990
10/13/2015	Black Family Partners, LP c/o Apollo Management	Southern Trust Company, Inc.	$5,000,000	DB-SDNY-0004990
10/14/2015	BV70 LLC	Gratitude America, Ltd.	$10,000,000	DB-SDNY-0004999
12/17/2015	Edmond de Rothschild (Suisse) SA Geneva, Switzerland	Southern Trust Company, Inc.	$10,000,000	DB-SDNY-0005122

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BLOCKCHAIN CAPITAL, LLC

CCP II, LP

OCTOBER 2015

BLOCKCHAIN CAPITAL

ONE FERRY BUILDING, SUITE 255 SAN FRANCISCO, CA 94111 investor@blockchain.capital

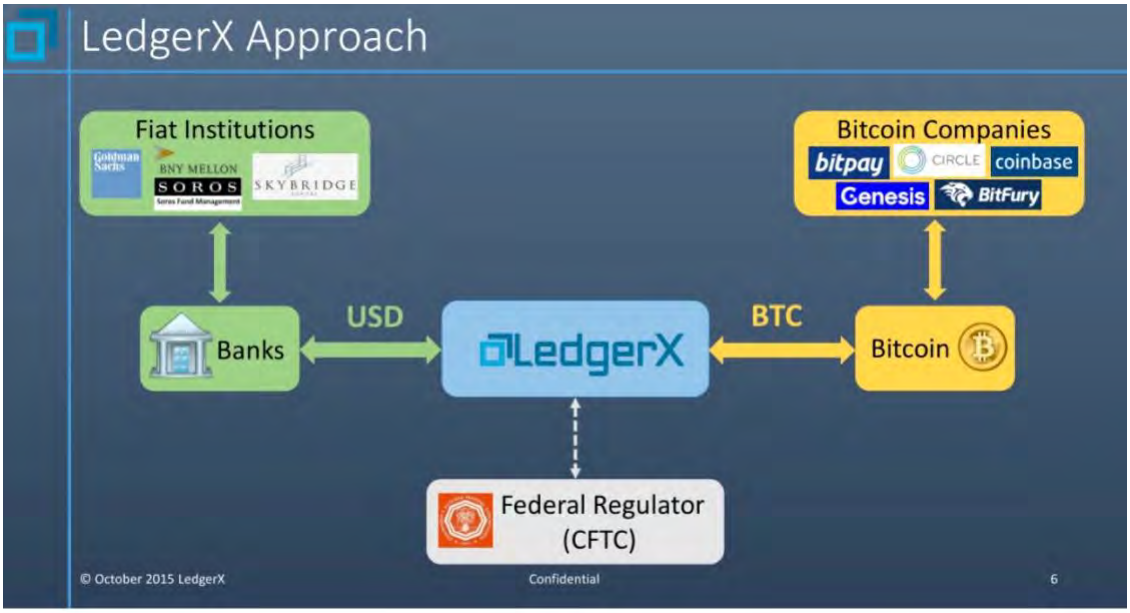
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CRYPTO CURRENCY PARTNERS II, LP

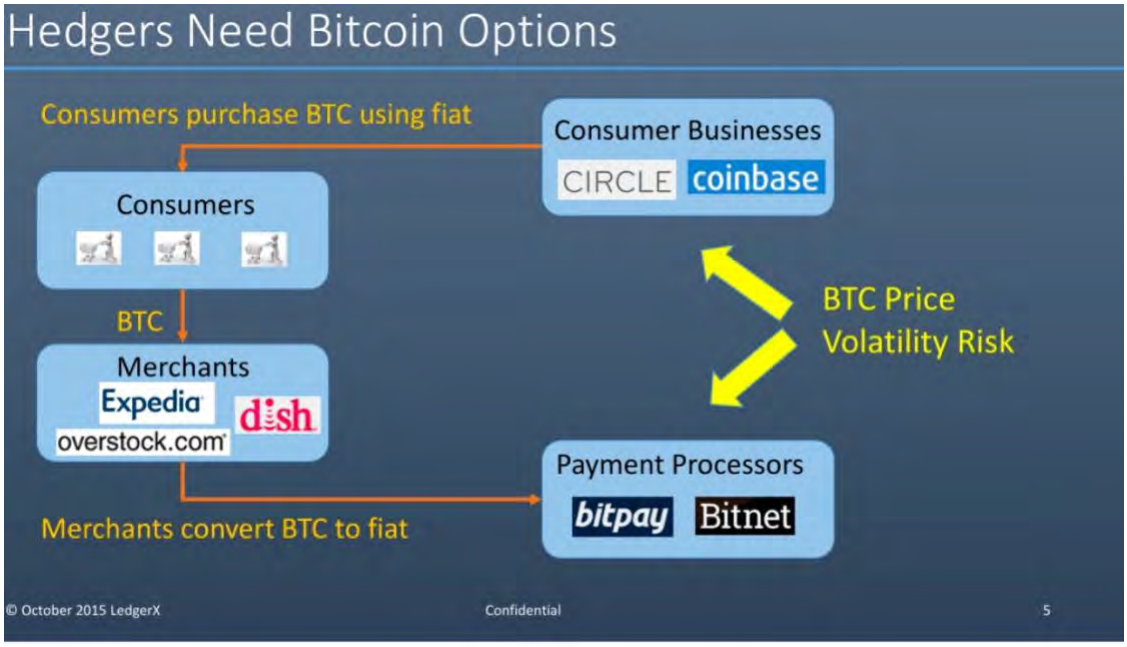
ABRA, BITACCESS, BitGo, Bitnet, BitPesa, Blockstream, BOOAFIDE, chain, ChangeTip, coinbase, coinsetter, expresscoin, itBit, kraken, Gem, GOCOIN, LedgerX, PEERNOVA, ripple

Current portfolio - both contributed and new investments

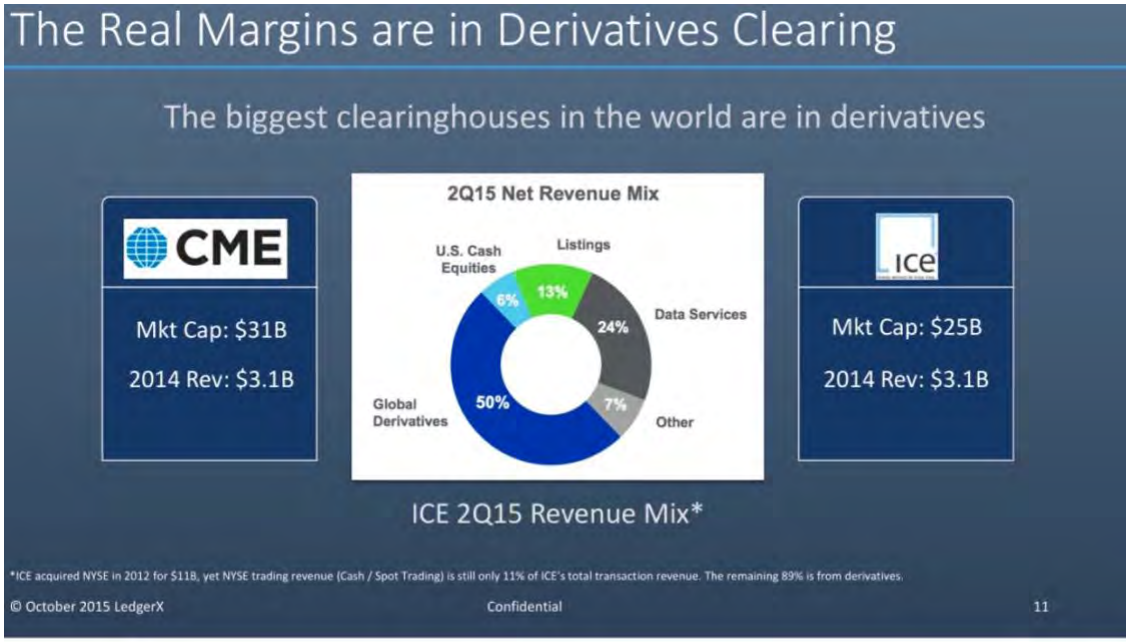
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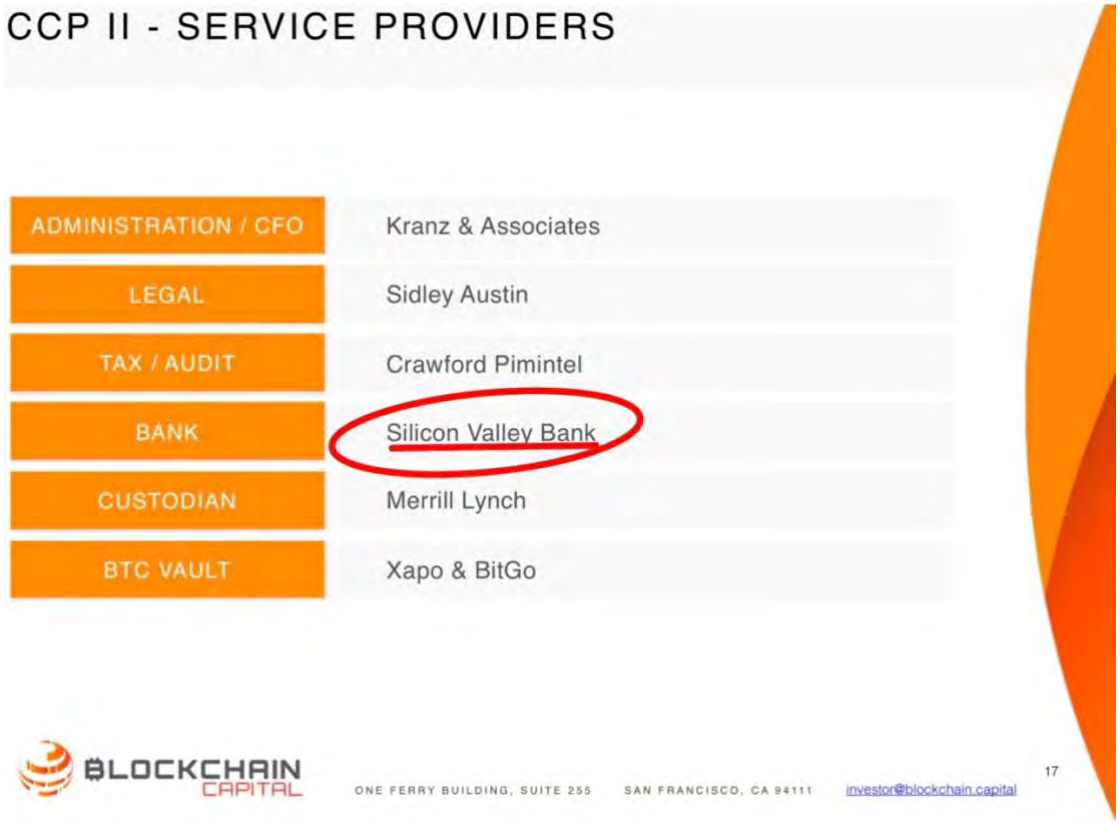
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- *Source:* [Department of Justice Southern Trust Company LLC, Case No. ST-2020-CV-00003, Financial Wire Transfer Schedules [Public Records].]
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